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City of Westminster

Committee Agenda

Title:	**Cabinet**
Meeting Date:	**Thursday 17th February, 2022**
Time:	**5.00 pm**
Venue:	**Rooms 18.01 - 18.03 - 18th Floor, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:**

Rachael Robathan (Chairman)
Heather Acton
Timothy Barnes
Matthew Green
David Harvey
Tim Mitchell
James Spencer
Paul Swaddle

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

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Email: dbonfanti@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)

Stuart Love
Chief Executive
9 February 2022

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CITY OF WESTMINSTER

MINUTES

Cabinet: 13 December

MINUTES OF PROCEEDINGS

Minutes of a meeting of the Cabinet held on Monday 13 December 2021

Members Present: Councillors Rachael Robathan (Chairwoman), Heather Acton, Timothy Barnes, , Matthew Green, David Harvey, Tim Mitchell, James Spencer, Paul Swaddle, OBE

1. MEMBERSHIP

2. DECLARATIONS OF INTEREST

2.1 There were no Declarations of Interest.

3. MINUTES

3.1 **RESOLVED:** The Leader, with the consent of the Members present, signed the minutes of the meeting held on 20 September 2021 as a true and correct record of the proceedings.

4. ANNUAL REPORT OF THE SAFEGUARDING OF ADULTS EXECUTIVE BOARD ("The Board")

4.1 Councillor Mitchell introduced the report, emphasising that its findings covered the period from April 2020 to March 2021 during which time public services, residents and their families were hugely impacted by the COVID pandemic.

4.2 The report highlighted the importance and effectiveness of partnership working and the critical role it played in tackling the pandemic. The report praised the level of commitment partners showed to working together to protect and keep resident's safe.

4.3 Cabinet heard from Aileen Buckton, the Independent Chairwoman of the Board, who noted that their continued as normal during the period of the report but in a different way. Aileen emphasised the role of partners who had adapted to different ways of working online to ensure that user groups continued to feel supported throughout the pandemic.

4.4 Councillor Acton thanked Aileen and all those that contributed to the report for their commitment to making it accessible and understandable to all.

4.5 Councillor Robathan noted that the work of the Board was critical and that the role of safeguarding in our communities was more vital now than ever, therefore it is reassuring that strong safeguarding procedures in place.

4.6 **Resolved:** That the findings of the Board are noted. Councillor Robathan directed that thanks be placed on record to Aileen for the hard and excellent work that she does as Chairwoman and to all those that support the Board**.**

5. CHURCH STREET REGENERATION (SITE A) – "IN PRINCIPAL" COMPULSORY PURCHASE ORDER (CPO) RESOLUTION

5.1 Councillor Acton introduced this report, emphasising that the Church Street Regeneration scheme is critical to the Council's drive to address the shortage of affordable housing in the city, delivering 2000 new homes, community spaces and other major benefits. Councillor Acton made clear that any CPO in place would be used only as a last resort and that the focus would remain on working with businesses and residents to acquire the necessary land and buildings on mutually agreeable terms.

5.2 The report outlines that where the use of compulsory purchase powers are invoked a further detailed report and the proposed Statement of Reasons would come forward to Members setting out the justification for the making of the CPO in question.

5.3 Councillor Harvey asked how the Council would support those with an emotional attachment to their home to move without invoking the use of compulsory purchase powers. Councillor Acton assured him that extensive support was in place to help residents, with a dedicated team of officers embedded within the local community to better align opportunities with individual needs.

5.4 Councillor Green noted that the decant of some residents had begun and that there were several families already scheduled to move to new homes nearby on the West End Green site in his ward. Councillor Green noted that the new homes were of a high standard, including accommodation that was dementia friendly.

5.5 Councillor Robathan reiterated that the regeneration of Church Street is a hugely important scheme for residents but that the use of any compulsory purchase powers must only be as a last resort when all other efforts to reach an agreement had been exhausted.

5.6 Prior to voting Councillor Robathan asked Hazel Best, the Council's legal representative, to confirm that Councillor Green was able to participate in voting on this item given his role as Cabinet Member for Planning. Hazel confirmed that there was no conflict as no live planning application.

5.7 **RESOLVED:** Cabinet agreed that 'in principle' use of compulsory purchase powers be made available to assemble the land required for the redevelopment of Site A should all reasonable attempts to acquire the necessary land and interests fail.

6. EBURY BRIDGE REGENERATION COMPULORY PURCHASE ORDER RESOLUTION

6.1 Councillor Acton introduced this report by explaining that Ebury Bridge Estate is one of five priority housing estates identified in the Westminster Housing Renewal Strategy 2010 as requiring significant investment.

6.2 "In principle" approval to use the Council's statutory compulsory purchase powers to assemble the Ebury Bridge Estate Renewal scheme site for phases beyond the first phase was agreed by Cabinet in July 2020. This report asks Cabinet to approve the making of a compulsory purchase order of land and property required for the redevelopment of the Ebury Bridge Estate Renewal scheme beyond the first phase, whilst continuing to negotiate and complete acquisitions of legal interests, on the basis of the statutory Compulsory Purchase Compensation Code.

6.3 Councillor Acton went on to explain that in the initial phase, no compulsory purchase orders had to be made and that it would remain the focus in subsequent phases to achieve vacant possession in the same way. Compulsory purchase powers will only be used as a measure of last resort.

6.4 Councillor Acton told Cabinet that 92 households had already moved on a voluntary basis and that more moves are currently under negotiation.

6.5 Debbie Jackson, Executive Director of Growth, Planning and Housing explained that the Church Street Recommendation is “in principal” because there is no planning approval yet in place. However, Ebury is a full recommendation as planning permission has already been granted.

6.6 Councillor Robathan enquired about the scale of resource given that the emphasis is on negotiating and reaching agreements with individual households and not on invoking compulsory purchase powers.

6.7 Cabinet was told that there is a dedicated officer, supported by external advisors, working on resident negotiations; the officer is dedicated to working with families to achieve mutually agreeable results.

6.8 Councillor Robathan asked whether there was sufficient capacity in the south of the city to allow residents to remain in the area and was assured that where possible officers would place households within Westminster’s existing estates.

6.9 **Resolved:** Cabinet agree to the making of a compulsory purchase order of land and property required for the redevelopment of the Ebury Bridge Estate Renewal scheme beyond the first phase, whilst continuing to negotiate and complete acquisitions of legal interests, on the basis of the statutory Compulsory Purchase Compensation Code.

7. RESPONSIBLE PROCURMENT AND COMISSIONING STRATEGY

7.1 This report was deferred and will be heard at a future meeting of Cabinet.

8. COUNCIL TAX TAXBASE AND DISCOUNTS REPORT

8.1 Councillor Swaddle introduced this report which sought Cabinet’s support to recommend that Council approve the retention of the same level of Council Tax discounts in 2022/23 as were set in 2021/22.

8.2 The tax base for 2022/23 has increased by 0.9% due to the growth of residential properties in the city, this is slightly less than expected but is due to the ongoing effects of the COVID pandemic.

8.3 The Council Tax Base is calculated in accordance with a nationally prescribed formula and represents the equivalent number of Band D properties within the area. The formula takes account of the number of properties in each band, the number of discounts given for single occupiers, empty dwellings, second homes and other eligible criteria, the prescribed proportions to convert numbers to Band D equivalents, and the estimated collection rate.

8.4 Councillor Swaddle assured Cabinet that the Council has continued to fund discounts to the fullest and that those properties recently affected by flooding have had their council tax suspended.

8.5 Councillor Robathan reiterated the importance of those exemptions remaining in place in order to protect the lowest income families.

8.6 **RESOLVED:** Cabinet agree that the Council approve all recommendations listed in the Council Tax Taxbase and Discounts Report for the financial year 2022/23.

9. CAPITAL BUDGET REPROFILING AND BUDGET CHANGES

9.1 Councillor Swaddle introduced this budget report and explained that as part of the Council's annual capital budget cycle, the capital budgets are reprofiled to align with project delivery timeframes and baselines in preparation for setting the following year's capital strategy.

9.2 The report seeks Cabinet's approval of net changes amounting to £17.148m for individual projects as part of the 2021/22 general fund capital budget as well as the re-profiling of £31.858m for individual projects as part of the 2021/22 HRA capital budget.

9.3 Councillor Barnes sought assurance that no projects were at risk of having funding dropped and it was explained that there would be minor delays only.

9.4 **Resolved:** Cabinet agree to approve net changes of £17.148m for individual projects as part of the 2021/22 general fund capital budget and the re-profiling of £31.858m for individual projects as part of the 2021/22 HRA capital budget

10. FEES AND CHARGES

10.1 Councillor Swaddle introduced this report and explained that the Council's discretionary fees and charges are reviewed annually as part of the Council's wider budget setting processes. The review this year has focused on ensuring that charges are increased in line with inflation and income received continues to cover the cost of delivering fee paying services.

10.2 In a small number of exceptions, a different approach is proposed whereby charges either remain the same or increase above inflation and where parking legislation provides a different rationale. The reasons for these exceptions are covered within the main report.

10.3 **Resolved:** Cabinet agree the changes to fees and charges as outlined in the report, agree that authority be delegated to the to the Executive Director for Finance and Resources, in consultation with the relevant cabinet member, to approve any changes required in light of consultation feedback and agree the Fees and Charges Policy.

City of Westminster **Cabinet Report**

Decision Maker:	Full Cabinet/Council
Date:	17 February 2022
Classification:	General Release
Title:	Pay Policy 2022-23
Wards Affected:	All
Key Decision:	Approve the Pay Policy 2022-23
Financial Summary:	No financial implications outside of projected budget
Report of:	Lee Witham

1. Executive Summary

To advise of the publication of the Council's annual Pay Policy for 2022-23 which needs to be approved by Cabinet on 17th February 2022 and by full Council on 2nd March 2022, before publication.

2. Recommendations

That Cabinet review and recommends the Pay Policy for 2022-23. This report appends the proposed Pay Policy for 2022-23. All pay data in the Pay Policy will use the snapshot date of 31st March 2021.

3. Reasons for Decision

The Council is required to publish its Pay Policy by 31st March every year.

The Pay Policy brings together all the Council's existing policies on pay and must include details in relation to: all aspects of Chief Officer's remuneration, increases and additions to remuneration, bonuses, termination payments and remuneration on recruitment.

It must also include information about the relationship between the remuneration of the Chief Executive and the median salary of all employees (the "pay multiple").
Should there be any Government reforms to public sector exit payments in 2022-23 the Pay Policy for 2022-23 will be amended as required.

4. Financial Implications

None

5. Legal Implications

The Local Authority must prepare a pay policy for each financial year which sets out the information required in s38(2)-(5) Localism Act 2011.

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

Lee Witham, Director of People Services

lwitham1@westminster.gov.uk

APPENDICES:

Pay Policy 2022-23

Westminster City Council
Pay Policy 2022- 2023

Introduction

Westminster City Council's (the Council) Pay Policy is published in line with the Localism Act 2011, Section 38 (1) which requires all Local Authorities in England and Wales to publish their Pay Policy annually, at the start of each financial year.

The Council's Pay Policy is presented to full Council for approval on 2nd March 2022. It brings together the Council's approach to pay and remuneration[1] which was approved by Cabinet on 27th August 2008 and is detailed in various Council policies. It is published on the Council's website.

We are committed to diversity and inclusion, celebrating and recognising the contribution of all our people in a fair and transparent way and we will comply with all relevant employment legislation related to pay and remuneration. This includes but is not limited to the Equality Act (2010) and the Part-time Workers (Prevention of Less Favourable Treatment) Regulations (2000).

The Council publishes salaries of Chief Officers and senior staff earning over £68,346 (FTE) and above on the Council's website in line with Local Government Transparency Code 2015.

Under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, mandatory gender pay reporting is required of all employers with over 250 employees from March 2018. The gender pay gap is a measure of the difference between men's and women's average earnings across the organisation. It is expressed as a % of men's earnings.

The gender pay gap data for Westminster City Council as at 31st March 2021 shows a mean gender pay gap of 10.1% and a median gender pay gap of 11.8%. The Council also publishes detail of its ethnicity pay gaps, showing the difference between Black, Asian and Multiple Ethnic (BAME) and White employees pay as a percentage of White employees' pay. For 2021 there is a mean BAME pay gap of 12.9% and a median BAME pay gap of 11.8%.

Background

The Council implemented a Broad Band pay structure in 2008, the purpose of which is to provide one simplified pay structure from the top to the bottom of the organisation. The pay structure focuses on rewarding added value and supporting business aims. It does not reward time served in post i.e. there is no guaranteed incremental progression. All progression is based on exceeding performance targets.

Notes
[1] Excluding some employees in Schools, JNC Youth Workers, Public Health and City West Homes staff that TUPE transferred into the Council and Soulbury staff.

The Broad Band pay structure provides clarity and transparency on the levels within the organisation and applies to all staff employed by the Council with the exception of: schools support staff (except where the governing body has adopted the broad band structure), JNC Youth Workers, Public Health and former City West Homes staff who TUPE transferred into the Council and Soulbury staff.

The Council recognises the need to attract, recruit and retain the best staff in highly skilled or specialist work areas, where posts are hard to fill. It is accepted that our central London location and the occasional limited availability of quality personnel in certain professions, means that in exceptional circumstances it is difficult to recruit to key posts on the salary for the grade of the post. Where there is a genuine requirement, a Market Based Salary Supplement reflecting the difference between WCC salary and market pay rates is paid as a time bound and non-contractual addition to salary.

The Broad Band Pay Structure

There is one Broad Band pay structure from the top to the bottom of the organisation. There are 7 Broad Bands with 7 pay steps in each band. Band 1 is the lowest and Band 7 is the highest. The band of a post is determined through job evaluation.

The pay levels in the Broad Bands are generally reviewed annually in line with the National Joint Council for Local Government Services (NJC) and the Greater London Provincial Council (GLPC).

Definition of Chief Officer

The term "Chief Officer" for the purposes of this Pay Policy includes the following positions:

- The Chief Executive
- All Executive Leadership Team (ELT) Directors*
- All Directors / Deputy Director, Heads of Services

*all of whom meet the definition of either Statutory or Non-Statutory Chief Officers or Deputy Chief Officers as specified under Part 1, Section 2 (para's 6-8) of the Local Government and Housing Act 1989, (LGHA) e.g.

"Non-Statutory Chief Officer" means,
(a) a person for whom the head of the authority's paid service is directly responsible;
(b) a person who, as respects all or most of the duties of their post, is required to report directly or is directly accountable to the head of the authority's paid service; and
(c) any person who, as respects all or most of the duties of their post, is required to report directly or is directly accountable to the local authority themselves or any committee or sub-committee of the authority.

“Deputy Chief Officer” means, subject to the following provisions of this Section, a person who, as respects all or most of the duties of their post, is required to report directly to one or more of the statutory or non-statutory Chief Officers.

For the purposes of this Pay Policy only, managers below Deputy Director and Head of Service levels, who as a result of changes in the structure, now report to a Chief Officer as defined above are not classified as Deputy Chief Officers.

Pay accountability

Salary packages on appointment which exceed £100,000

All posts, including those which exceed a salary package[2] of £100,000, are appointed within a pay band and structure where the principles of reward and remuneration have been previously agreed by full Council. Therefore any new appointments are not subject to full Council consideration.

Severance payments which exceed £100,000

Employees are contractually entitled to be paid in line with the Council’s Redundancy Compensation policy if they are made redundant. If a proposed severance payment exceeds more than £100,000 (excluding the capital cost of pension entitlement) and this is higher than the employee’s contractual entitlement, which includes accrued and untaken holiday, then the approval of full Council will be sought before an offer is made to the employee.

Chief Officer Remuneration

Chief Executive (Head of Paid Service)

The Chief Executive was paid a spot salary of £217,545 per annum as at 31st March 2021.

The Chief Executive undertakes the role of Returning Officer. A Returning Officer **may** recover their charges for services and expenses provided they were necessarily rendered or incurred for the efficient and effective conduct of the election and the total does not exceed the overall maximum recoverable amount specified by the Secretary of State in an order.

Posts which exceed a salary package of £100,000

- Executive Directors (Executive Leadership Team) are paid at Band 7[3] and Directors are paid at Band 6. The basic salary range for Band 6 is £104,685 - £144,582 and for Band 7 is £148,065 - £204,273.

Notes

[2] Including basic salary and professional fees, PHI and lease car contributions where applicable but excluding pension contributions in accordance with the Local Government Pension Scheme regulations.

[3] Broad Band salary figures in the document are as at 1st April 2021 unless otherwise stated.

Heads of Services are paid at Band 5. The basic salary range for Band 5 is £68,346 - £95,916.

Benefits

All Chief Officers are entitled to the following benefits:

- Private Health Insurance.
- Reimbursement of the payment of one professional membership fee relevant to the proper performance of duties (available to all staff).

In addition Chef Officers appointed before 30 November 2011 are eligible for up to £234 per month contribution to contract car hire (this scheme is not available for any Chief Officer appointment made after 1st December 2011).

There is no cash alternative to the above benefits.

Rewarding your contribution

This scheme enables leaders to acknowledge exceptional contribution with a one off reward that can be made at any time and, for best effect, as close to the event as possible.

Employees are eligible for one payment per year only.

All employees, including Chief Officers, can be awarded a Rewarding Your Contribution fixed payment of either £1,000 or £2,000, paid in a lump sum.

Amounts should not be linked to the individual's salary band or step. Therefore, it is expected that employees at all bands could be awarded either sum as appropriate in each individual case.

Additional Allowances

All Chief Officers are expected to work such hours as are required for the efficient performance of their duties. There are no other additional elements of remuneration in respect of overtime or premium payments (e.g. bank holiday working, stand by arrangements etc). There are no additional allowances in respect of the roles of:

- Monitoring Officer
- Section 151 Officer

General Remuneration Principles Applying to Remuneration of Chief Officers and Employees

Recruitment

On recruitment individuals will be placed on the appropriate step salary within the evaluated grade for the job. In order to recruit high quality staff a relocation package may be offered where necessary and where this would be considered cost effective. When recruiting and appointing to a Chief Officer post, the starting salary offered must ideally be within the target salary and should only exceed this in exceptional cases where the Executive Director or Chief Executive has authorised this. Where an interim is required to cover a Chief Officer role, a Temporary Agency Contractor may be engaged in line with the requirements of the Council's Procurement and Contracts Code, rather than the use of a Contract for Services.

Broad Band Pay Progression

There is no automatic time served incremental progression. All progression is based on performance and increased contribution. Any pay progression cannot exceed the maximum of the relevant band.

Termination of Employment

On termination of employment with the Council, the Council's policy applies to all Chief Officers. Individuals will only receive compensation:

- where appropriate and relevant (e.g. redundancy compensation)
- in line with the Council's Redundancy and Redundancy Compensation Policy
- which complies with the specific terms of a settlement agreement, which will take into account the Council's contractual and legal obligations, the need to manage an exit effectively, risks to the Council and the commercial business case.

Redundancy Compensation

Statutory Redundancy Pay (SRP)

Statutory redundancy entitlement is payable if an employee has 2 years' service with an employer. It is calculated as follows:

For each complete year of service (subject to a 20-year maximum) depending on age:

• Service accrued up to age 21: a half week's pay
• Service accrued between age 22 to 40: one week's pay
• Service accrued at age 41 and over: one and a half week's pay

There is a cap on the maximum weeks' pay used and the current amount can be found here.

Initial Compensation Payment (ICP)

ICP is the discretionary redundancy compensation payment the Council makes to employees whose employment is terminated due to redundancy or in the efficiencies of the service who have at least 2 year's continuous service with the Council on their last day of service. It includes and is usually more than SRP. ICP will only be paid to an employee if they do not exercise their entitlement, if over 55, to have a payment made into their pension fund for the waiving of reductions.

ICP will be payable subject to statutory limits of 66 weeks pay maximum and based on no more than annual equivalent pay of £80,000 and will always be equal to or more than the SRP.

ICP is calculated as follows:
(A) completed years of continuous local government service
(B) weeks pay (actual but excluding overtime and honorariums)
(C) multiplying factor of 1.5
(A) × (B) × (C) = ICP

The statutory maximum weeks' pay (which can be found here), is used where this is higher than actual weekly pay for full time staff (it is pro rata for part time staff).

Re-employment

The decision to re-employ a previous employee, who has been made redundant by the Council (and on termination of employment received a redundancy compensation payment), will be made on merit.

The Council will not engage such an individual under a Contract for Services.

Remuneration of the Lowest Paid Employees

The Council's definition of the lowest paid employee excludes staff based outside London. Employees on Band 1 Step 1 are defined as the Council's lowest paid employees. The full time equivalent annual basic salary of this Step in 2020-21 was £22,608. The Chief Executive's total pay (as at 1st April 2021) was £217,545, which was 9.6 times the lowest salary.

London Living Wage

In November 2021 the London Living Wage has increased to £11.05. The council's minimum full time equivalent hourly rate of pay to its employees (excluding apprentices) as of 1st April 2021 was £12.04, which exceeds the current LLW.

All London based apprentices are now paid the London Living Wage, whilst those based outside London are paid at a level above the National Living Wage for their age.

Pay Multiple

The Local Government Transparency Code (2015), states that local authorities should publish their pay multiple. This is defined as the ratio between the highest paid salary and the median salary of the workforce.

The Council's pay multiple (using total pay[4]) as at 31st March 2021 was 5.3 i.e. the Chief Executive at 31st March 2021 (£217,545) earned 5.3 times more than the Council's median full time equivalent total salary of £40,837.

Notes

[4] Total pay is the sum of full time equivalent basic salary plus actual amounts received for the reimbursement of professional fees, market based salary supplements, honorariums and shift allowances where claimed up to 31st March 2021. Pension contributions are excluded. Total pay for senior management and the Chief Executive also includes, car lease contributions and the value of Private Health Insurance premiums where taken. All payments have been made in line with Council policy and were pro-rated if applicable.

The Pay Policy for 2022-2023 will be amended in response to any Government reforms to public sector exit payments as soon as these come into force.

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City of Westminster

Cabinet

Decision Maker:	**Cabinet**
Date:	**17 February 2022**
Classification:	**General release**
Title:	**Business and Financial Planning 2022/23 to 2024/25**
Wards Affected:	**All**
Key Decision:	**Key Decision**
Financial Summary:	**This report sets out the Council's medium-term plan for the next three years and proposes a budget for the 2022/23 financial year**
Report of:	**Gerald Almeroth, Executive Director – Finance and Resources**

1. Executive Summary

1.1. This report brings together the Council's business and financial planning and looks forward over the next three years to set out how it will meet the Council's key objectives under the City for All strategy, supported by a medium-term financial plan. Cabinet is asked to consider the report and recommend its adoption to Full Council on 2 March 2022.

1.2. The update of the City for All strategy and financial plans are set in the context of it being the final budget of the current four-year administration. The last two years have seen significant challenges for the Council and its resident and business communities through the pandemic.

1.3. These challenges and uncertainties are set to continue at both a national and local level so it is important to recognise that planning for the medium term will be subject to change. The ability to be flexible and identify and manage risks early on will be essential in the delivery of the Council's objectives.

1.4. In October 2021 the Government set out its spending plans for the next three years in the Spending Review 2021. This was followed by the Local Government Finance Settlement in December, which was for one year only. The settlement represents a 6.9% increase in Core Spending Power for local government, but this assumes that councils increase council tax by 3% (including the adult social care precept). The increase in funding is welcome, particularly the funding that has been made available for social care and the (new) services grant, however this doesn't cover all the income shortfalls from reduced economic activity in the city.

1.5. This report proposes a balanced budget for 2022/23. Recognising the inflationary pressures that residents are under, Members propose that the budget includes a freeze in the general element of council tax and an increase of 1% for the Adult Social Care precept element. At Band D this will result in an annual increase of £4.64 or an equivalent weekly amount of 9p per week. The total Westminster element of council tax will therefore rise from £463.90 to £468.54 at Band D.

1.6. The recommended General Fund budget of £184.861m is a net increase of £2.102m against last year. In broad terms this includes service specific changes of £9.9m (inclusive of £16.7m of new savings and £6.8m of service pressures), offset by other government funding of £5.1m and other changes and variations of £5.4m. The balance is funded from the increase in the social care precept of council tax of £0.6m.

2. Recommendations

2.1. That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 2 March 2022:

Council Tax

1 that the council tax for a Band D property be agreed at £468.54 for 2022/23, an increase of £4.64 (1%) for the social care precept and a freeze in the council tax for general purposes;

2 that, subject to the consideration of the previous recommendation, the council tax for the City of Westminster, excluding the Montpelier Square area and Queen's Park Community Council, for the year ending 31 March 2023, be as specified in the Council Tax Resolution in Appendix 5.

3 That the Precepts and Special Expenses be as also specified in Appendix 5 for properties in Montpelier Square and the Queen's Park Community Council;

4 that the formal resolution for 2022/23 attached at Appendix 5 including the council tax requirement of £63.279m be agreed;

5 note the proposed Greater London Authority precept (Band D) of £395.59, an increase of £31.93 (8.8%) in the adjusted Band D Precept;

6 that the Council continues the Westminster Community Contribution scheme to allow the most expensive properties in the City to voluntarily contribute towards supporting discretionary services that support the three priorities of youth services, helping rough sleepers off the streets and supporting people who are lonely and isolated;

Revenue Budget

7 to note the views of the Scrutiny Budget Task Group set out in Appendix 7;

8 that the proposed General Fund net budget requirement of £184.861m summarised in Appendix 4.

9 that the savings and investment proposals for 2022/23 to 2024/25 set out in Appendix 1, 2 and 3 are approved;

10 that the Equality Impact Assessments included in Appendix 6 are noted to inform the consideration of the budget;

11 note the Housing Revenue Account (HRA) Business Plan 2022/23 and 30-Year Housing Investment Plan presented concurrently to Cabinet on 15 February 2021 that recommends the HRA budget and rent levels for 2022/23;

Capital Programme

12 note the Capital Strategy 2022/23 to 2026/27, forecast position for 2021/22 and future years' forecasts summarised up to 2035/36 report also presented to Cabinet on 17 February 2022 that recommends the Council's capital programme and financing;

Reserves, Balances and Budget Estimates

13 agree the reserves policy as set out in section 10;

14 note the opinion of the Section 151 Officer with regards to the robustness of the budget process, the estimates underpinning the budget and the adequacy of the reserves in section 10;

Treasury Management and Investment Framework

15 note the Treasury Management Strategy for 2022/23 including the annual investment strategy, borrowing limits and prudential indicators summarised in this report and set out detail in a concurrent report on this agenda;

16 note the 2022/23 Integrated Investment Framework report also concurrently on this agenda, which sets out the policies and framework for future investment decisions for the Council.

3. Reasons for Decision

3.1. The preparation of the budget is the final stage of the annual business planning cycle leading to the approval of the Council Tax for the forthcoming financial year. There is a statutory requirement to set a balanced budget and submit a budget return to central government. Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.

4. Economic Outlook and Public Sector Finances

Macro-Economic Impact

4.1. After an extremely challenging year for the economy, 2021 saw the rapid roll-out of the covid vaccination programme and the subsequent relaxation of restrictions on economic and social activity in July.

4.2. This has meant that at a national level there has been a strong economic recovery, culminating in GDP reaching pre-pandemic (February 2020) levels for the first time in November (by 0.7%)[1]. This has improved the Government's short-term fiscal position, with official forecasts suggesting that borrowing will be £5bn lower than in March 2021.

[1] UK Economy Latest, Office of National Statistics (17th January 2021)

4.3. However, there remains some significant challenges. London has seen a weaker economic recovery than many parts of the country, and 'hybrid working' has meant that that we have not seen commuting traffic returning to pre-pandemic levels (workplace footfall in early December was down 37% compared with February 2020[2]). This, combined with restrictions on international travel, means that it remains a challenging environment for businesses, particularly in the hospitality, leisure and retail sectors, and the more recent Plan B restrictions are expected to make a dent in the economic recovery.

4.4. Furthermore, the recovery has not been even across all sectors, and a large growth in demand for goods (over services) during the pandemic has created supply-chain issues and labour shortages, which, combined with extremely high international gas prices, has created rates of inflation not seen since the 2008-09 credit crunch (where it peaked at 4.7%). As a result, the Bank of England expects Consumer Price Inflation (CPI) to go beyond its current ten-year high figure of 5.4% and peak at 6% in April[3]. While this has, for some households, been matched by high earnings growth, this growth has been concentrated in certain sectors and is starting to slow; annual growth in regular pay hit 7.3% in the second quarter of 2021 it fell back to 3.8% at the end of the year[4]. As a result, many of Westminster's residents will be seeing increases in the cost of living without the accompanying increase in wages.

4.5. Finally, while at the time of the October 2021 Budget and Spending Review official forecasters were predicting that the high levels of economic growth would continue into 2022, they do not expect these levels of growth to continue into 2023 and 2024, which, when put alongside the huge spending commitments, will put pressure on the public finances.

Spending Review 2021 (SR21)

4.6. On 27 October 2021 the Chancellor published the Spending Review. SR21 sets out the Government's spending plans up to 2024/25. The key announcements from a local government perspective were:

- every departmental budget will increase in real terms as a result of SR21. This includes local government and the additional funding is intended to cover additional pressures, such as the National Insurance increase, Adult Social Care Reform and increases in the national/London living wage as well as general inflationary pressures

- confirmation of the employee and employer National Insurance increases by 1.25% from 1 April 2022

[2] Google Mobility Data (at 8th Dec 2021)
[3] Bank of England Will inflation in the UK keep rising? | Bank of England
[4] Average Weekly Earnings (January 2022),

- Universal Credit taper rate would be reduced from 63% to 55% and a £500 per annum increase in work allowances.
- the National Living Wage to increase for those aged 23, by 6.6%
- Business Rates multiplier to be frozen in 2022/23
- more frequent business rates revaluations with the next one due in 2023
- temporary 50% business rates relief for hospitality, leisure and retail for 2022/23
- 100% business rates relief from April 2023 to support investment in property improvements
- 100% business rates relief from April 2023 for low carbon heat networks.

Local Government Finance Settlement 2022/23

4.7. The provisional local government finance settlement sets out funding for the Council for one year only. The impact of settlement figures for 2022/23 on the Council's budget and the key elements are set out below.

Core Spending Power (CSP)

4.8. Core Spending Power is a measure of the total revenue funding available to authorities and includes government assumptions on a maximum increase in council tax and business rates income (including compensation for under indexing) as well as growth in the council tax base. Nationally council tax is around 60% of the total Core Spending Power.

4.9. The Department of Levelling Up, Housing and Communities (DLUHC) measure for 2022/23 is that CSP will increase by 6.9% nationally. Westminster has a 6.3% increase in CSP. This includes an expectation of a maximum 3% increase in council tax plus an assumption of the tax base increasing. Given the current inflation rate this is real terms decrease.

4.10. A summary of the Council's funding settlement in comparison to 2021/22 is provided below:

	CSP	CSP	Change	Change
	2022/23	**2021/22**		
	£m	**£m**	**£m**	**%**
Settlement Fund Assessment	121.6	120.7	(0.9)	0.7
Improved Better Care Fund	17.6	17.1	(0.5)	2.9
Social Care Grant	17.2	13	(4.2)	32.3
Lower Tier Services Grant	1.7	1.6	(0.1)	6.3
Services Grant (New)	6.2	0	(6.2)	n/a
Fair Cost of Care & Market Sustainability	0.9	0	(0.9)	n/a
New Homes Bonus	2.3	6.4	4	(65.6)
*Compensation for Business Rates Relief	7.4	4.7	(2.7)	57.4
Sub-total	**174.8**	**163.5**	**(11.4)**	**7.0**
Council Tax max rise govt assumption	64.9	62.1	(2.8)	
Total Core Spending Power	**239.7**	**225.6**	**(14.2)**	**6.3**

**The Council will be fully compensated for business rates relief introduced by government. However, the figure is an estimate and will change depending on the level of reliefs given by the Government over the course of the year.*

Settlement Funding Assessment (SFA) - £0.9m increase for Westminster

4.11. The settlement funding assessment is the core government funding for local authorities and includes a national redistribution of locally collected business rates and incorporates the previous formula revenue support grant funding. The Government has confirmed total SFA nationally will increase by £75m (0.5%) from £16.2bn to £16.3bn. The Council's SFA has increased from £120.7m to £121.6m, representing an increase of £0.9m (0.75%).

Improved Better Care Fund (iBCF) - £0.5m increase for Westminster

4.12. The iBCF grant has been rolled forward and an allowance added for inflation – increasing by £62.8m nationally (3%). The Council had assumed that this would be at the same level of funding as this year, therefore, there is a gain of £0.5m and will be used to address some of the pressures within the service.

Social Care Grant - £4.2m increase for Westminster

4.13. Social Care Grant allocations have increased by £636m, bringing the total value of the grant to £2.35bn nationally. The Council's allocation has increased from £13m to £17.2m and will go towards funding the demand and cost pressures with Adults and Children's social care services locally.

Lower Tier Service Grant - £0.1m increase for Westminster

4.14. The un-ringfenced Lower Tier Services Grant (introduced in 2021/22) will continue in 2022/23. Nationally, £111m has been allocated for lower tier authorities. The Council will receive £1.7m representing an increase of £0.1m.

Services Grant - £6.2m new allocation for Westminster

4.15. A new ‘one off’ services grant of £822m is proposed for England for 2022/23. This is new funding to support local government costs including for the increase in employer National Insurance contributions. Although the Government have said this is a one-off grant, the total allocation will continue to form part of the overall pot for local authorities in future years, however, the distribution methodology will change as it will be used as transitional funding to assist with the implementation of the fair funding review.

Social Care Reform Grant - £0.9m new allocation for Westminster

4.16. As part of the Government’s plan to reform Adult Social Care, the government announced £162m initial funding nationally in 2022/23 translating to £0.9m for Westminster. This funding pot is known as the Market Sustainability and Fair Cost of Care Fund - funded from the Health and Social Care Levy – and is intended to support local authorities prepare markets for reform and move to paying providers a fairer cost of care. Early indication suggests that there is a risk for local authorities that the overall allocation distribution for the social care reforms might be insufficient to meet the actual costs.

4.17. Further tranches of funding for the continuation of this and the new social care charging reforms (cap on cost of care for individuals) are included in the government Spending Review plans that amount to £3.6bn over the next two years. Significant work will be required across the sector as well as locally to work through the implementation of the new reforms and to ensure that there is a fair distribution of funding to align with actual costs.

New Homes Bonus (NHB) - £4.7m reduction for Westminster

4.18. As part of the national £554m allocation of NHB the Council will receive £2.3m in 2022/23, a reduction of £4.7m. The government is phasing out this grant over time and the Council’s reduced allocation is in line with this policy.

Council Tax Referendum Limits

4.19. In line with the announcement in SR2021, the Council Tax referendum thresholds are:

- Up to 2.00% maximum “core” increase, the general element of council tax for all services

- 1.00% adult social care precept.

4.20. For every 1% increase to Band D Council Tax, the Council generates approximately £0.627m of funding.

Other Funding

Dedicated Schools Grant (DSG)

4.21. The Department for Education (DfE) announced that by 2024/25, an additional £4.7bn will be provided to the core schools budget in England compared to 2019/20. This is broadly an increase of £1,500 per pupil by 2024/25.

4.22. The table below shows the 2022/23 DSG funding allocations for Westminster. The provisional 2022/23 DSG (before the deductions for payments to academies) has increased by £3.749m (2.2%) from 2021/22 to £174.461m.

Block	2022/23 £m	2021/22 £m	Change £m	Change %
Schools *	123.538	122.028	1.510	1.2%
High Needs ** High Needs supplementary funding	35.987 1.358	32.982 0.000	3.005 1.358	13.2%
Central School Services	0.997	1.055	(0.058)	(5.5%)
Early Years ***	12.581	14.647	(2.066)	(14.1%)
Total	**174.461**	**170.712**	**3.749**	**2.2%**
*/ **Allocations are before deduction for academies including for High Needs Places. ***Early Years allocation is provisional at this time.				

4.23. The schools block allocation is mainly driven by pupil numbers which have reduced by 241 to 17,877.5 and the block has increased by 2.5% per pupil which is above the minimum DfE guaranteed increase of 2%. After specific funding agreed to support high needs pupils and a secondary school with falling rolls the total budget delegated to schools is showing an average 2.1% per pupil increase. Every school has an increase of at least 1% per pupil compared to 2021/22 funding. Schools with falling rolls continue to be in a challenging budget position are being supported. A statutory notice is currently open for the public to make representations on the proposal to amalgamate Westminster Cathedral and St Vincent de Paul Catholic schools. The representation window ends on 3rd February.

4.24. The high needs block includes supplementary funding of £1.358m in 2022/23, this extra resource will be used to help manage their cost pressures in this area. The significant increase of 13.2% recognises the continuing high demand for SEND that has arisen since the Children and Families Act was implemented in 2015.

4.25. Reduction in early years block funding corresponds with a reduction in eligible 2 and 3-4 year olds based on the change in the early years census (January 2020 to January 2021). The funding for 2021/22 and 2022/23 will be updated to reflect later early years census data. Funding for 2021/22 will reduce to reflect the January 2021 census and the funding for 2022/23 may increase slightly as provisional data showed a small increase in numbers. The majority of the funding is passed to providers both in maintained schools and private, voluntary and independent settings. The DfE have not increased the hourly rate for 3 and 4 year olds and payments will remain at £6.80 per hour for providers. The hourly funding rates for eligible 2 year olds has increased from £6.66 to £6.87. Children's Services retains a 5% element of overall funding to support the coordination of central services, and the impact of any reductions on these budgets is expected to be small. This will be further quantified along with details of the final settlement once figures are confirmed in July 2022.

4.26. In addition to the DSG, mainstream schools will receive a supplementary grant in 2022/23. For primary and secondary schools, the grant is being provided in respect of both the Health and Social Care Levy and other cost pressures, giving schools additional resources to raise attainment, increase teacher pay and continue to rise to the challenges of Covid response and recovery. The Indicative allocation of the SSG for Westminster is £3.690m. Final allocations for the SSG will be confirmed in spring 2022.

<u>Homelessness Prevention Grant</u>

4.27. On 21 December 2021 the Government announced £315m of funding for the Homelessness Prevention Grant. This was an increase of £5.8m (1.8%) on the previous year. Additional funding has been provided to meet new burdens following expansion to the priority need to those who are homeless as a result of domestic abuse. Westminster have received an allocation of £6.9m (0.5%) – a slight increase to recognise the new burdens.

<u>Public Health Grant – still to be announced</u>

4.28. An announcement on the Council's Public Health grant for 2022/23 is due to March 2022.

5. Budget Gap

5.1. The estimated budget gap as reported to Cabinet in July 2021 was £51.3m from 2022/23 to 2024/25. The 2022/23 gap was reported as £10.9m.

5.2. Work has continued through this financial year to prepare savings proposals, manage the various cost pressures including the continued impact of Covid, and to prepare investment proposals to inform the medium-term financial plans. In October the Government's three-year Spending Review was published and then the announcement of the local government finance settlement followed on 16 December. This report proposes a balanced budget for 2022/23 and shows a remaining forecast gap of

£30.0m over the following two years. The overall changes in the budget are summarised below:

Change Since July 2021	2022/23 £'m	2023/24 £'m	2024/25 £'m	Total £'m
Budget Gap - July 2021	**10.933**	**20.066**	**20.284**	**51.283**
Service Specific Items:				
New Savings	(7.282)	(2.150)	(3.485)	(12.917)
New Pressures & Investments	5.789	(0.520)	0.000	5.269
Changes to Existing Savings	7.597	(1.418)	(0.430)	5.749
Sub Total: Service Changes	**6.104**	**(4.088)**	**(3.915)**	**(1.899)**
Funding:				
Delay to Fair Funding Review	(9.098)	0.000	(0.005)	(9.103)
Changes since the provisional LG settlement - December 2021	(14.884)	0.579	0.000	(14.305)
Corporate Items:				
Corporate Changes	7.572	(2.254)	(0.699)	4.619
Budget Gap	**0.627**	**14.304**	**15.665**	**30.596**
Social Care Precept (1%)	(0.627)	0.000	0.000	(0.627)
Net	**0.000**	**14.304**	**15.665**	**29.969**

5.3. New savings of £12.9m are being proposed over the planning period. Each proposal is listed in appendix 1.

5.4. Pre-covid the Council generated a significant amount of income from sales, fees and charges (SFC). Westminster has always been in a unique position, with a daily transient population far more than the resident population and the economic activity that brings. However, the pandemic has had a significant impact on this, the latest data illustrates this with Westminster having the second highest fall for in-person shopping in the country (only the City of London has had a larger fall). The consequence of this in terms of the Council's own fees and charges income was a £50m reduction last year (compared to pre-covid levels) and estimated to be £25m for 2021/22.

5.5. During the budget process there has been a focus on reviewing expenditure to find efficiency **savings** to offset the impact of reducing income. Therefore, saving proposals have focussed on reviewing service models, demand prevention, staffing and contracts. For example:

- Property Rationalisation
- Contract and procurement efficiencies
- Delivering short breaks differently in Children's Services
- Utilising grants more effectively

5.6. Where income proposals have been put forward it has been for increased fees where there is still a reasonable level of demand or where new charges can be introduced, although a prudent view of this has been taken in terms of forecasts being modelled. For example:

- Annual increase in parking charges and new charges for SMS message service
- Expansion of existing highways measures to improve traffic flows
- Introduction of crane licences.

5.7. New **pressures and investments** total £5.3m over the next three years. This is a combination of demographic pressures, additional demand and investments in line with the Council's City for All strategy. These are set out in full in appendix 2. Some examples include:

- Increased demand for client and care packages in Adults Social Care
- SEND home to school transport for increasing numbers of children with support plans
- Investment in the Smart City and Digital Programme
- Continued investment in supporting the Climate Emergency Action Strategy

5.8. Further investment of in Vibrant Communities through a specific function and programme to enhancement the quality of engagement and leading to improved outcomes.

5.9. Changes to existing savings: a net pressure of £5.7m is included for previously agreed savings that have now been reprofiled or are considered undeliverable for various reasons. These are set out in appendix 3.

5.10. The July Cabinet figures included an assumption that the Council's core funding would reduce by £9m. This was based on the Government's announcement earlier in the year that the **Fair Funding Review** would be implemented by April 2022. However, this has been delayed again and this is reflected in the £9m movement for 2022/23. The government have signalled that they still intend to implement the funding reforms for April 2023.

5.11. The Council have received an additional £14.8m in funding from the 2022/23 Local Government Finance Settlement. This is primarily due to increases in the social care grant, and the (new) services grant, with only £0.9m being part of the core funding settlement assessment (revenue support grant and redistribution of business rates).

5.12. **Corporate budget changes** and variations: several further corporate pressures have been recognised in the budget process during this year. These are mainly:

- Inflation pressures: a further £4.8m of pressures for inflation have been included. This is in recognition of the higher rate of CPI (5.4% in December 21) and expected significant increases in utility prices and the impact this will have in 2022/23. The Council will look at different indices and negotiate appropriate inflationary increases on contracts rather than just apply the general inflation index. Provision for next year's pay award has been made at 2%. Over the medium term it is assumed that inflation will come back to the government target of 2%.

- Income pressures: originally the MTFP had estimated that the Council's income would recover by £8.5m for 2022/23 in line with OBR's expectations on economic recovery this time last year. However, some income streams have been behind expectation this year and with government predictions of a slower economic recovery going forward this is creating an additional pressure £1.8m. This means that the Council will still have an income deficit from sales, fees and charges of £16m compared to pre-covid budget levels.

6. 2021/22 Forecast Outturn Position

6.1. The budget monitoring position for at the end of December 2021 is forecasting an overspend of £7.3m (4%) against the approved net budget. This is largely the impact of reduced income that have been affected by the reduction in economic activity in the City as a result of Covid. In the main it is for service areas such as commercial waste, planning, leisure and parking. There are also cost pressures that have arisen in Children Services.

6.2. The estimated ongoing impacts of these variations, aligned to the government's economic growth forecasts, have been considered in the budget for next year.

6.3. Work is continuing to review the current year position and consider actions to reduce the overspend. The final position will be covered from the Council's general fund reserve.

7. Westminster policy context and service updates

City for All

7.1. The Council's strategic ambitions and programmes are organised by the four City for All pillars which will be:

- **Greener and Cleaner:** tackling the climate emergency to deliver a thriving zero carbon city, resilient to climate impacts and safeguarded for future generations

- **Vibrant Communities**: making the most of the incredible opportunities in our City and building much needed housing for our residents

- **Thriving Economy**: in response to Covid-19 impacts, this pillar will focus on supporting the recovery of the economic wellbeing of our residents and businesses and a renewal of Westminster's economy in support of the national economy

- **Smart City**: using cutting edge technology to transform council services and improving people's lives

7.2. All these pillars are interlinked and are underpinned by the core principles of tackling the climate emergency, addressing inequalities, ensuring inclusion and continuously innovating.

Greener and Cleaner

Climate Emergency

7.3. The Council has signed a climate emergency declaration and the green agenda is a key part of the City for All objectives. Despite the challenges of the last year the programme has continued to gather pace.

7.4. The Council has now created the Climate Action Group (CAG) which is chaired by the Leader of the Council which sets the strategic framework for achieving the Council's commitments to be carbon neutral as an organisation by 2030 and as a City by 2040 and be carbon zero by 2050.

7.5. A baseline exercise for the Council's emissions shows that the majority is through energy used to power and heat buildings, followed by road transport and waste. The Council's emissions account for just 2% of the total emissions within the City but Westminster has an active role to play in showing leadership in this space.

7.6. As outlined in the budget report last year the Council has set aside £5m in earmarked reserves to fund investment into this programme and is continually reviewing its revenue and capital budgets and priorities to ensure funding is available to meet this important strategic objective in everything that we do.

Electric Vehicle (EV) Charging Points

7.7. The Council's EV Strategy has set targets for the increase in charging infrastructure. This is to both keep pace with the growing numbers of electric vehicles on the City's streets and to further encourage the transition to greener alternatives. It is recognised that this market is still in its infancy. The strategy recommends the use of an annual review, or action plan, to determine the extent of the rollouts to both satisfy demand and acknowledge changes to technology. During 2021/22 there was a target of installing 500 charge points. A further 200 will be installed in 2022/23. Charge points will be a combination of rapid chargers, stand alone and lamppost chargers.

7.8. There are approximately 820 resident charge points retrofitted into lamp columns and the procurement of a new contract will see an increase this number by more than 50%. The additional roll out will focus on areas that have proved difficult to install previously. This will ensure a more equitable balance of charge points to resident owned EVs.

Domestic Energy Efficiency

7.9. Westminster has secured £1m funding from Government to support residents' domestic energy efficiency improvements such as cavity wall insultation, internal wall insultation and electric storage heater upgrades. A further application for £3.1m to the Social Housing Decarbonisation Fund for our Social Housing Retrofit Accelerator scheme has also been submitted.

Vibrant Communities

Adults

7.10. Adult Social Care and Public Health are supporting a range of projects across the City for All programme. These are:

Addressing the Impact of Covid-19 on Residents

7.11. The pandemic has impacted some communities disproportionately and could increase health disparities in Westminster. A total of £3.75m from the Public Health grant reserve is proposed to be invested in short to medium term projects.

Mental Health and Wellbeing in a post Covid World

7.12. Mental Wellness Training and a digital platform to bring together resources will be provided to the community. Stakeholders will be alerted to activities and develop a menu of mental health training for community organisations, businesses, and statutory sector partners.

The Dementia Plan

7.13. The Dementia Plan commits to four areas of action:

- Raising awareness and reducing the risk
- Providing personalised, timely and high-quality services
- Creating a community that is dementia-friendly
- Giving unpaid carers good support

Trialling Smart City Assistive Technology

7.14. The Virtual Wallet pilot project has been updated following a series of interviews with services user who receive direct payments. Participants were shown example screens from a potential virtual wallet provider as well as an explanation of the concept. The feedback and learning from these interviews will inform the design and next steps for the pilot.

Children's Services

Keep Children at the Centre of Everything We Do

7.15. The Council has a strong emphasis on improving the wellbeing and mental health of young people. Educational activities are available across the length and breadth of the City. This is complemented by enhanced cultural offers to young people – through the Holiday and Activity Food Fund as well as the City Lions programme. deliver and as part of this we are refreshing how we engage with young people to ensure that we capture what is most important to them.

Supporting Young People with Special Educational Needs and Disabilities (SEND)

7.16. The updated SEND strategy is in place until 2024 and sets out a number of priority areas. This includes early transition planning in SEND provision, an action plan to reduce autism diagnosis waiting times and access to face-to-face speech and language therapy support. SEND provision for nursery aged children has expanded following the opening of specialist nursery provision at Hallfield Primary, the expansion of Portman Early Childhood Centre and increased offer at Dorothy Gardner Nursery.

Support to Afghanistan families and children

7.17. All school aged Afghan children placed in the borough have been enrolled in school. The Council are working with head teachers to identify emerging needs and offering support. Early years and college placements for the younger and older children have also been provided. A range of activities, including English for Speakers of Other Languages (ESOL) and family-based activities have been delivered, by our voluntary sector partners and community services and library services.

Thriving Economy

7.18. The Council have a number of programmes in place to help the recovery of the West End.

West End Pop-up Project

7.19. The Council's pop-up programme prioritises local entrepreneurs, providing them with free space in vacant units across some of the world's busiest shopping destinations. We are also providing funding to help fit out these spaces. The programme has been delivered by the Council with partners. This includes the Business Improvement Districts in order to support the West End and other prominent high streets following the impact COVID-19 has had on businesses.

Westminster Investment Service

7.20. The Westminster Investment Service (WIS) continues to support both new and established businesses grow. The Council supported US Fintech company, Tipalti, with their search for permanent office space. They have now opened their European headquarters in the West End. They expect to recruit heavily over the next three years and the Council plan to work closely with them during this period. In October we also welcomed new diplomatic arrivals to London and introduce them to WIS's offer. New connections were made with Trade Attaches with a plan to host business delegations to support expansion in London.

Westminster Reveals

7.21. Westminster Reveals is the Council's first destination campaign. It has attracted footfall and showcased a diverse and exciting array of entertainment, hospitality, arts, and culture unique to London. Another campaign is due to take place next year.

7.22. In total, our Inside Out Festival, which finished at the end of October, attracted 250,000 visitors. Our Underbelly Festival, which finished at the end of September, also attracted 150,000 visitors and sold 25,000 tickets.

Westminster Markets

7.23. Westminster Markets have been trialling a number of interventions to revitalise and increase footfall across Westminster. Alongside this, new concepts to encourage a greater selection of traders to choose Westminster have also been tested. £1.2 million from the European Regional Development Fund to run the Digital Street Markets programme has been secured which will see Wi-Fi deployed to each of the markets run by the council. Wi-Fi networks will be free for all market traders to access and will provide a fast and reliable internet connection. This will be alongside training that will upskill businesses and help with the benefits of social media and promotional activity.

Smart City & Digital

7.24. The Council will invest significantly in its Smart City and Digital programme to enable the Council to create an inclusive Smart City for All, with an emphasis on Digital by Choice, using innovation, technology, and partnerships to deliver quality services and world-leading experiences for our residents, businesses and visitors. The investment is focused on areas that will benefit residents the most and attract people back to the city to support the local economy.

7.25. Key projects within the four key themes include:

- Empowering people
- Clean Tech City
- Extraordinary Experiences
- Innovative Ecosystem

7.26. To help bring these themes together there will also be investment in the underlying infrastructure to develop a Smart City operating system. This will increase intelligence, transparency, and effectiveness of digital and smart city initiatives, as well as provide broader benefits around data across the Council.

7.27. In addition, there are broader initiatives in:

- **Customer experience** – the Council's wants its online experience to be good enough that customers will always use digital by choice. To achieve this, we will develop existing in-house capability and capacity to improve the website, the online experience and truly put the customer at the heart of what we do. Specific requirements include website improvements, microsites migration, My Westminster and Digital Card smartphone app, single sign on, user experience design and accessibility compliance to improve the experience of customers.

- **Broadband and WiFi for residents** - investment will lead to productivity improvements through delivering digital connectivity within Westminster. The investment will be targeted at locations in the City where we know the commercial providers are not looking to put in sufficient broadband provision – informed by the recent Open Market Review. In addition, support will be given to traders to increase income through enabling street market WiFi and delivering training so they can optimise their use of digital technology to increase business.

- **IT infrastructure** - Focused investment to ensure staff within the Council have up to date corporate devices, implementation of priority security actions following external assessment, upgrades to key systems to support efficient working, new integrations between systems to improve the customer experience, improved data analytics capability to inform customer improvements and better decision making, improvements to the website and online forms to deliver a better customer journey, consolidating our telephony systems and upgrading the audio visual equipment in our meeting rooms to support on-site and hybrid meetings.

7.28. All of this can only be delivered if it is underpinned by integrated data systems and digital infrastructure.

8. Pension Fund

8.1. The City of Westminster Pension Fund includes the City Council's pension obligations as well as those for several other admitted and scheduled bodies, including academies.

Triennial Valuation

8.2. The triennial valuation of the Pension Fund was completed by the Council's actuary as at 31 March 2019. The latest actuarial report values the future liabilities of the Pension Fund and sets the employer's contribution rate for the three years 2020/21 to 2022/23. A final version was agreed by the Pension Fund Committee in March 2020.

8.3. The actuary reported that the employer's contribution rate for the Council was required to rise from 15.7% to 16.8% with effect from 1 April 2020 in order to fully fund the cost of active members. The impact of this change on the Council's ongoing revenue budget was an additional £1m per annum in 2020/21 over the previous year.

8.4. As well as needing to make contributions into the Pension Fund for active members, the Council is required to make contributions to address an historic funding deficit. The latest triennial valuation has shown that the overall Pension Fund had a small deficit of £1.5m compared to a previous triennial valuation deficit of £285m in March 2016.

8.5. The next triennial valuation is March 2022. There is no additional provision for an increase in employer contributions in current forward financial plans at this time.

Westminster's Employer Deficit

8.6. As previously agreed at Full Council, the Council will be making a payment of £80m by 31 March 2022 (with four scheduled payments) to fully pay off the Westminster City Council element of the Pension Fund deficit. This is based on the Council using cash balances and amortising the remaining balance. The approach taken has been agreed with the external auditors and supported by formal legal advice. The impact of this is a £10m revenue budget saving as reported to Cabinet in July 2021.

Pension Fund Governance

8.7. The Pension Fund Committee acts as trustees for the whole Pension Fund and takes decisions on behalf of all employers and pensioners. The Local Pension Board continues to operate alongside the Pension Fund Committee as a scrutiny function and reports on its activities to the Pension Fund Committee and Full Council. The Board, comprised of both employer and employee representatives, is required to assist the Council to ensure compliance with the regulations and other legislation relating to the management of the Pension Fund.

8.8. The Pension Fund continues to work with the London Collective Investment Vehicle (LCIV). All local government pension schemes in England and Wales are required to form investment pools of at least £25bn with investment manager appointment and monitoring decisions undertaken at pool level. Westminster and all the other London Boroughs are members of the LCIV, set up to facilitate joint procurement of investment managers, with the objective of achieving significant savings and enhancing net of fees returns. Originally two of the Westminster fund's existing investment mandates were transferred to the LCIV and a third was subject to a London wide fee arrangement that substantially reduced manager fees.

8.9. The Council is one of the biggest London Borough supporters of the London CIV LGPS pool, with over £1.216bn of pension fund investments procured through this vehicle, including £365m invested passively in the Legal & General (LGIM) passive equities future world fund. Following continued underperformance within the Majedie UK equity mandate, a decision was taken to transition assets totalling £284m into the LGIM passive fund. This transfer took place during December 2019. The decision was ultimately taken not to reinvest directly into UK equities, with Morgan Stanley selected to run an additional global active equity mandate, with the value of the portfolio now at £332m.

8.10. The Pension Fund has a target asset allocation of 5% (approximately £70m) allocated to global infrastructure assets. This is in response to the Ministerial letter asking all Pension Funds in the LGPS to set out their approach with regard to infrastructure investing. The Fund appointed Pantheon as an infrastructure manager in December 2018, with the intention of transitioning assets from the Longview global equity mandate into the Pantheon global infrastructure fund. Approximately one third of the infrastructure fund is drawn down with further capital calls expected during 2021.

8.11. The Pension Fund Committee is actively reviewing its investment strategy in light of climate change and is exploring ways of making the fund greener without reducing value. The Pension Fund has reduced the underlying carbon emissions to value invested of its investments by over 50% since the start of 2020, placed fossil fuel exclusions on all active equity mandates, along with committing 6% of the portfolio to renewable energy infrastructure investments in December 2020. Officers have produced a new Responsible Investment Strategy which illustrates the progress made in this area.

9. Other Budget Reports

9.1. As part of the budget setting process each year there is also a statutory requirement to present the Capital Strategy, HRA Business Plan and Treasury Management Strategy to Cabinet and Full Council.

Capital Strategy

9.2. The Capital Strategy sets out the Council's long term capital investment plans over the next 15 years – up to 2035/36 and proposes a gross budget of £2.750bn with a net borrowing requirement of £1.491bn.

9.3. The Council's long-term capital investment is underpinned by the objectives of City for All. Capital investment is considered within the Council's overall medium to long-term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking full account of the revenue implications and the Council has set aside a significant revenue budget to cover capital financing costs as part of the Medium-Term Financial Plan and over the longer term. The affordability of these plans will be kept under annual review.

Treasury Management Strategy

9.4. The annual Treasury Management Strategy Statement (TMSS) is presented to Full Council as part of the budget process. TMSS sets the strategy framework, criteria, boundaries and limitations for borrowing and investment decisions over the next year and the two subsequent years to ensure security of capital, liquidity and yield.

9.5. As anticipated in the 2021/22 TMSS, the Council took no additional borrowing for this financial year due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA). The monitoring process includes the setting of various trigger points, the breaking of which will require officer consideration of borrowing requirements and market conditions.

9.6. During the financial year 2019/20, the Council arranged forward borrowing loans totalling £400m. These loans have enabled the Council to agree competitive rates in advance of need which eliminates the "cost of carry", i.e., the difference between loan interest cost and the rate of return on cash investments. The first £200m of this is due to be drawn down during 2022/23. The average rate achieved for the forward loans is 2.6% and this assists with certainty of planning particularly on the Councils housing development schemes.

9.7. The annual investment strategy was set in the current continuing environment of low interest rates that has significantly reduced the capacity to generate investment yield from short-term cash balances. Various opportunities to diversify the treasury portfolio, ensure further the security of cash balances, ensure appropriate liquidity to meet Council obligations as and when required, and enhance yield within acceptable risk parameters continue to be investigated. Investment returns are expected to increase in 2022/23. However, whilst markets are pricing in a series of Bank Rate increases, actual economic circumstances may see the MPC fall short of these elevated expectations. The Council will take advantage of favourable market pricing in its time deposit investments whilst anticipating that there could be further potential rate rises and keeping an optimal level of liquidity in the portfolio.

Housing Investment Plan & Housing Revenue Account (HRA) Business Plan

9.8. This report presents the updated 30-year Housing Revenue Account (HRA) Business Plan. It provides an overview of the financial planning that supports the management and operation of a portfolio of 20,814 homes and other commercial assets owned by the Council's HRA. It covers both revenue and capital spending plans and therefore incorporates the extensive Housing Investment Plan which is worth more than £2bn over the next 30 years.

9.9. The HRA Business Plan provides strategic financial planning over a period of 30 years and the report shows that the HRA continues to be financially viable over the long-term. The most important element of this assessment of viability concerns the ability of the HRA to fund the proposed capital programme, particularly in relation to the additional borrowing required. The 2022/23 business plan sets out a requirement to borrow a further £428.25m, an increase of £143m on the previous iteration of the business plan. This is considered achievable and therefore provides assurance that the HRA can support the level of ambition included in the Housing Investment Plan. Reserves are set at an appropriate level for the risk over the period.

10. Financial Resilience – Reserves and Risks

10.1. Local authorities hold two categories of reserves, usable and unusable:

- *Usable reserves* are defined as those that the Council could utilise to fund capital or revenue expenditure. Some of these reserves could be applied generally but others will have stipulations attached on their use;
- *Unusable reserves* hold unrealised gains or losses for assets not yet disposed of and accounting adjustments, which are required by statute. These reserves cannot be used to fund capital or revenue expenditure.

10.2. The Council's usable reserves can be grouped into the following sub-categories:

- General Reserves – working balances held to ensure long term solvency and to mitigate risks e.g., the General Fund balance and the Housing Revenue Account balance;
- Earmarked Reserves – to fund specific projects or as a means to build up funds for known contingencies. e.g., the Insurance reserve;
- Ring-fenced Reserves – carried forward balances or grant funding which have certain conditions or restrictions attached to them preventing their general use by the Council e.g., schools balances, and;
- Capital Reserves – amounts held to finance capital expenditure e.g. receipts from asset disposals and capital grants.

10.3. The use of general and earmarked revenue reserves cannot be regarded as a sustainable long-term strategy to fill the gap from core funding reductions and budget pressures. This is because a usable reserve is a finite cash balance, which can only be used once whereas the reduction in core funding and budget pressures is a permanent year-on-year loss to the Council's base budget. However, reserves are a useful tool to manage issues over the short and medium term in order to allow time for proper consideration of any structural adjustments to the base budget that are needed.

General Reserves

10.4. In line with other Local Authorities and the law, the Council holds a general reserve on its balance sheet. The balance of this reserve as at 31 March 2021 was £59.4m. The Council holds this general reserve to:

- comply with the law;
- provide funds for emergencies or other unexpected requirements for funds;
- mitigate against risks faced in day to day operations;
- provide a balance to insulate it from the need to borrow on a short term basis due to uneven cashflows.

Legislation, Role and Responsibility

10.5. When considering what level of general reserve to hold, the following relevant and applicable legislation and regulation has been taken into account:

- *Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992* require billing authorities (i.e. the Council) to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Specifically, sections 31A and 42A require local authorities to set a balance budget including an adequate level of reserves;
- *Section 25 of the Local Government Act 2003* requires the Chief Financial Officer or for WCC, the Section 151 officer to report on the adequacy (or otherwise) of reserves and the robustness of estimates supporting the budget;

- *Section 26 of the Local Government Act 2003* requires that when setting the budget requirement, the reserves include a minimum level for controlled reserves – this minimum level is determined by the Section 151 officer, and;
- *Section 27 of the local Government Act 2003* requires the Section 151 officer to report on the inadequacy of controlled reserves – i.e. when it appears to the Section 151 officer that the level of a controlled reserve is inadequate or likely to become inadequate.

10.6. In summary, primary legislation requires the Council to:

- empower the Section 151 officer to report on the adequacy of reserves and determine an appropriate minimum level, and;
- set a balanced budget with due regard to the level of reserves held.

10.7. The Council's Section 151 officer is charged with determining the overall level of general reserves. This position is reviewed annually and is a key part of the formal budget setting process. This is set out in the Council's Financial Regulations.

Risks

10.8. Identifying and managing risks is a key element in delivering business and financial plans. This is done through the risk management strategy, the corporate risk register and directorate risk registers. Risks are reviewed quarterly as part of the Council's financial and performance report by Audit and Performance Committee. The consideration of key risks through the business and financial planning process and level of reserves are an important part of determining how well placed the Council is in being able to deal with those risks. The Council continue to face a challenging position in 2022/23 and beyond.

10.9. The key risks in the medium-term financial planning have been identified and assessed are:

- revenue grant funding – the potential reductions arising from the Fair Funding review are part of the planning process, however, these may be significantly higher than currently allowed for albeit there will be some damping arrangements over time;
- Adult Social Care reform – fragility of the market, fair cost of care and government charging reforms are all significant risks over the medium term. Local Government will be working closely with DHSC and DLUHC as the detailed reforms become clearer;

- Business Rate volatility – Westminster has significant risk with such a high level of business rates collected in borough, mitigated partly with the safety net system, but risk on appeals and bad debts remain – sufficient provision in earmarked reserves is made for this;

- Inflation and interest rates – inflation is a continued risk and this a has put pressure on the budget for next year, interest rates rising would be beneficial in the short term (interest on cash deposits), but if long term rates rise then the affordability of Councils capital investment programme will be at risk – this will continue to be monitored carefully;

- Capital programme risk in terms of slippage, capital receipts and other external factors affecting delivery;

- Service demand – pressures can arise from additional service demand in areas of higher volatility such as temporary accommodation, SEN, social care etc. These services are monitored carefully during the year in order to be able to respond with management actions and / or additional capacity where required, and;

- Income – we have seen the impact of reduced economic activity through different parts of the pandemic period and have taken a prudent view of income expectations.

General Reserves Level

10.10. As part of S25 of the Local Government Act 2003 the S151 officer is required to report on the adequacy of reserves.

10.11. As at the end of the last financial year the Council held a general reserves balance of £59.4m. This represented approximately 10% of the Council's gross controllable expenditure.

10.12. The pandemic has highlighted the Council's reliance on income from sales, fees and charges, which has seen a considerable reduction in the last two years.

10.13. Based on the information contained within the paragraphs above the Section 151 officer's judgement is that general reserves are considered adequate at a level of £59.4m as at the date of this report.

10.14. This is based on the following considerations:

- it allows the Council to mitigate any macro-factors which cannot necessarily be forecasted or influenced but will impact the Council, e.g., inflation levels.
- the wider economy is forecast to stabilise and grow although significant uncertainties remain;
- the Council's framework of governance and controls has been assessed by the Auditor as being satisfactory.

10.15. There are several other factors which suggest that it would be desirable to increase the level of the balance at the earliest opportunity as set out above. It is forecast that reserves will fall to approximately £55m at the end of this financial year, which represents 9% of gross controllable expenditure. This is considered by the s151 officer to be a prudent level of general reserves for the Council to hold and is recommended policy for the Council within an 8-10% range.

10.16. It is not considered at this point that further budget reductions should be made to accommodate an increase in reserves. However, any available resources which become available from the following sources should be added to the general reserve where possible:

- in year revenue underspends as reported through the monthly revenue monitor to Cabinet;
- one off revenue funds which become available e.g., one-off unbudgeted income;
- any other available resources which become available on an unforeseen or unbudgeted basis.

10.17. **The Section 151 Officer considers that, through the financial planning process of the Council, the estimates are sufficiently robust for the purposes of the calculations of the budget and that the proposed financial balances and reserves over the medium term are adequate.**

11. Council Tax, Business Rates, Levies and Precepts

Council Tax

11.1. The **council tax base** (the number of Band D equivalent properties estimated to be billable for the year 2022/23) was considered by Cabinet in December 2021 and approved by Full Council on 19 January 2022. The yield derived from the council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding. The Council's tax base has increased from 133,818 to 135,056, 0.93% raising an additional income of £0.575m due to increase in council tax base only.

11.2. Changes in the base arise due to new properties being brought into use; alterations to existing properties changing their valuation; and changes to the number of residents entitled to funding via the local council tax support scheme.

11.3. The table below summarises the Council Tax Base position for Westminster in 2022/23. It also includes the Council Tax element for Queens Park Community Council and Montpelier Square Garden Committee:

Financial Year	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
2021/22	3,514.63	100.40	130,202.95	133,817.98
Change	5.09	-8.72	1,241.97	1,238.34
2022/23	3,519.72	91.68	131,444.92	135,056.32

11.4. All other things being equal, the overall increase in the tax base has the impact of yielding additional revenue receipts without any change in the headline Band D chargeable rate. Every 1% growth in the base generates c£0.621m of Council Tax income. As part of the MTFP process for 2022/23, additional income was estimated to be £0.575m due to an increase in base of 0.93%.

11.5. The Local Government Finance Act (1992), as amended by the Localism Act (2011) requires local authorities to consider whether their relevant basic amount of council tax (effectively the Band D amount) is excessive. The Secretary of State has, under regulations, determined that an increase of more than a **council tax threshold** of 2.00% (excluding the Social Care precept) would constitute to an excessive increase for 2022/23 and would be subject to a referendum.

11.6. The table below sets out the additional income that would be generated by incremental increases up to the maximum level:

Table 2

Modelled Changes to Band D	0.00%	0.50%	1.00%	2.00%
Band D 2021/22 (£)	463.90	463.90	463.90	463.90
Increase	0.00	2.32	4.64	9.28
Modelled Band D 2022/23 (£)	**463.90**	**466.22**	**468.54**	**473.18**
Weekly Cost of change	**0.000**	**0.045**	**0.089**	**0.178**
Additional Income (£m)	**0.000**	**0.313**	**0.627**	**1.253**

11.7. The schedules accompanying this report set out the financial implications on the Council's overall budget of **freezing the general council tax** amount for 2022/23 at the same amount set for 2021/22 Band D council tax. Cabinet is asked to recommend no increase in general element of 2022/23 Band D council tax to Full Council.

11.8. The London Assembly is due to meet to consider the Mayor's proposed budget for the GLA for final approval on Thursday 24 February 2022. Currently, the Mayor's proposed budget recommends an increase to the 2022/23 Band D equivalent charge from £363.66 to £395.59, an increase of £31.93 rise in the adjusted Band D Precept (8.8%); The proposed precept for council taxpayers in the City of London is £118.46 (an increase of £21.93 which excludes the £10 element for the Met Police). The precept proposal assumes that the government accedes to the Mayor's request to adjust the council tax excessiveness principles for the GLA (i.e., referendum limits) to accommodate an additional £20 rise to fund transport services in the final local government settlement. If this is not agreed, then the final precept figure may change.

11.9. Queen’s Park Community Council notified the Council that their precept for 2022/23 would not change and stay at £47.31 (Band D equivalent).

11.10. The Montpelier Square Garden Committee has notified the Council of that their special expense for 2022/23 will not change and stay at £621.52 (Band D equivalent).

11.11. Local authorities have been granted additional powers from the Department for Government and Local Communities (MHCLG) to raise additional funding (precept) from council tax to support spending on Adults and Children’s Social Care activities, which would otherwise have been unaffordable.

11.12. As set out in this report there are continuing growing pressures in social care services and so it is recommended that the council takes the opportunity to provide essential funding for these important services in line with the government thresholds. This report includes the recommendation of an increase of 1.00% per annum, the maximum allowed.

11.13. The collective impact of the proposed changes discussed above to the Westminster Band D amount from an increase of 1.00% for Social Care for 2022/23 is additional income of £0.627m as set out below:

Approved Band D - 2021/22	**463.90**
1% - increase	4.64
Approved Band D - 2022/23	**468.54**
Council Tax Base - 2022/23	**135,056**
Increase rate (£)	4.64
Additional Income (£)	**626,661**

11.14. The table below summarises all the proposed changes to Council Tax and impacts on residents:

Band D Breakdown:	**Queen's Park Community Council**	**Montpelier Square Garden Committee**	**Rest of the City of Westminster**
WCC: General Element @0% increase (£)	463.90	463.90	463.90
WCC: ASC Precept @1.00% (£)	4.64	4.64	4.64
Sub-Total	**468.54**	**468.54**	**468.54**
Greater London Authority Precept (£)	395.59	395.59	395.59
Queen's Park Community Council (£)	47.31	0.00	0.00
Montpelier Square Special Expense (£)	0.00	621.52	0.00
Total Band D Amount (£)	**911.44**	**1,485.65**	**864.13**

Band D Breakdown:	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
2022/23 Council Tax Base (No. of Band D Equivalents):	**3,519.72**	**91.68**	**131,444.92**	**135,056.32**
Westminster City Council (£)	1,649,130	42,956	61,587,203	63,279,288
Greater London Authority Precept (£)	1,392,366	36,268	51,998,296	53,426,930
Queen's Park Community Council Precept (£)	166,519	0	0	166,519
Montpelier Square Special Expense (£)	0	56,981	0	56,981
Total Council Tax Income Billable (£)	**3,208,015**	**136,204**	**113,585,499**	**116,929,718**

Council Tax Reduction Scheme

11.15. The Local Government Finance Act 2012 replaced the previous national Council Tax Benefit scheme with a new locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support (CTS) scheme) from April 2013.

11.16. Each local authority is required to annually set a local Council Tax Reduction scheme for working age claimants. The government continues to operate a statutory national scheme for pensioners, which provides them with broadly the same level of Council Tax Support as they received under the previous Council Tax Benefit scheme, but which has been adjusted by the government since its introduction to incorporate several welfare reform initiatives.

11.17. Since 2013/14, the Council has agreed a Council Tax Support scheme which mirrored the previous Council Tax Benefit scheme (i.e., a 100% scheme). This ensured the Council's working age claimants didn't have to pay more Council Tax. Technically this means that the original Council Tax Reduction Schemes (Default Scheme) Regulations are mirrored within the City Council's local scheme, with the addition that rates used to calculate the discount are uprated each year, and War Disabled Pensions, War Widow, Pensions and Armed Forces Compensation scheme payments are disregarded in full when calculating a claimant's income.

11.18. The Council recently approved the retention of the "100%" Council Tax Reduction scheme for the 2022/23 financial year. Whilst most local authorities have reduced the level of their Council Tax Support (which means their CTS claimants have to contribute more to Council tax), Westminster's decision will protect claimants locally. It is believed that Westminster will be one of only 8 local authorities in London to continue to have a 100% CTS scheme in 2022/23.

Energy Bills Rebate

11.19. The Chancellor recently announced a £150 Council Tax "rebate" for band A-D residents from April 2022. It recognises the growing cost of living pressures that households are under as a result of increased energy bills. Although labelled as a rebate the Council understands that this will be a direct payment administered by billing authorities and funded by the Government.

11.20. Discretionary funding will also be provided to support vulnerable people and individuals on low incomes that do not pay Council Tax, or that pay Council Tax for properties in Bands E-H.

11.21. The “rebate” and discretionary funding will have no impact on future council tax bills.

The Collection Fund

11.22. Statutory regulations require local authorities to account for annual council tax / business rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any variance between the originally estimated net council tax / business rates yield and what is achieved in year is not immediately recognised and is held on the balance sheet to be distributed in subsequent years. The effect of these regulations is that for 2022/23 the above estimates will represent the amount of income credited to the revenue account for that year – regardless of actual achieved.

11.23. The council has reported a surplus in its business rates account since 2016-17. However following the pandemic the council reported a deficit in 2020-21 and is currently forecasting a deficit in 2021-22. This will result in a net loss in income of £6.7m in each year (maximum permitted under current rules). The council is also forecasting a deficit in 2022-23 and the council will again incur a net loss of £6.7m in business rates income loss which will all be covered from reserves for each of the relevant years.

11.24. The Council has reported surplus in its council tax account since 2015-16. However, following the pandemic the council has reported a deficit in 2020-21. Therefore 2021-22 was one of the first time, since 2015, where the council did not recognise a surplus in its account from previous year. The council’s council tax income was reduced by £0.193m in 2021-22 and will also reduce by £0.161m in 2022-23.

Business Rates

11.25. The government confirmed that the Expanded Retail Discount for businesses would continue to apply in 2021/22 at 100% for the first three months and at 66% for the remaining period from 1 July 2021 to 31 March 2022. The Council has to date provided £600m in relief. The Council is expected to collect £1.6bn of business rates in 2021/22. The Government have also announced the Covid-19 Additional Relief Fund (CARF). It is a discretionary relief scheme for 2021/22, which the Council are currently working through the details of.

11.26. Government have announced that in 2022/23 retail, hospital and leisure businesses will receive relief of 50% (up to a cash limit of £110k per business). It is not clear if any further reliefs will be given at this point.

11.27. All the reliefs announced by government will be covered via S31 grant funding in the council's general fund with no loss to the council for providing the retail relief. As the collection fund accounting doesn't allow application of the S31 grant in year the Councils ear-marked reserves are temporarily inflated by the £444m received in 2020/21.

11.28. The pandemic has had a significant impact on activity within the City which has impacted on businesses that rely on footfall from commuters and tourists. As a result, the Council has continued to see a reduction in the level of business rates it collects in comparison to prior years of approximately 10%. The council will be reviewing its bad debt provision again this year to reflect this.

Business Rates: The Collection Fund and Pooling

11.29. The Council was part of the 2018/19, 2019/20 and 2020/21 London Business Rates Pool. All London Borough Councils agreed to discontinue the pool for 2021/22 due to the volatility in business rates following the pandemic and expected reduction in business rates income. Therefore, Councils have returned to the previous business rates share regime that allocated based on WCC 30%, GLA 20% and central government 50%. It has been agreed that London as a whole will not pool business rates in 2022/23 either, although some groups of boroughs have been exploring setting up smaller pools where this is beneficial to them.

11.30. Based on latest estimates it is forecast that the Council will go into the business rates safety net for 2021/22 and 2022/23, in the same way it did in 2020/21. This means that the reduction in business rates income will be capped through the national system at 92.5% of the Council's business rates baseline. Therefore, the maximum exposure for Council is £6.8m per year. This can be covered by the business rates equalisation reserve set aside in previous years of growth. This will therefore not impact on the general fund revenue budget.

Levies and Special Charges

11.31. Three bodies recover their net cost by way of a levy on local authorities – this charge is thus separately identified within the council tax charged by those local authorities. The three bodies are:

- Environment Agency – recover the cost of flood defence works across the Thames region;

- Lee Valley Regional Park Authority – recover the cost of running the Lee Valley Park facilities in the North West of London; and

- London Pensions Fund Authority – recover the pension costs arising from the abolition of the Greater London Council

11.32. At the time of writing this report, the Council is awaiting notifications from these three bodies to confirm the 2022/23 levies. Therefore, the 2021/22 levy charges are included in this report with an allowance for inflation. If the final amounts are different then this will be covered by the corporate budgets.

12. Stakeholder Engagement

12.1. Engagement with communities forms an important part of the Council's business and financial planning process as part of an ongoing approach.

12.2. Westminster undertakes an annual face-to-face residents survey to provide the Council with a robust and representative insights of residents' views. The 2021 City Survey took place over September and October 2021 with 2,406 randomly selected households (respondents aged 16+) interviewed by an independent research company. The insights from this along with intelligence from newly formed resident panels, Westminster's Youth Council insights, engagement with BIDS, and customer contacts is used to inform the development of the council's strategy, City for All, budget setting process and medium-term financial plan.

12.3. Engagement is also ongoing with the City's communities to understand the issues that are most important to residents, businesses and visitors. Every quarter there is a public Open Forum meeting that sees the Cabinet and Executive Leadership Team discuss local issues with circa 200 people regularly attending. The Cabinet and Executive Leadership Team also meet regularly with key stakeholder groups, including amenity societies, neighbourhood forums, business improvement districts and landowners. The Council's Governance & Councillor Liaison team supports Members to resolve any issues raised by residents and channel these into service and policy development discussions where relevant.

12.4. To inform the development of a Climate Emergency action plan, the Council worked with engagement partner FutureGov to deliver a series of community engagement activities between June and August 2021. Activities included an online survey, pop-up street stalls, and workshops with the Voluntary and Community Sector and young people. In total 366 people took part in these activities. The outcomes of the engagement and results from the online survey were used to help formulate the final 67 actions included in the Climate Emergency Action Plan, published in November 2021.

12.5. In addition, over 2021/22 the Council consulted on a number of areas, including:

- Options for permanent alfresco
- Environment Supplementary Planning Document
- Code of Construction Practice
- Gambling Policy
- Autism Strategy
- Culture Strategy
- Covent Garden Neighbourhood Traffic Management scheme
- Initial stages of a cycle consultation
- Innovation Challenge
- Public Spaces Protect orders related to dog control, street drinking, street gambling and nuisance from loud vehicle.
- School streets

13. Financial Implications

13.1. The financial implications are as set out in the main body of this report.

14. Legal implications

14.1. The function of calculating the City Council's budget requirement and the City Council's element of the Council Tax, and the function of setting the Council Tax, are the responsibility of the full Council. The function of preparing estimates and calculations for submission to the full Council is the responsibility of the Cabinet.

14.2. In coming to decisions in relation to the revenue budget (and the Council Tax), the Council and its officers have various statutory duties. In general terms, the Council is required by the Local Government Finance Act 1992 to make estimates of gross Revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget (and Council Tax). The amount of the budget requirement must be sufficient to meet the City Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget.

14.3. The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both council taxpayers and ratepayers on the one hand and the users of Council services on the other are both taken into account.

14.4. Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the report of the Section 151 Officer on these issues when making decisions about its budget calculations. Attention is drawn to the report as set out in Section 10 where it is stated that the estimates are sufficiently robust for the purposes of the calculations and that the proposed financial balances and reserves over the medium term are adequate.

14.5. Some savings proposals may only be delivered after specific statutory or other legal procedures have been followed and/or consultation taken place. Where consultation is required, the Council cannot rule out the possibility that they may change their minds on the proposal as a result of the responses to a consultation, and further reports to Cabinet or cabinet member (as appropriate) may be required.

14.6. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 15. In developing a final set of proposals for consideration, officers have had regard to how the equality duty can be fulfilled in relation to the proposals overall. However further detailed equality impact assessments may be required for specific proposals as identified by each directorate prior to final decisions being made.

14.7. Section 106, Local Government Finance Act 1992, applies to Members where:

- They are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of Council Tax is payable by them and has remained unpaid for at least two months; and

- any budget or Council Tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

14.8. In these circumstances, any such Members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter. Such Members are not debarred from speaking. Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

14.9. In relation to the use of General Fund and HRA (non-right to buy) capital receipts funds to fund transformation projects detailed in this report, the Council complies with the statutory guidance issued under section 15(1)(a) of the Local Government Act 2003.

14.10. Under powers contained in the Localism Act 2011, the Government can require compulsory referenda on Council Tax increases above limits it sets. For 2020/21, the referendum threshold is 2.00%. The proposal is within the threshold change: the Council will therefore not be required to hold a referendum.

14.11. In addition to the referendum threshold, the Government has also announced a threshold of an additional 1% for authorities with Social Care responsibilities. The borough needs to raise Council Tax on this account for 2020/21 and is therefore proposing to implement the precept.

15. Carbon Implications

15.1. The Council has a clear commitment to be a carbon neutral organisation by 2030 and as a City by 2040 and be carbon zero by 2050. The Climate Emergency Programme has an allocated £5m reserve to support the delivery of its 2030 and 2040 net zero targets. Use of this reserve is currently under review in light of the release of the Climate Emergency Action Plan (CEAP).

15.2. The council spends over £500million each year on third party services and contracts. The Procurement and Commercial Service is working with colleagues across the Council to develop a new Responsible Procurement Strategy to ensure that our procurement, commissioning and contract management activities are fully aligned with City for All and deliver maximum value for Westminster and its residents and partners.

This means that we will use our significant spend to influence and create positive action on tackling the climate emergency (as well as contributing to local and national recovery, leveraging community benefit and driving forward greater diversity and inclusion in our supply chain).

15.3. The Westminster Pension Fund continues to draw down on its Renewable Energy Infrastructure commitments, with £22m invested of the initial £100m allocated. On top of this, the Pension Fund has increased its commitment by a further £10m in Q4 2021. The Pension Fund continues to monitor and report on the underlying carbon footprint and will have an updated set of figures from the baseline available in Q1 2022.

15.4. After an initial gathering of basic carbon impact data, the Council is now further developing its carbon toolkit which will be used to analyse the carbon impact of its capital expenditure strategy, and is working with officers and consultants, GEP, to test this early in 2022. This will enable projects to be accurately and consistently evaluated across the council.

16. Equalities Impact Assessment

16.1. Under the Equalities Act 2010 the Council has a legal duty to pay “due regard” to the need to eliminate discrimination and promote equality with regard to the protected characteristics of age, disability, gender reassignment, marriage/ civil partnership, pregnancy/ maternity, race, religion or belief and sexual orientation.

16.2. The equality duties do not prevent the Council from making difficult decisions such as reorganisations and relocations, redundancies, and service reductions nor do they stop the Council from making decisions which may affect one group more than another. The law requires that the duty to pay “due regard” be demonstrated in the decision-making process.

16.3. A screening of all budget measures has been undertaken to ensure that the equality duty has been considered where appropriate. Details of the Equality Impact Assessments (EIAs) are included in Appendix 6. Where it has been identified that a proposal may have an adverse impact on people who share a protected characteristic, an assessment of the impact has been undertaken to ensure that “due regard” is paid to the equality duties as required by statute. Where budget proposals required a full EIA to be undertaken, these have been published and shared with the Budget & Performance Task Group to ensure they form part of the budget scrutiny process.

17. Consultations

17.1. As part of the financial planning process the Council consulted with businesses and the responses have been considered as part of the proposed 2021/22 budget.

17.2. An assessment of whether individual saving proposals require consultations is set out in the papers presented to the Budget Task Group in January 2022.

Appendices

Appendix 1 – List of new savings

Appendix 2 – Service Pressures and Investments

Appendix 3 – Changes to previously agreed savings

Appendix 4 – Summary of Gross, Income and Net budgets

Appendix 5 – Council Tax Resolution

Appendix 6 – EIA Summary

Appendix 7 – Budget Task Group Papers

BACKGROUND PAPERS

Cabinet – 17 February 2022:

Capital Strategy 2022/23 to 2035/36

HRA Investment and 30 Year Business Plan

Treasury Management Strategy 2022/23

Integrated Investment Framework 2022/23

Previous Committee Reports:

Financial Planning 2022/23 to 2024/25, Cabinet 12th July 2021:

https://committees.westminster.gov.uk/documents/s42830/MTFP%20Update%20-%20Cabinet%20July%202021%20FINAL.pdf

Budget Task Group Papers, 20th, 25th and 27th January 2022:

https://committees.westminster.gov.uk/ieListMeetings.aspx?CommitteeId=322

Government Publications:

Provisional Local Government Finance Settlement 2022/23:

https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2022-to-2023

Spending Review 2021:

https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents

Appendix 1 - List of New Savings

Ref	Saving Title	2022/23 £000s	2023/24 £000s	2024/25 £000s	Total £000s
1	Promoting Independence in ASC	750	500	500	1,750
2	Carlton Dene Development	-	-	500	500
3	Review of ASC contracts	200	-	-	200
4	Mental Health - Review of management costs paid to CNWL	100	-	-	100
5	Staffing Review in ASC	500	-	-	500
Adults Total		**1,550**	**500**	**1,000**	**3,050**
6	Registrars Income	149	100	100	349
7	Delivering Transport Differently	100	150	-	250
8	Delivering Short Breaks Differently	34	25	75	134
9	Rationalisation of Non-Essential Spend	25	-	-	25
10	Placements and Accommodation Transformation	350	50	50	450
Children's Total		**658**	**325**	**225**	**1,208**
11	Parks & Open Spaces Service Configuration	-	70	-	70
12	Waste - Food waste recycling impact on disposal costs	40	40	-	80
13	Moving Traffic Initiatives	480	200	-	680
14	Traffic Sensitive Streets	375	125	-	500
15	Crane Oversailing Licence	50	-	-	50
16	Emergency Crane Licence	15	-	-	15
17	Parking Fee increases 2022-23	1,150	-	-	1,150
18	Higways Fee increases 2022-23	250	-	-	250
19	SMS Charging – 20p optional charge to users of the Pay to Park service	300	300		600
Environment and City Management Total		**2,660**	**735**	**-**	**3,395**
20	Capitalisation of Development PMO	150	-	-	150
21	Review of Commissioning/Accom. In rough sleeping and supported housing	-	-	500	500
22	Heritage Agreements	-	25	75	100

Ref	Saving Title	2022/23 £000s	2023/24 £000s	2024/25 £000s	Total £000s
23	Housing Needs restructure	-	75	-	75
24	Homelessness Prevention Grant	500	-	-	500
25	Church St revenue budget review	125	35	-	160
Growth, Planning and Housing Total		**775**	**135**	**575**	**1,485**
26	Reduction on card charges	100	-	-	100
27	Investment Property Income Review		-	400	400
28	Business Rates review for Council properties	100	-	300	400
29	Acceleration of Repurposing Building Programme	300	75	-	375
30	Planned move of ASC from NHS premises	400	-	-	400
31	Facilities Management Contract savings	-	-	500	500
32	Review of Insurance Premiums	250	-	-	250
33	IBC Contract savings	-	150	150	300
Finance and Resources Total		**1,150**	**225**	**1,350**	**2,725**
34	Non-pay efficiencies in the Cabinet Secretariat team	20	-	-	20
35	Increase in Banners & Events income	160	80	85	325
36	Service efficiencies in Innovation and Change	69	150	250	469
37	Removal of unallocated grants	50	-	-	50
38	Church St revenue budget review	40	-	-	40
39	Neighbourhood Keepers Grant Reduction	150	-	-	150
Innovation and Change Total		**489**	**230**	**335**	**1,054**
Total for the Council		**7,282**	**2,150**	**3,485**	**12,917**

Appendix 2 - List of Pressures and Investments

Ref	Pressure Title	2022/23 £000s	2023/24 £000s	2024/25 £000s	Total £000
1	ASC demographic growth	1,073	0	-	1,073
Total for Adult Social Care		**1,073**	**0**	**-**	**1,073**
2	Staffing (Family Services)	450	0	-	450
3	Demand Growth (SEN Transport)	380	0	-	380
4	Staffing (Short Breaks)	410	0	-	410
5	Demand Growth (Short Breaks)	130	0	-	130
Total for Children's		**1,370**	**0**	**-**	**1,370**
6	Tree Maintenance - additional costs	300			300
7	Food Waste Programme Rollout	630	(300)	-	330
8	Revenue impacts of public realm investment	100	50	-	150
9	Additional Legal Costs	150	0	-	150
Total for Environment and City Management		**1,180**	**(250)**	**-**	**930**
10	Investment in the capacity to deliver against the Smart City, Digital and Customer Experience theme for City for All	1,500	0	-	1,500
Total for Finance and Resources		**1,500**	**0**	**-**	**1,500**
11	Strategy & Intelligence changes to the Analysis team	496	0	-	496
12	Director of Communities Role	170	0	-	170
Total for Innovation and Change		**666**	**0**	**-**	**666**
Total for Council		**5,789**	**(250)**	**0**	**5,539**

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Appendix 3 - Changes to Existing Savings

		Original Profiling - Approved in March 2021				Revised Profiling - Feburary 2022					
Ref	**Description**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**Total £000**	**2021/22 New £000**	**2022/23 New £000**	**2023/24 New £000**	**2024/25 New £000**	**Unachievable £000**	**New Total £000**
	Adults Total - Unchanged	**3,063**	**1,060**	**655**	**4,778**	**3,063**	**1,060**	**655**	**-**	**-**	**4,778**
						Future Delievery		**1,715**			
	Childrens's										
2.03	MASH/LSCB	50	50	30	130	-	-	20	30	80	130
2.05	Pre-Birth to Five Service Redesign	250	350		600	185	350	-	-	65	600
2.06	Passenger Transport Alternative Delivery Mechanisms	50			50	-	50	-	-	-	50
2.07	Libraries Transformation	300	450		750	106	450	-	-	194	750
2.11	Staffing Review	625			625	425	-	-	-	200	625
2.12	IT Case Management System	88	50	50	188	-	-	88	50	50	188
	Other Proposals - unchanged profile	1,205	425	50	1,680	1,205	425	50			1,680
	Children's Total	**2,568**	**1,325**	**130**	**4,023**	**1,921**	**1,275**	**158**	**80**	**589**	**4,023**
						Future Delievery		**1,513**			
	Environment and City Management										
3.01	Late Night Levy		-	500	500	-	-	-	-	500	500
3.03	Parking Contract Relet		500		500	-	-	500			500
3.06	Championing Innovation in Highways Maintenance and Management	250			250	-	-	250	-	-	250
3.08	Parks - Surrender Leasehold Sites	30			30	-	30	-			30
3.11	Parking -Emission-based Charging	-		-	-	-	-	-			-
3.14	Highways Infrastructure & Public Realm		300	350	650	-				650	650
3.20	Waste & Parks	-	-		-	-	-	-			-
3.21	Public Protection and Licensing	250	250		500	-	-	-	-	500	500
3.23	Public Protection and Licensing		700	1,400	2,100	-	700	1,400			2,100
3.25	Public Protection and Licensing	100	100	-	200	40	100	-	-	60	200

		Original Profiling - Approved in March 2021				Revised Profiling - Feburary 2022					
Ref	**Description**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**Total £000**	**2021/22 New £000**	**2022/23 New £000**	**2023/24 New £000**	**2024/25 New £000**	**Unachievable £000**	**New Total £000**
3.27	Community Services - Sayers Croft Efficiencies	200	-		200	100	100	-	-		200
	Other Proposals - unchanged profile	2,583	2,408	150	5,141	2,583	2,408	150			5,141
	Environment and City Management	**3,413**	**4,258**	**2,400**	**10,071**	**2,723**	**3,338**	**2,300**	**-**	**1,710**	**10,071**
						Future Delievery		**5,638**			
	Growth, Planning & Housing										
4.05	Planning Income	500	500	250	1,250	-	1,000	250	-	-	1,250
4.06	Rental income from Intermediate Housing	100	34		134	55	79	-	-	-	134
4.08	Move to Digital Planning Consultation	-	100	-	100	-		-		100	100
	Other Proposals - unchanged profile	1,850	1,655	565	4,070	1,850	1,655	565			4,070
	GPH Total	**2,450**	**2,289**	**815**	**5,554**	**1,905**	**2,734**	**815**	**-**	**100**	**5,554**
						Future Delievery		**3,549**			
	Finance & Resources										
6.01	Technology Refresh	90	285		375	90	-	285	-	-	375
6.18	Review of Bi-Borough IT Service	250	250	-	500	-		250	250	-	500
6.20	Further IT Contract Savings	100	315		415	-		315	100	-	415
	Other Proposals - unchanged profile	3,050	1,725	970		3,050	1,725	970			5,745
	Finance and Resources Total	**3,490**	**2,575**	**970**	**7,035**	**3,140**	**1,725**	**1,820**	**350**	**-**	**7,035**
						Future Delivery		**3,895**			
	Innovation and Change										
5.01	Outdoor Advertising		550		550	-	-	-	-	550	550
	Other Proposals - unchanged profile	800	75			800	75	-			875
	I & C Total	**800**	**625**	**-**	**1,425**	**800**	**75**	**-**	**-**	**550**	**1,425**

Ref	Description	Original Profiling - Approved in March 2021				Revised Profiling - Feburary 2022					
		2021/22 £000	2022/23 £000	2023/24 £000	Total £000	2021/22 New £000	2022/23 New £000	2023/24 New £000	2024/25 New £000	Unachievable £000	New Total £000
						Future Delivery		75			
	Collaborative Savings										
7.06	Reducing the Corporate Property Footprint	-	1,000	400	1,400	-	-	400	-	1,000	1,400
7.07	Business support review	2,050	758	-	2,808	-	908	-	-	1,900	2,808
7.08	CED strategy: contact centre review	500	360	-	860	-	220	640	-	-	860
7.11	Fees and Charges - Process Automation					-	-	-	-	-	-
	Other Proposals - unchanged profile	4,074	2,835	575		4,074	2,835	575			7,484
	Collaborative Total	**6,624**	**4,953**	**975**	**12,552**	**4,074**	**3,963**	**1,615**	**-**	**2,900**	**12,552**
						Future Delivery		5,578			
	Total	**22,408**	**16,985**	**5,945**	**45,338**	**17,626**	**14,170**	**7,363**	**430**	**5,749**	**45,338**

Changes to Previously Agreed Savings	By 2022/23 £000	In 2023/24 £000	In 2024/25 £000	Total £000
Total Savings Originally Planned	39,393	5,945	-	45,338
New Profiling of Savings	31,796	7,363	430	39,589
Change	**7,597**	**1,418**	**430**	**5,749**

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Appendix 4 - Budget Schedules

2022/23 Gross Expenditure Budget

Executive Leadership Team	2021/22 Budget £'m	Corporate Adjustments £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2022/23 Budget £'m
Adult Social Care	105.160	0.000	1.073	(2.610)	103.623
Children's Services	156.463	0.000	1.370	(0.728)	157.106
Environment and City Management	133.675	0.000	1.180	(3.378)	131.477
Finance and Resources	120.160	13.427	1.500	(3.238)	131.849
Growth, GF-Housing and Planning	274.269	0.000	0.000	(2.430)	271.839
Innovation and Change	17.512	0.000	0.666	(0.335)	17.843
Other Corporate Directorates	4.859	0.000	0.000	0.000	4.859
Public Health	32.341	0.000	0.000	0.000	32.341
Sub-Total Gross Expenditure	**844.438**	**13.427**	**5.789**	**(12.719)**	**850.936**

2022/23 Gross Income Budget

Executive Leadership Team	2022/23 Budget £'m	Corporate Adjustments £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2022/23 Budget £'m
Adult Social Care	(52.493)	0.000	0.000	0.000	(52.493)
Children's Services	(117.471)	0.000	0.000	(0.559)	(118.030)
Environment and City Management	(127.825)	0.000	0.000	(1.930)	(129.755)
Finance and Resources	(74.045)	(0.443)	0.000	(0.700)	(75.188)
Growth, GF-Housing and Planning	(251.158)	0.000	0.000	(0.534)	(251.692)
Innovation and Change	(4.724)	0.000	0.000	(0.229)	(4.953)
Other Corporate Directorates	(0.594)	0.000	0.000	0.000	(0.594)
Public Health	(33.369)	0.000	0.000	0.000	(33.369)
Sub-Total Gross Service Income	**(661.679)**	**(0.443)**	**0.000**	**(3.952)**	**(666.074)**

2022/23 Net Budget

Executive Leadership Team	2021/22 Budget £'m	Corporate Adjustments £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2022/23 Budget £'m
Adult Social Care	52.667	0.000	1.073	(2.610)	51.130
Children's Services	38.993	0.000	1.370	(1.287)	39.076
Environment and City Management	5.850	0.000	1.180	(5.308)	1.722
Finance and Resources	46.116	12.983	1.500	(3.938)	56.661
Growth, GF-Housing and Planning	23.111	0.000	0.000	(2.964)	20.147
Innovation and Change	12.788	0.000	0.666	(0.564)	12.890
Other Corporate Directorates	4.265	0.000	0.000	0.000	4.265
Public Health	(1.029)	0.000	0.000	0.000	(1.029)
Sub-Total Net Service Budget	**182.759**	**12.984**	**5.789**	**(16.671)**	**184.861**
Funded By:					
Settlement Funding Assessment	(120.667)	(0.900)	0.000	0.000	(121.567)
Council Tax Income	(62.092)	(1.202)	0.000	0.000	(63.294)
Sub-Total Core Funding	**(182.759)**	**(2.102)**	**0.000**	**0.000**	**(184.861)**
General Fund Balance Budget	**0**	**10.881**	**5.789**	**(16.671)**	**0**

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Appendix 5 - Council Tax Resolution

The Council is recommended to resolve as follows:

1. It should be noted that on the 19 January 2022, the Council calculated the Council Tax Base for 2022/23:

   a) For the whole Council area as 135,056.32 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act"]; and
   b) For dwellings in the Montpelier Square area as 91.68

2. For dwellings in the Queen's Park Community Council area as 3,519.72

3. Calculate that the Council Tax Requirement for the Council's own purposes for 2022/23 (excluding Special Expenses) is £63,279,288

4. That the following amounts be calculated for the year 2022/23 in accordance with Sections 31 to 36 of the Act:

   a) £864,922,013 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it.

   b) £801,585,744 being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act.

   c) £63,336,269 being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year (Item R in the formula in Section 31B of the Act).

   d) £468.96 being the amount at 4(c) above (Item R) all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the Basic Amount of its Council Tax for the year (including Special Amounts)

   e) £56,981 being the amount of the Montpelier Square Garden Committee special item referred to in Section 34(1) of the Act.

   f) £468.54 being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of the Council Tax for the year for those dwellings in those parts of the area to which no special item relates.

5. To note that the Greater London Authority have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling in the Council's area as indicated in the table below:

Band	2022-23 (£)	2021-22 (£)	Change (£)
A	£263.73	£242.44	£21.29
B	£307.68	£282.85	£24.83
C	£351.64	£323.25	£28.39
D	£395.59	£363.66	£31.93
E	£483.50	£444.47	£39.03
F	£571.41	£525.29	£46.12
G	£659.32	£606.10	£53.22
H	£791.18	£727.32	£63.86

6. To note that the Queen's Park Community Council have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling in the Queen's Park Community Council area as indicated in the table below:

Ratio	Band	Queen's Park Community Council Rate (£)
6	A	31.54
7	B	36.80
8	C	42.05
9	D	47.31
11	E	57.82
13	F	68.34
15	G	78.85
18	H	94.62

7. To note that the Montpelier Square Garden Committee Special Expense for each category of dwelling as indicated in the table below:

Ratio	Band	Montpelier Square Garden Committee Rate (£)
6	A	414.35
7	B	483.40
8	C	552.46
9	D	621.52
11	E	759.64
13	F	897.75
15	G	1,035.87
18	H	1,243.04

8. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2022/23 for each part of its area and for each category of dwellings:

Including Westminster City Council element

Ratio	Band	Queen's Park Community Council Rate (£)
6	A	343.90
7	B	401.22
8	C	458.53
9	D	515.85
11	E	630.48
13	F	745.12
15	G	859.75
18	H	1,031.70

Ratio	Band	Montpelier Square Garden Committee Rate (£)
6	A	726.71
7	B	847.82
8	C	968.94
9	D	1,090.06
11	E	1,332.30
13	F	1,574.53
15	G	1,816.77
18	H	2,180.12

Ratio	Band	Rest of the City of Westminster rate (£)
6	A	312.36
7	B	364.42
8	C	416.48
9	D	468.54
11	E	572.66
13	F	676.78
15	G	780.90
18	H	937.08

Including Westminster City Council and GLA element

Ratio	Band	Queen's Park Community Council Rate (£)
6	A	607.63
7	B	708.90
8	C	810.17
9	D	911.44
11	E	1,113.98
13	F	1,316.53
15	G	1,519.07
18	H	1,822.88

Ratio	Band	Montpelier Square Garden Committee Rate (£)
6	A	990.44
7	B	1,155.50
8	C	1,320.58
9	D	1,485.65
11	E	1,815.80
13	F	2,145.94
15	G	2,476.09
18	H	2,971.30

Ratio	Band	Rest of the City of Westminster rate (£)
6	A	576.09
7	B	672.10
8	C	768.12
9	D	864.13
11	E	1,056.16
13	F	1,248.19
15	G	1,440.22
18	H	1,728.26

9. That the Section 151 Officer be authorised to collect (and disperse from the relevant accounts) the Council Tax and the National Non-Domestic Rate

10. That notice of amounts of Council Tax be published.

11. That the Council does not adopt a special instalment scheme for Council tenants.

12. That the Council offers as standard the following patterns for Council Tax and National Non-Domestic Rate: payment by 1, 2, 4, 10 or 12 instalments and those delegated officers have discretion to enter into other agreements that facilitate the collection of Council Tax and National Non-Domestic Rate.

13. That the Council does not offer payment discounts to Council Taxpayers.

14. That the Council resolve to charge owners for Council Tax in all classes of chargeable dwellings prescribed for the purposes of Section 8 of the Act.

Appendix 6 - Equalities Impact Assessment Summary

The Council has a duty to ensure that all policy decisions are considered to assess whether they have any equality impacts.

All budget changes set out in this report have been screened to ensure impacts have been considered where appropriate. An Equalities Impact Assessment (EIA) has been produced to review each of the savings initiatives of the 2022/23 budget, for either the initial assessment only if no equalities impact was determined, or a full EIA if an impact was detected.

A series of additional appendices covering each of the service areas have been produced. Additionally, a sharepoint site containing the EIAs for all savings proposals was created by Member Services for Councillors to review between up until the date of the full Council meeting on 2 March 2021. Members are requested to ask anyone from the team for access to the file if they wish to see them. All assessments were also made available at the Budget Task Group meetings held on 25th and 27th January 2021 and all Full EIAs are available on the Council's committees website alongside the agendas and papers for these meetings. A summary of all the assessments is presented below:

Service	Saving Reference	Saving Title	Full or Part EIA
Adults	1	Promoting Independence	Part
Adults	2	Carlton Dene Development	Part
Adults	3	Review of Contracts	Part
Adults	4	Mental Health – Review of mgmt fees paid to CNWL	Part
Adults	5	Staffing Review	Part
Children's	6	Registrars Income	Part
Children's	7	Delivering Transport Differently	Part
Children's	8	Delivering Short Breaks Differently	Part
Children's	9	Rationalisation of Non-Essential Spend	Part
Children's	10	Placements and Accommodation Transformation	Part
Environment and City Management	11	Parks and Open Spaces Service Configuration	Part
Environment and City Management	12	Waste – Food Waste Recycling Disposal Costs	Part
Environment and City Management	13	Moving Traffic Initiatives	Part
Environment and City Management	14	Traffic Sensitive Streets	Part
Environment and City Management	15	Crane Oversailing Licence	Part
Environment and City Management	16	Emergency Crane Licence	Part
Environment and City Management	17	Parking Fee Increase	Part
Environment and City Management	18	Highways Fee Increase	Part

Service	Saving Reference	Saving Title	Full or Part EIA
Environment and City Management	19	SMS Charging	Part
Growth, Planning and Housing	20	Capitalisation of Development PMO	Part
Growth, Planning and Housing	21	Review of Commissioning and Accommodation	Part
Growth, Planning and Housing	22	Heritage Agreements	Part
Growth, Planning and Housing	23	Housing Needs Restructure	Part
Growth, Planning and Housing	24	Homelessness Prevention Grant	Part
Growth, Planning and Housing	25	Church Street Review	Part
Finance and Resources	26	Reduction on Charges	Part
Finance and Resources	27	Investment Property Income Review	Part
Finance and Resources	28	Business Rates Review	Part
Finance and Resources	29	Acceleration of Repurposing Buildings Programme	Part
Finance and Resources	30	Planned move of ASC from NHS premises	Part
Finance and Resources	31	Facilities Management Contract Saving	Part
Finance and Resources	32	Savings on Insurance Premiums	Part
Finance and Resources	33	IBC Contract Saving	Part
Innovation and Change	34	Non-Pay Efficiencies – Cabinet Secretariat	Part
Innovation and Change	35	Increase in Events and Banners Income	Part
Innovation and Change	36	Service Efficiencies	Part
Innovation and Change	37	Unallocated Grant	Part
Innovation and Change	38	Church St Review	Part
Innovation and Change	39	Reduced Grant Award (Church St)	Part

Appendix 7 – Report and Minutes from the Budget Task Group Sessions

Budget Task Group – Summary Report on 2021/22 Budget Scrutiny

1. Executive Summary - The Scrutiny Process

The Westminster Scrutiny Commission agreed in July 2007 to set up a Budget and Task Group as a standing group, with the following Terms of Reference:

"to consider, on behalf of the Policy and Scrutiny Committees, budget options and draft business plans and estimates at the appropriate stages in the business planning cycle and to submit recommendations / comments to the cabinet and/or cabinet members."

Cabinet must take into account and give due regard of any views and recommendations from the Budget and Performance Task Group in drawing up firm budget proposals for submission to the Council, and the report to Council must reflect those comments (and those of other Task Groups and Committees, if any) and the Cabinet's response.

The Task Group examined five key themes:

- the potential impact of savings proposals on affected groups
- whether or not the budget proposals would affect the Council's ability to fulfil its legal obligations
- the need to identify and address potential optimism bias (overconfidence about the ability to secure third party income)
- the need to examine the Capital Programme as closely as the revenue budget
- the potential impact of any external factors.

The minutes of the Task Group's meetings are attached to this summary. These include the Task Group members questions and comments on the budget.

The Task Group would like to offer its thanks to the officers of all directorates for the rigour and commitment that went into preparing papers and Equality Impact Assessments for the Task Group's meetings, answering members' questions and following up on requests.

2. Overall Budget

The overall 2022/23 draft budget appears robust. Officers provided assurances on a number of points raised by members across all directorates, including managing the impact of changing service demand priorities, the deliverability of a number of projects, and how external economic factors will continue to put pressure on the Council's finances.

3. Risks

There are a number of risks which the task group wishes to highlight:

- The COVID-19 pandemic continues to impact the local and national economy. Furthermore, the Government's support over the pandemic will continue to have a long-term impact on public finances. This is being seen in rising inflation and interest rates. Members noted that these factors would present on going challenges for the Council's finances.
- Members noted that uncertainty around income streams, like that from parking, commercial waste and advertising sites, presents an ongoing risk and understand the Council's budgetary estimates for economic recovery.
- The Government has indicated the Fair Funding Review will go ahead. While further delays are possible, it is expected this will have a sizeable impact on Westminster.
- Members noted that reprofiled savings were largely as a result of the continuing impact of COVID-19 but that it is important that they are achieved alongside new savings in order to maintain strong financial control ahead of the Fair Funding Review

4. Positive Observations

There are a number of positive observations which the task group wish to highlight:

- The council's reserve policy mitigated the impact of the pandemic on council finances. Furthermore, the 2022/23 budget has flexibility built into it which will mitigate against continued uncertainty around COVID-19 and the local and national economy.
- Members commented on the strong record of budgetary control at Westminster City Council

CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Thursday 20th January 2022.**

Members Present: Cllr Gotz Mohindra (Chairman), Cllr David Boothroyd, Cllr Iain Bott, Cllr Jim Glen, Cllr Adam Hug and Cllr Karen Scarborough

Also Present: Gerald Almeroth (Executive Director, Finance and Resources), Jake Bacchus (Director of Corporate Finance), Adam Coates (SFM, GPH), Joginder Chana (SFM City Management and Communities), Luke Chiverton (Financial Consultant, HRA), Lyndsey Gamble (SFM Strategic Projects + Commercial Lead, F&R), James Green (Director of Development, GPH), Debbie Jackson (Executive Director, Growth, Planning and Housing), Raj Mistry (Executive Director, Environment and City Management), Artemis Kassi (Lead Scrutiny Advisor), Stephen Muldoon (Director of Commercial and Financial Management, F&R), Georgina Nash (SFM Commercial, F&R), Sarah Newman (Executive Director, Bi-Borough Children's Services), Anita Stokes (Lead SFM, Childrens, F&R), Rikin Tailor (Head of Corporate Finance, F&R), Gareth Wall (Bi-Borough Director of Integrated Commissioning), Ryan Whitaker (FM City Management, Communities, Highways, F&R) and Kim Wreford (SFM Corporate Services, F&R).

1. Welcome and Apologies

1.1 The Chairman welcomed those present.
1.2 No apologies received from members.

2. Declarations of Interest

2.1 No declarations of interest were received from members and officers.

3. CAPITAL PROGRAMME

3.1 Capital Programme Overview and Financial Summary

3.1.1 Gerald Almeroth presented the Capital Budget Overview 2022/23 and the Financial Summary for the General Fund and Housing Revenue Account. He explained how the capital strategy aligned with the City for All objectives. Gerald Almeroth also outlined how the Capital Budget included budget for the delivery of the Council's housing ambitions, investment in the public realm and highways, the emerging green initiatives and efforts to embed carbon reduction initiatives, budget for maintaining and improving operational property, and investment in capital IT.

3.1.2 Members queried why the proposed General Fund Capital Programme for 2022/23 projected a borrowing requirement of £187,893 million whereas the programme approved in March 2021 projected a borrowing requirement for 2022/23 of £399,237 million. Members observed that excessive underspend on capital projects should be avoided. Members heard that there was often understandable slippage in Council schemes and programmes and there was often "optimism" about how quickly things could be completed or brought forward for approval to spend. Officers were aware of unrealistic profiling of spend and were trying to be realistic whilst ensuring deliverability.

3.3 EXECUTIVE LEADERSHIP TEAM SUMMARIES

3.3.A Growth, Planning and Housing GF

Debbie Jackson presented the Growth, Planning and Housing Capital Budget, highlighting key projects for the next five years. These key projects included: Lisson Grove, the Oxford Street District, Church Street, 291 and 300 Harrow Road, Strand Aldwych and Temporary Accommodation Acquisitions.

Members queried:

- the spend for the Oxford Street District programme, as the overall spend was lower than had been projected in last year's five-year projection, and when the bulk of the spend would come in the five-year period, as the Capital Programme approval for this programme was for the bulk of the spend in 2022/23. Members heard that spend would peak in 2024/25, and that figures were being regularly reviewed and would be subject to change.
- the phrasing concerning 300 Harrow Road where it was stated that the scheme was "assumed to be delivered" by Westminster Builds. Members heard that this reflected pending decision-making processes and that this delivery route would continue to be assumed until the Council formally took the decision.
- why the total spending on the five-year Development profile had increased substantially whilst the income was much lower and what should be concluded about residential property crisis and the sales likely to be reached. Members heard that the five-year analysis was a limited view of the programme and that the changes in spend and income related more to changes in the profiling of receipts, phasing of works and cashflow timing issues.
- the five-year net budget of £104m and the income expectations
- the sufficiency of the Temporary Accommodation (TA) budget (of £76.5m) and how this differed from previous years
- the risks of buying in TA from other boroughs
- how £1.5bn of borrowing compared historically with borrowing and how much was currently being borrowed. Members heard that Council had an ambitious capital programme which had been in gestation for five years with regeneration development delivering more homes. This required expansion

of the capital spend but the financing strategy had not changed. Officers highlighted that as schemes are developed, and more assets are developed, the value of the Council's assets increased.

- the current projections for private sector contributions to the Oxford Street District programme alongside the council's £122m spend and whether it was still on track to hit projections of £82m. Members heard that the Council was in active discussions with the private sector though no firm commitments currently existed. Members were assured that all projects would have to meet four clear tests on a project-by-project basis but that as of today it was not possible to say that funding of this level had been secured. Members were assured that projects would be reviewed by the Council's Capital Review Board. (Note: clarification of £1.095m of external funding identified for Manchester Square has subsequently been shared with the panel members.)
- what proportion of the temporary accommodation (TA) funding was from the General Fund and Affordable Housing in addition to how much money towards TA was coming from the Mayor's Right to Buy Back (RTBB) Fund
- where the dividing line was between a public realm/place shaping scheme and when such a scheme would be categorised as an ECM scheme
- the savings over five years from TA purchases (£2.4m in cumulative savings by Year 5)

Members noted that, whilst the information presented to the task group had been investigated by Cabinet Members and Cllr Ian Rowley (Chair of the Audit and Performance Committee), there was a view that this was insufficient. It was very hard, without more information, examples and evidence, to see what was included in the overall capital programme. Members acknowledged that there was so much involved, concerning so much money and noted the difficulty of reviewing so much information in three task group sessions.

ACTIONS

- Officers to provide cumulative total of savings following discussion of the estimate of incremental savings from TA purchases over five years (£2.4m in Year 5)
- Officers to provide more information about the Mayor's Right to Buy Back funding
- Standing update to be provided every six months to the members concerning the status of the private funding for the OSD/West End programme

3.3.B Growth, Planning and Housing Growth HRA

Debbie Jackson presented the Growth, Planning and Housing 20222/23 capital budget for the Housing Revenue Account (HRA). She explained that the HRA covered three areas of expenditure: Housing Planned Maintenance (£1.208m), Regeneration (£856m) and the Self-Financing Acquisition Scheme (£151m).

Members queried:

- the money being spent on planned maintenance being pushed towards the end of the planned period and how this was being worked out in terms of the age of the buildings concerned

- the administrative or other risks of having the housing regeneration schemes dealt with under three different funding mechanisms and management structures (i.e. HRA, general fund and Westminster Builds) and whether the same teams were involved but accounted for in different ways
- the sale of properties deemed “not fit for purpose” (to finance the self-financing acquisition scheme), including whether expert advice was received, or the aim was for a quick sale
- whether the maintenance of the PDHU was for maintenance of the existing system or decarbonisation
- government grant contributions to the business plan, including estimates from the GLA about their future funding
- the metrics used by the Council when doing regeneration projects, including IRR
- whether the gross budget spend on Regeneration (£856m) was all spent on delivering social housing

Members requested:

- more information on the Self-Financing Acquisition Scheme, including clarification that this was not the disposal of social housing units for replacement with units of other (non-social housing) types
- more detailed information on plans for the disposal of housing stock under the Self-Financing Acquisition Scheme, given the history of Westminster in the context of social housing sales

ACTIONS

- Officers to check whether money is spent on renovation of properties not fit for purpose prior to sale as a way to realise greater sale value
- Officers to clarify the Regeneration spend of £856m and what this delivers

3.3.C Westminster Builds

Debbie Jackson presented the Westminster Builds 2022/23 capital budget, with a five-year plan totalling £368.961m, including key schemes such as Ebury, Westmead and Luton Street.

Members queried:

- the governance arrangements of Westminster Builds and external scrutiny of the finances
- Shareholder Committee composition for Westminster Builds
- the delivery of Beachcroft, Moberly and Farm Street and whether the receipts were as expected
- whether external funding from the Climate Action/Lottery funding was still being received

Members noted:

- that the Brunel site featured in the key projects, though there had been no meeting with members since March last year, and that before Christmas the advice was that no decision had been made. Its inclusion in the “firm” category was of particular relevance for task group members who were also ward members

- they were of the view that more P&S oversight was needed of Westminster Builds, and a presentation to a P&S Committee required

ACTIONS

- Officers to provide members with a briefing on the Brunel site
- Officers to provide members with a briefing on Westminster Builds (including structure, governance architecture, Shareholder Committee composition, decision-makers, budgets)
- Task group members to discuss at the next task group session
- Officers to provide clarification concerning the Climate Action Fund

3.3.D Finance and Resources

Gerald Almeroth presented the Finance and Resources 2022/23 capital budget, including key projects of Property Investments, Huguenot House, Leisure Review Development, Digital Transformation and also the central capital contingency (gross total £379.664m).

Members queried:

- why the five-year net expenditure was the same as the gross for Huguenot House if it was going to be a commercial opportunity and generate income
- Huguenot House as a hotel-led scheme, given concerns about the travel market
- the timing of and capacity for all the regeneration work being undertaken by the Council
- how return on investment for Smart City was being measured

3.3.E Environment and City Management

Raj Mistry presented the Environment and City Management 2022/23 capital budget, highlighting the Waste Fleet Procurement, Planned Preventative Maintenance for Highways and Lighting, the Electric Vehicle Infrastructure and the Disabled Facilities Grant (DFG).

Members queried:

- the procurement of the new electric waste fleet, including the cost per electric street cleansing vehicle
- the capital income on the parking capital project
- the trajectory of spend
- whether the cost of all material recycled resulted in any capital cost or if it constituted revenue cost
- Why the control of the DFG sat with ECM and not Adult Social Care

ACTIONS

- Officers to provide members with details of the cost per electric street cleansing vehicle versus a non-electric street cleansing vehicle
- Officers to provide details of parking capital income budget of £66k

3.3.F Children's Services

Sarah Newman presented the Children's Services 2022/23 capital budget, highlighting key projects such as SEN High Needs and Family Support, School Development Capital, Social Care System Procurement, King Solomon Academy ramp, and Safeguarding for Community Primary Schools.

Members queried:

- if the SEN/High Needs project was across all schools (academies, grant maintained, faith schools). Members heard that this was theoretically the case and the ambition was to encourage creative thinking.
- The cost of the ramp (£500,000). Members heard that the last part of this project to improve accessibility had been approved in 2018, was a large project and had had to consider fitting around the environment (trees).

3.3.G Adult Social Care and Public Health

Gareth Wall presented the Adult Social Care and Public Health 2022/23 Capital Budget, highlighting the Framework-I upgrade to MOSAIC and the remodelling of Lupus Street.

Members queried:

- the existence of capital to spend for adaptations. Members heard that this did not sit within ASC, though social workers advised on the adaptations needed to enable people to continue living in their homes.
- The inclusion of Lupus Street. Members heard that it had been included because it was partly NHS partnership work and partly a refurbishment of something new.

ACTIONS

- Officers to provide members with information on when the adaptation budget moved.

4. MEETING CLOSE

4.1 The Meeting ended at 20:56.

CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Tuesday 25th January 2022.**

Members Present: Cllr Gotz Mohindra (Chairman); Cllr David Boothroyd; Cllr Iain Bott; Cllr Jim Glen; and Cllr Adam Hug.

Also Present: Gerald Almeroth (Executive Director, Finance and Resources), Amanda Anerville (Strategic Finance Manager, Children's Services) Jake Bacchus (Director of Corporate Finance), Adam Coates (Strategic Finance Manager, Growth, Planning and Housing), Luke Chiverton (Financial Consultant, HRA), Michael Edley (Policy and Scrutiny Co-ordinator) Bernie Flaherty (Bi-Borough Executive Director of Adults), Debbie Jackson (Executive Director, Growth, Planning and Housing), Artemis Kassi (Lead Scrutiny Advisor), Stephen Muldoon (Director Commercial and Financial Management), Sarah Newman (Executive Director, Bi-Borough Children's Services), Zohaib Nizami (Strategic Finance Manager, Adults and Public Health), Anna Raleigh (Director of Public Health); Anita Stokes (Lead Strategic Finance Manager, Children's Services), Rikin Tailor (Head of Corporate Finance), Neil Wightman (Director of Housing)

1. Welcome and Apologies

1.3 The Chairman welcomed those present.

1.4 Apologies were received from Cllr Karen Scarborough.

2. Declarations of Interest

2.1 No declarations of interest were received from members and officers.

3. Medium Term Financial Plan (MTFP) 2022/23

3.1 Overview 2022/23

3.1.1 Gerald Almeroth provided an overview of the MTFP and explained that in 2021/22, the financial impact of Covid19 amounted to approximately £5 million overspend. Much of this had been reimbursed by government grants. Looking forward, he explained that the one-year Local Government Settlement had been announced just before the festive break. Westminster City Council's

(WCC) settlement allowed for a 6.3% increase in spending (assuming a 3% increase in Council Tax). The Council would receive a per pupil increase in the Dedicated Schools Grant. However, the total grant would only increase by 2.2% due to a demographic decline in student numbers. Gerald Almeroth said he was expecting business rates to return to pre-pandemic levels from 2023/24 onwards.

Gerald Almeroth noted that the delayed Fair Funding Review was expected to be consulted on during 2022 and be implemented into the 2023/24 budgets. The expectation was that WCC would experience a reduction in resources as a consequence of the review.

Gerald Almeroth was of the view that the main external pressure on the budget for 2022/23 would be inflation which is already causing budget pressures and for this reason an increase in contingency was proposed to account for the higher inflation. However, in line with Government forecasts he expected inflation to have dropped by 2023/24.

3.1.2 In response to members' queries, Gerald Almeroth acknowledged that the higher Interest rates at the current level provided an overall benefit to the Council but if these were to be sustained over a longer time-period then they would have a negative effect.

Members were also concerned that it might be prudent to predict inflation remaining higher and that for budgeting purposes a rate of 3% rather than official prediction of 2% should be adopted. In response Gerald Almeroth that this was the case for 2022/23 and that inflation rates were the subject of constant review and adjustments made accordingly.

Members also asked about levels of reserves and Gerald Almeroth explained that whilst they had dropped slightly, the decrease was not as bad as previously expected.

He also confirmed that the total net budget for 2022/23 is c£184 million (£850million Gross) with a third being raised through council tax and the remainder from government grants and business rates. He also acknowledged that the predicted General Fund overspend would be 5% of the overall net budget but that officers were working hard to reduce this further by year-end.

Members also asked for confirmation that all of the Council's monies, deposited in Icelandic banks, had been recovered. Gerald Almeroth confirmed that this was the case.

Members asked about the total savings for 2022/23 and levels of reserves: Gerald Almeroth explained that over the MTFP period, savings of £13 million in 2022/23 were expected with pressures and investments budgeted to be £6 million. He noted that reserves would be c£5 million lower at the end of 2021/22 and that the pension deficit would be paid off next year resulting in savings of £10million, as reported to Cabinet in July 2021.

4. Budget, Key Issues, Proposed Initiatives and Pressures:

4.1 Adult Social Care and Public Health

4.1.1 Overview

Bernie Flaherty provided an overview of the gross £100 million budget for Adult Social Care however, with various income such as BCF and iBCF, the net budget is circa £50m. She explained that for 2021/22 they are predicting an underspend mainly due to less people coming forward to access services as a result of the pandemic, although numbers are now returning back to pre-pandemic levels and additional COVID related grants that in the main will cease in March 22. The overall savings ASC is committed to achieving is £5m over the next 3 years of which, £3m are new savings that are detailed in the slides presented and £2m are savings that were approved as part of last year's budget planning. She confirmed that all these savings were efficiencies and do not represent cuts in ASC services.

4.1.2 Members asked about implications of the savings for residents. Bernie Flaherty provided examples of how the savings will be achieved such as:

- Promoting independence through Direct Payments (about 100 new DP accounts);
- Adopting digital technology to reduce the need for some residents having two carers each day to having one carer each day. In dialogue, this will empower users, offering a less intrusive service, more choice, leading to an enhanced quality of life.
- Enabling residents, currently housed outside of the City, to come back into City suitable accommodation stock which will result in a better experience for residents and closer to their loved ones and community that they belong to and, allow the directorate to realise efficiencies through lower costs and better outcome for the service user.

In response to members' questions about the need to continue to use agency and risk of saving not being realised. Bernie Flaherty explained that staffing levels had never gone below 85% capacity during COVID and that whilst agency contingency was always necessary the saving could be realised as a result of fewer senior managers being agency sourced. There is no focus on reducing frontline staff and we have been successful in moving our agency staff to permanent or fixed term contracts.

She also explained that the pandemic had resulted in an increase in the numbers of older people that are tech-savvy. Furthermore, the co-location of Mental Health staff would generate £100k for WCC which will be paid by Central North West London NHS.

Bernie Flaherty also explained that the process of contract reviews was being done in partnership with a diverse range of providers and was conscious of the need not put undue pressure on providers. Maintaining a diverse/mixed economy was important.

Discussing the Commissioning restructure, she mentioned that the savings in staffing were more about making roles more fit-for-purpose than any significant reduction in numbers.

4.1.3 ACTION

Bernie Flaherty agreed to provide members with more information on the commissioning restructure as soon as this was available.

4.2 Public Health

4.2.1 Overview

Anna Raleigh provided an overview of the budget for Public Health which is ring-fenced through Government grant. The budget amounted for 2021/22 is £31.993 million and the budgeted amount for 2022/23 is £32.412 million. An announcement on Public Health grant is expected in March 2022.

4.2.2 In response to members questions Anna Raleigh explained that some savings will be achieved in areas such as Health Visiting and Sexual Health services. In the case of the former, recommissioning has brought efficiencies without reduction in service and in the case of the latter, where residents are more willing to access services via digital technology, there is significant opportunity to make some savings. Anna Raleigh also pointed out that some services did not naturally lend themselves to tech solutions such as those designed to get people to socialise more, get more exercise or access open spaces.

4.3 Children's Services

4.3.1 Overview

Sarah Newman provided an overview of the budget for Children's Services and explained they were predicting an overspend of £1.4 million (excl. Covid pressures) against a backdrop of increased demand. Nonetheless new savings of £658k had been identified which would total £1.2 million after 3 years. She is currently seeking investment to address the pressures.

Savings proposals include increased income through the Registrars Service, efficiencies in travel arrangements with a focus on maximising independence and alternative travel options for short distance, low needs pupils with SEND, and savings in Family Services linked to Placements. Members noted the excellent service and increased income being delivered by Registrars.

4.3.2 In response to members seeking further detail, Sarah Newman explained that savings in home-school transport were achievable by supporting young people to be more independent by walking or using public transport where this was appropriate. She reassured members that any changes would be carried out in full consultation with the young people and their carers/families.

Further savings were possible by using local resources for overnight respite provision and reducing pressures by purchasing more efficiently.

Members expressed concern about the impact of the demographic drop in numbers of school-aged children moving through the education system, and the impact in future years. Sarah Newman explained that the Falling Pupil Number Grant helps to soften the impact; they have continued to reduce forms of entry through the system and other options were being evaluated (such as school mergers) to address the 22% surplus placements across primary education.

4.3.3 ACTION

Sarah Newman agreed to provide a breakdown of the Education budget together with a short briefing explaining in more detail planned savings in Short Breaks and the impact on families receiving the service.

4.4 Growth Planning and Housing (GF)

4.4.1 Overview

Debbie Jackson provided a brief overview of the proposals for 2022/23, before opening up to questions from Members.

4.4.2 Members sought further detail regarding possible income from planning. Debbie Jackson explained that opportunities are under constant review and this had revealed the income stream relating to planning approvals for listed buildings.

With respect to the Homelessness Prevention Grant, the figures represent best estimates in the absence of certainty from government on the size of the annual settlement. The Rough Sleeping commissioning savings would be achieved through consolidating contracts in consultation with partners.

Debbie Jackson also noted that the pandemic had resulted in a reduction in homeless sleepers and learning in the Council about possible ways to address the issue. She reassured members that she was confident of achieving the predicted £500k savings based on prior experience of the efficiencies that could be achieved with similar exercises elsewhere.

Debbie Jackson also explained that savings in the Church St Regeneration Fund was the result of this being phased out slowly as planned so that historical costs of services that are no longer needed have been removed from the budget.

Debbie Jackson also explained that the recharge of costs to the HRA was the result of creating resources to manage mixed tenure developments that are due to come online. This reflects an accurate allocation of costs (as some properties within the developments will be owned by the HRA).

4.5 Growth Planning and Housing (HRA)

4.5.1 Overview

Debbie Jackson invited members questions.

4.5.2 Debbie explained that the Neighbourhood Keepers Grant was designed to support communities access micro grants to improve their areas. After two years of support there is now decreasing demand. It was confirmed that the proposal is to halve the size of the fund.

In relation to the long-expected increase in estate managers, Debbie Jackson explained that there will soon be a third more estate managers which is finally being realised as a result of the recent restructure. There will also be a 10% increase in surveyors and an increase in the number of income and leasehold advisors. She also clarified the Depreciation line listed in the HRA budget as being a statutory obligation to ensure there is a minimum level of investment in maintaining existing stock (this budget is a compulsory revenue contribution to fund the capital Planned Maintenance programme).

Luke Chiverton responded to members queries about the basis for rent increases which is based on the Consumer Price Index level taken in September + 1% so that the current rent ceiling is set at 4.1% - 1% higher than the September CPI of 3.1%

4.5.3 ACTION

Luke Chiverton agreed to circulate information regarding the £2.2million savings from re-basing budget streams. The proposed savings reflect actual levels of spend over the last 2-3 financial years (based on efficiencies from bringing CityWest Homes in house). They were not formally removed from budgets due to volatility during Covid (and provided a contingency). These have now been removed from the 2022/23 budget to reflect actual resource requirements.

MEETING CLOSE

5. The Meeting ended at 20:58.

CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of the third meeting of the **Budget Task Group** held on **Thursday 27th January 2022.**

Members Present: Cllr Jim Glen (Chairman); Cllr David Boothroyd; Cllr Iain Bott; Cllr Lindsey Hall and Cllr Adam Hug.

Also Present: Gerald Almeroth (Executive Director of Finance and Resources); Jake Bacchus (Director of Corporate Finance); Joginder Chana (Strategic Finance Manager, ECM), Michael Edley (Policy and Scrutiny Co-ordinator); Richie Gibson (Head of Promotion, Events and Film); Aruj Haider (Chief Digital and Innovation Officer); Artemis Kassi (Lead Scrutiny Advisor); Raj Mistry (Executive Director of Environment & City Management); Stephen Muldoon (Director Commercial and Financial Management); Rikin Tailor (Head of Corporate Finance, F&R); Kim Wreford (Strategic Finance Manager, I&C and F&R) and Pedro Wrobel (Executive Director of Innovation and Change).

1. Welcome and Apologies

1.5 The Chairman welcomed those present.

1.6 Apologies were received from Cllr Karen Scarborough (Cllr Lindsey Hall substituting) and Cllr Gotz Mohindra

2. Declarations of Interest

2.1 No declarations of interest were received from members and officers.

3. Medium Term Financial Plan (MTFP) 2022/23

3.1 Overview

3.1.1 Gerald Almeroth provided an overview of the MTFP and explained that in 2021/22, the financial impact of Covid19 amounted to approximately £5 million overspend. Much of this had been reimbursed by government grants. Looking forward, he explained that the one-year Local Government Settlement had been announced just before the festive break. Westminster City Council's

(WCC) settlement allowed for a 6.3% increase in spending (assuming a 3% increase in Council Tax). The Council would receive a per pupil increase in the Dedicated Schools Grant. However, the total grant would only increase by 2.2% due to a demographic decline in student numbers. Gerald Almeroth said he was expecting business rates to return to pre-pandemic levels from 2023/24 onwards.

Gerald Almeroth noted that the delayed Fair Funding Review was expected to be consulted on during 2022 and be implemented into the 2023/24 budgets. The expectation was that WCC would experience a reduction in resources as a consequence of the review.

Gerald Almeroth was of the view that the main external pressure on the budget for 2022/23 would be inflation which is already causing budget pressures and for this reason an increase in contingency was proposed to account for the higher inflation. However, in line with Government forecasts he expected inflation to have dropped by 2023/24.

Gerald Almeroth explained that the budget focused on WCCs City for All priorities, including the following aspects:

- Investment in a new cross-cutting Communities function to support the Council's Vibrant Communities priorities;
- Continued investment into the Council's delivery of its 2030 and 2040 net zero targets; and
- Digital and Innovation investment.

4. Budget, Key Issues, Proposed Initiatives and Pressures:

4.1 Innovation and Change

4.1.1 Overview

Pedro Wrobel introduced Kim Wreford and Richie Gibson and then provided an overview of the budget explaining that 2022/23 would build on the achievements of 2021/22. He noted that £904,000 cost had been removed from the business by taking out unnecessary posts that had been vacant for some time and through efficiencies achieved following a review of Communications. He also predicted £1.054 million further savings in the period 2022- 2025.

Pedro Wrobel explained that the "service efficiencies" line would deliver savings of £300,000 with £169,000 of income. The budget also included investment in an Analytical team, (4 employees) now in place, that would ensure sound evidenced based business cases for over £1 billion of capital expenditure and provide intelligence to better align serves to the issues affecting residents.

4.1.2 Members expressed concern that the council might be asking too much of it's officers by driving through further efficiencies when there might be more attractive (less stressful) roles elsewhere in an employee led job market. Pedro Wrobel reassured members that the efficiencies were more about being pragmatic about vacant posts and how they are re-purposed to meet the needs of the organisation. In this way the natural churn-rate of staff creates opportunities to redesign teams to be fit-for-purpose as needs change.

In relation to the savings associated with the Neighbourhood Keepers Grant, Pedro Wrobel confirmed that these were in addition to those previously identified in the GPH budget and that the savings reflected a drop in demand for local grants. Reduced demand was also the basis for the savings related to the Church Street regeneration.

With respect to questions about the new analytical team and the New Director of Communities, Pedro Wrobel explained that the new analytical team would focus on both business and resident-related issues such as understanding the pressures of the increase in the cost of living, to help inform an optimally effective response.

The role of the Director of Communities would be responsible for community engagement, building capacity in and to work with services to ensure that their engagement with our communities was representative and meaningful, and to support the Council be better at targeting resources to residents' needs.

4.2 Environment and City Management

4.2.1 Overview

Raj Mistry provided an overview of the budget, highlighting £2.9 million overspend in 2021/22 dropping to £1.18 million in 2022/23. He believed that post-Covid, travel behaviours may have changed and coupled with the new ULEZ there would be reduced income in the future. Proposed savings in Future City Management were through efficiencies in back-office functions, opportunities for savings in contract renewal negotiations, and conversion of food waste treatment to anaerobic digestion.

Raj Mistry added that the Council would face pressures in tree maintenance, where tree planting schemes and disease management will require additional resources. The transition in food waste management will also require short term investment to ensure residents are informed and supported adequately to ensure a smooth transition. The greening of highways has also created the need for additional resources to ensure these are properly maintained. Finally, Raj Mistry pointed to the need to build capacity in the Legal team to accommodate an increase in court cases challenging fines etc.

4.2.2 In response to members' concern that £6 million savings might be unrealistic, Raj Mistry assured members that the bulk of the savings came from increased income from charges to utility companies and developers. The increase in income from parking charges was due primarily to increase in charges rather than the number of fines.

Members queried the large drop in the budget for PPL, Raj Mistry explained that these reflected savings realised from commitments made in 2021/22 regarding technology that reduced the need for back-office support and a related decrease in personnel. He also explained that the increase in income from traffic fines reflected increased capacity to identify moving vehicle offences although he also predicted a long-term decline in income from this area as travel behaviours changed due to air quality improvement measures and sustained behaviour change post-covid (increased cycling for example).

In response to members questions about contract renewals, Raj Mistry set out the status of key contracts as follows:

- Waste: Full, open procurement to come into effect in 2 years
- Highways: Due in 2026
- Parking IT: Tendering process close to award
- Enforcement: Procurement on-going for going live in 2023/24
- Leisure: Possibility of extending to 2026 pending Cabinet decision.
- Parks and Open Spaces and Housing: Moving towards option to merge these contracts.

Members cautioned against becoming overly reliable on traffic fines and maintained the priority outcome from CCTV should be safety, not income.

4.3 Finance and Resources

4.3.1 Overview

Gerald Almeroth provided an overview of the budget and pointed to a £600,000 underspend in 2021/22, partly due to additional income from the recent increase in interest rates.

In 2022/23 the budget set out proposed £2 million savings and £1.5 million investment against a backdrop of higher inflation, moving to a new IT Service, ongoing adaptation post-covid.

Key savings related to rationalisation of the Facilities Management contracts (where the aim was to save 10% of the current contract value), more efficient management of Adult Social Care properties and a review of the rateable value of WCC owned properties. Gerald Almeroth also pointed to savings through repurposing of some WCC properties, finding efficiencies in the Integrated Business Centre service and better risk management to bring down insurance premium costs. He gave the example of tree maintenance specialists also monitoring and managing root growth to reduce and repudiate trip claims.

4.3.2 In response to queries about the move of ASC, Gerald Almeroth explained that the benefits of co-location were now being achieved through tech solutions (Teams meetings etc) which therefore allowed us to bring ASC back into

Council property. He also assured members that community groups would not be affected by repurposing properties, which centred mainly on commercial properties, and that services were fully engaged in any moves affecting them. He also explained that the review of FM took account of the value of specialist FM contractors rather than generalists.

In response to members queries about the Digital and Innovation budget, Aruj Haider explained that the budget related to staff recruitment, and not the purchase of hardware. She also confirmed that a long-awaited improvement to the 'Report It' tool on the website would take place.

Gerald Almeroth explained the active engagement and support given to commercial tenants that had been struggling during the pandemic. This varied from practical support to assist in adapting the use of properties so tenants could continue to trade, to temporary rent holidays. In reality, income from the commercial sector had only been £1 million lower (of £30 million), with those located in districts faring better than those in the West End.

MEETING CLOSE

5. The meeting ended at 20:10.

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City of Westminster **Cabinet**

Decision Maker:	**Cabinet**
Date:	**17 February 2022**
Classification:	**General Release**
Title:	**Capital Strategy 2022/23 to 2026/27, Forecast Position for 2021/22 and Future Years Forecast to 2035/36**
Wards Affected:	**All**
Financial Summary:	**The Council has a proposed gross capital programme up to 2035/36 of £2.751bn, offset by £1.260bn of funding, giving a net budget of £1.491bn – which is to be funded via borrowing. The cost of borrowing has been built into the revenue implications of the capital strategy which is detailed in section 13**
Report of:	**Gerald Almeroth, Executive Director – Finance & Resources**

1. Executive Summary

1.1. The report sets out the Council's capital strategy from 2022/23 to 2026/27 and summarises the position up to 2035/36.

1.2. The general fund capital programme as detailed in Appendix A, proposes a gross budget of £2.751bn and a net budget of £1.491bn (including capital receipts). The capital programme of the Housing Revenue Account is set out separately in the HRA Business Plan which accompanies this report as part of the Council's annual budget setting process.

1.3. The Council's long-term capital investment is underpinned by the objectives of the City for All strategy. Capital proposals are considered within the Council's overall medium to long-term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking full account of the revenue implications of the projects as part of the revenue budget setting process. The Council continues to set aside additional revenue funding each year to cover the financing costs of the programme in accordance with previously stated plans.

1.4. In addition to the capital budgets and revenue implications, the report sets out the following:

- City for All strategy (Section 4)
- The Council's asset base (Section 5)
- Delivery strategies (Section 6)
- Budget setting and prioritisation (Section 7)
- Governance (Section 8)
- Key projects and programmes (Section 10)
- Capital funding (Section 11)
- Risk management (Section 14)

2. Recommendations

That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 2 March 2022:

2.1. To approve the capital strategy as set out in this report.

2.2. To approve the capital expenditure for the General Fund as set out in Appendix A for 2022/23 to 2026/27 and future years to 2035/36.

2.3. To approve that all development and investment projects, along with all significant projects follow the previously approved business case governance process as set out in section 8 of this report.

2.4. To approve that no financing sources, unless stipulated in regulations or necessary agreements, are ring fenced.

2.5. To approve the proposed financing of the capital programme and revenue implications as set out in section 13 of this report.

2.6. To approve the allocation of Strategic Community Infrastructure Levy (CIL) to the three projects outlined in paragraph 11.7 of this report.

2.7. To delegate to the Executive Director of Finance and Resources the decisions surrounding financing of the capital programme in order to provide sufficient flexibility to allow for the most effective use of the Council's resources.

2.8. To approve the Council's discretion to use capital receipts to fund the revenue costs of eligible proposals (subject to full business cases for each project). This comes under the DLUHC Guidance on the Flexible Use of Capital Receipts (FCR).

3. Reasons for Decision

3.1. The Council is required to set a revenue and capital budget. The revenue budget is set as part of the Medium Term Financial Plan (MTFP), where the capital budget is set as part of this strategy document.

3.2. Capital expenditure is defined as expenditure that is predominantly incurred on buying, constructing, or improving physical assets such as land, buildings, infrastructure and equipment.

3.3. The Council is required to set a balanced revenue budget, and the capital programme forms part of this process.

4. City for All Strategy

4.1. Westminster City Council's policy objectives are set out in City for All and this creates the overarching strategic direction that this Capital Strategy follows. The Council has embarked on an ambitious capital programme with a plan to invest up to £2.751bn (general fund) over the next 15 years. The investment in capital and assets on this scale is a foundation in enabling the Council to achieve its City for All ambitions.

4.2. The four City for All pillars are:

- **Greener and Cleaner:** tackling the climate emergency to deliver a thriving zero carbon city, resilient to climate impacts and safeguarded for future generations
- **Vibrant Communities**: making the most of the incredible opportunities in our City and building much needed housing for our residents
- **Thriving Economy**: in response to Covid-19 impacts, this pillar will focus on supporting the recovery of the economic wellbeing of our

residents and businesses and a renewal of Westminster's economy in support of the national economy

- **Smart City**: using cutting edge technology and digital innovation to transform Council services and improve people's lives

4.3. Further detail on some of the key projects that sit within each pillar is outlined below:

Greener and Cleaner

- In recognition of the growing need for greater action to avert the global climate crisis, the council has declared a Climate Emergency, and pledged to be a net zero organisation by 2030 and a net zero city by 2040. The Council has set ambitious targets to achieve carbon neutrality for itself, across Westminster and our communities. Delivering these will help harness important co-benefits such as improved air quality. Schemes include:
    - Rolling out more electric vehicle charging points across the City
    - Procuring fully electric waste collection vehicles and infrastructure
    - Ensuing that any building asset replacement is undertaken to modern building regulation standards, thus improvement their sustainable credentials
    - Improving the energy efficiency of our housing stock and decarbonising the Pimlico District Heating Unit
    - High specification housing regeneration schemes will be designed to reduce the Council's carbon impact
    - Improving use of technology such as air quality sensors to reduce emissions
- Currently, the Council is on a journey to improve carbon impact information of the capital strategy to ensure decisions taken on capital investment have a positive impact on the Council's carbon footprint in the future. This is a highly ambitious plan and the Council is developing a comprehensive carbon assessment toolkit to improve the quality of data available. This will be used to analyse the carbon impact of its capital strategy and officers are working with the consultant, GEP, to test this early in 2022/23.

Vibrant Communities

- Vibrant Communities addresses inequalities across the City, and ensures everyone is able to live healthy lives, through making the most of the incredible opportunities across our City and building much needed housing for our residents.

- The City Plan will enable the building of around 20,000 new homes by 2040, of which at least 35% will be affordable. Several large development schemes within the capital programme are planned to help to deliver at least 1,850 new affordable homes by the Council. Delivering high quality affordable homes will ensure Westminster is one of the best places for residents and families to live, work and play.

- Schemes being delivered by Westminster Builds include Ebury Phase 2 and 300 Harrow Road, major sites for regeneration in the north of the borough.

- Continued investment in other public realm projects within Westminster creates and preserves spaces where people enjoy living, working and visiting. The investment reflects the pride we take in our role as custodian of the City, protecting our heritage by managing places and spaces that can be enjoyed both now and in the future. Investment in improving the public realm and pedestrian environment helps to accommodate the safe and efficient movement of growing numbers of people entering and moving around Westminster, managing vehicular traffic and making walking safer and more enjoyable. We will ensure that residents, businesses and stakeholders are at the heart of place shaping to deliver on robust and vibrant places.

- The Council's investment in core infrastructure of carriageways, footways, lighting and bridges, recognises the commitment the council must manage the performance, risk and expenditure on its infrastructure assets in an optimal and sustainable manner throughout their lifecycle, covering planning, design, development, operation, maintenance and disposal. This programme ensures our infrastructure is in a safe and reliable condition, is efficiently managed and means our residents and visitors can enjoy clean, high-quality streets.

Thriving Economy

- Westminster's economy, from its high streets to the West End, is critical to the nation's economic wellbeing, making up nearly one-sixth of London's jobs. The Covid-19 pandemic has had a considerable impact on the

Westminster's economy; with many commuters opting to work from home for at least part of the working week, and the tourist trade being severely restricted, London has seen a weaker recovery than other parts of the country and consequently it remains a challenging environment for businesses, particularly in the hospitality, leisure, and retail sectors.

- As the nation slowly recovers and economy begins to improve, the Council will continue to work with partners across the City to support its vital businesses and help them thrive. Through the Thriving Economy pillar, the council will ensure Westminster retains its destination status, deliver a green economic recovery and support jobs and businesses.

- The Council's aspiration to uphold Westminster as the leading centre of tourism in Europe is demonstrated by the investment into the Oxford Street District programme. This broad programme will support the district's adaptation during and post Covid and sustain its status as a global destination for retail, leisure and tourism. We will work with partners and residents to ensure the plans embrace innovation, sustainability and diversity, with world class retail, dynamic cultural experiences and safe, smart streets for all.

- In addition to the development projects happening across Westminster, the Council also has committed to invest an additional £10m in its district high streets to ensure that local communities and business are protected and supported.

Smart City

- The Council will invest significantly in its Smart City and Digital programme to enable the Council to create an inclusive Smart City for All, using innovation, technology, and partnerships to improve efficiency, deliver quality services and provide world-leading experiences for our residents, businesses and visitors. The investment is focused on areas that will benefit residents the most and attract people back to the city to support the local economy.

- Key projects within the four key themes include:

    - Empowering people
    - Clean Tech City
    - Extraordinary Experiences
    - Innovative Ecosystem

- To help bring these themes together there will also be investment in the underlying infrastructure to develop a Smart City operating system. This will increase intelligence, transparency and effectiveness of digital and smart city initiatives, as well as provide broader benefits around data across the Council.
- In addition, there are broader initiatives in:

    - **Customer experience -** the Council wants its online experience to be good enough that customers will always use digital by choice. To achieve this, we will develop the existing capability and capacity to improve the website, the online experience and truly put the customer at the heart of what we do and enable them to be digital by choice. Specific requirements include website improvements, microsites migration, My Westminster and Digital Card smartphone app, single sign on, user experience design and accessibility compliance to improve the experience of customers when using our online products.

    - **Broadband and WiFi for residents -** investment and continued work with third parties including BIDs will lead to productivity improvements through delivering digital connectivity within Westminster. The investment will be targeted at locations in the City where the commercial providers are not looking to put in sufficient broadband provision – informed by the Council's recent open market review. In addition, support to traders are being provided to increase income through enabling street market WiFi and delivering training so they can optimise their use of digital technology to increase business.

    - **IT infrastructure -** focused investment to ensure staff within the Council have up to date corporate devices and the right device for their role, implementation of priority security actions following external assessment and enhanced cyber security, upgrades to key systems to support efficient working, new integrations between systems to improve the customer experience, improved data analytics capability to inform customer improvements and better decision making, improvements to the website and online forms to deliver a better customer journey, consolidating our telephony systems and upgrading the audio visual equipment in our meeting rooms to support on-site and hybrid meetings.

- ➢ All of this can only be delivered if it is underpinned by integrated data systems and digital infrastructure.

5. The Council's Assets

5.1. The Council has total long-term assets of £3.299bn across Property, Plant and Equipment, Investment Properties, Heritage and Other Assets. A summary of each asset class is outlined in the table below:

Asset Type	March 2021 £m
Council Dwellings	1,562
Other Land and Buildings	690
Investment Properties	467
Infrastructure Assets	296
Assets under Construction	198
Heritage Assets	45
Community Assets	28
Vehicles, Plant and Equipment	8
Intangible Assets	3
Assets Held for Sale	2
Total	**3,299**

5.2. Based on the Council's current level of assets, the capital strategy as outlined in this report will significantly increase the Council's asset base over the next 15 years across the General Fund and HRA.

5.3. The majority of capital expenditure as set out as part of this strategy will be spent on land and buildings and council dwellings (through the HRA).

5.4. The Council carries out regular maintenance on its properties and infrastructure assets. The capital programme ensures that its highways, operational properties, and council dwellings are continuously maintained to a good standard. These schemes are outlined further in this report.

6. Overview of Delivery Strategies

6.1. The Council's capital programme is categorised into three key areas: Development, Major Strategic Investments, and Operational.

Development £1,602m	Major Strategic Investments £120m	Operational £1,029m
• Achieve strategic aims • Investment for commercial purposes	• Future regeneration of key strategic sites • Increased income / capital values and diversity of portfolio	• Corporate property rationalisation • Reduce carbon footprint • Reduce running cost and ensure property is fit for purpose • Meet statutory requirements

6.2. A list of the proposed schemes (with associated expenditure and external funding) can be found in Appendix A, as part of the General Fund capital programme.

Development

6.3. Development projects are long term delivery projects and key schemes that directly support the Council's strategic aims, in line with City for All. These include the long-term sustainability of Council services through income generation and meeting service objectives in areas such as affordable housing and regeneration. This will help Westminster's residents and businesses in creating a strong local economy to live and work in, helping to embed the long-term aspirations of City for All. Most eminently, development projects will aid the Council in achieving its objectives for tackling the climate emergency, addressing inequalities, ensuring inclusion, and continuously innovating.

6.4. Many of the major development schemes will deliver affordable housing or social housing for the Council. These schemes will also include private housing for sale on the open market, thereby generating capital receipts for the Council to improve the viability of the schemes. The risks associated with reliance on this delivery and funding route are noted in Section 14.

6.5. The Council will review the best delivery routes for development projects. Delivery routes largely fall into the following categories:

- Self-develop: where the project is undertaken by the Council, resulting in the greatest potential return but with higher cost and risk exposure.
- The developer: this usually involves selling the opportunity to a developer resulting in the least return but also the least cost and risk.
- Joint-venture: this is an approach between the above two routes and can be a good option to limit risk and broaden expertise and capacity on the project, whilst still sharing in the returns.
- Delivery through the Council's housing subsidiary companies Westminster Builds (WB) – Westminster Housing Investments Limited (WHIL) or Westminster Housing Developments Limited (WHDL).

6.6. Under a developer or joint-venture delivery route it is likely the Council will have to undertake site assembly and the initial stages of planning before a partner is prepared to enter into an agreement on the opportunity.

6.7. One of the key financial risks of development projects from the perspective of the capital strategy is the need to have accurate financial estimates and profiling of expenditure in line with project milestones. To ensure this is as rigorous as possible the Council implements a challenge process for these projects, with further details on the process and governance behind this included as part of sections 7 and 8 of this report. Risks are discussed in more detail in section 14.

6.8. Development schemes make up a significant proportion of the gross capital budget at £1,601.766m, and of the capital receipts in the programme at £1,016.597m. Key examples of projects that fall under this category are noted in the graph overleaf:

Major Strategic Investments

6.9. The Council's capital programme includes a strategic acquisitions budget to allow it to acquire properties to enable the development of key strategic sites for future regeneration and investment opportunities.

6.10. The Council's Property Investment Strategy is based around a vision of having balanced and diversified portfolio with the aim of long-term revenue and capital appreciation for the greater benefit of the Council and its residents. As at March 2021, the Council maintained 278 number of investment properties, with a value of £467m, generating nearly £37m per annum for the Council to spend of essential services and invest back into its capital programme.

6.11. There are four key objectives that support this vision:

- Alignment to the Council's wider City for All objectives; developing key strategic sites that can benefit residents through future regeneration
- Income optimisation from the existing portfolio
- Streamlining and futureproofing the existing portfolio making it fit for the future
- Investing in new properties within Westminster for strategic and commercial purposes

6.12. Property Investment Acquisition has a budget of £120m within the capital programme to support future investment. The portfolio is stock and not sector led. Any new investment should aim to diversify the portfolio in addition to supporting the Council's broader strategic aims. Key principles for new investments are:

- Focus on strategic clusters linked to the Council's long-term regeneration and economic objectives including in the Harrow Road, Edgware Road and Church Street neighbourhoods. Lot sizes or yields can be less than 4% due to the broader strategic benefits, longer term value expectations and the size of the investment portfolio already held in these locations

- Any other new investment should consider yields of 4-5% in the short to medium term to enhance income

- All assets acquired must be within Borough unless opportunities arise adjacent to existing out-of-borough holdings or strategically close to the borough boundary

- A minimum lot size of around £10m is preferable unless the other principles are met through the acquisition.

- Any investments in commercial property conform with minimum revenue provision (MRP) regulations.

6.13. These are a guiding set of principles that will be reviewed in conjunction with CIPFA's publication 'Prudential Property Investment' which sets out guidance for Local Authorities investing in property. In addition, rigorous governance procedures are followed which mitigate risks associated with property acquisitions including seeking recommendation and guidance from the Property Investment Panel. This Panel includes independent external industry expert representation.

6.14. In March 2016, the DLUHC issued statutory guidance allowing the flexible use of capital receipts to support local authorities in delivering more efficient and sustainable services. Updated guidance issued by DLUHC extended the original three-year period from 1 April 2016 and in February 2021 confirmed a further three-year extension from 2022/23 onwards. This applies only to capital receipts generated during this period.

6.15. It allows local authorities to use capital receipts received in the year to fund the revenue costs of service reform and transformation, provided that this expenditure yields ongoing savings to an authority's net service expenditure. Capital receipts applied to revenue expenditure in any given year must have been generated in that same year.

Operational

6.16. Operational schemes make up a significant proportion of the gross capital budget at £1,027.474m. The Council's operational capital strategy is centered on capital improvement works to the Council's operational asset portfolio. This falls into two main categories:

- Land and Buildings – 379 General Fund assets with a value of £592m
- Infrastructure – asset value of £295m

6.17. The Council has completed condition surveys across the operational estate and this information is used to inform capital maintenance planning and lifecycle replacement, energy usage and day-to-day building management. It will ensure that ultimately the Council's operational estate is fit for purpose. The data will reduce building operational risk and ensure all compliance including and health and safety obligations are met.

6.18. The Council has completed the implementation of the Corporate Landlord approach to operational property management. This will ensure the effective and efficient management of property by centralising property service activities, decision making and budgets. It ensures that decisions about property are taken from a corporate and strategic perspective and that opportunities to deliver efficiencies are captured and assessed via the internal officer Strategic Property Board.

6.19. As part of the forward planning of the operational estate, there are some key areas which will be further developed in 2022/23 in line with Council objectives. These include aligning accessibility audits with building condition surveys to enhance accessibility for Westminster's Community throughout the Council's public buildings. The Council has recently introduced the WelcomeMe app that helps people access its buildings, the first local authority to do so.

7. <u>Capital Budget Setting & Prioritisation</u>

7.1. Every year the Council reviews its capital programme and the projects within it. This is undertaken alongside the revenue budget process in order to ensure that the impact of both is considered.

7.2. As part of the yearly capital budget setting process services review projects and submit bids using the following criteria:

- Strategic Fit: how the project aligns with the Council's City for All objectives and priorities and what it is trying to achieve.

- Financial: what are the financial circumstances for the project, e.g. is funding readily available, is it affordable and value for money?
- External factors: is the project needed because of another scheme or development, or any other external factors such as health and safety requirements?
- Risk: is the success of the project dependent on mitigating high associated risks?

7.3. There is an internal prioritisation review process with officers and then recommendations are considered by the Council's Capital Review Group (CRG).

7.4. The prioritisation process supports the Council in making decisions about which projects to progress, especially in an environment of challenging financial and officer resource. The process will continue to be developed and refined to ensure that projects and programmes are affordable and meet the Councils strategic objectives.

8. Governance

8.1. The capital programme comprises a wide-ranging set of projects with equally wide-ranging budgets. The current programme can be broken down by value as follows:

- 31 schemes above £10m in individual value
- 74 projects between £1.5m and £10m projects
- 117 projects below £1.5m in individual value

8.2. The main forum for reviewing all aspects of the capital programme is the Capital Review Group (CRG). This group reviews the strategic direction of the programme, ensures outcomes are aligned with City for All, development or other significant projects have a viable business case and that value for money (VfM) is delivered for the Council. It also monitors the expenditure and funding requirements of the capital programme and subsequent revenue impacts.

8.3. CRG's governance has been further strengthened by giving it oversight of projects with a budget above £1.5m that are revenue funded but have the characteristics of capital schemes, allowing it to review and challenge schemes before implementation.

8.4. The Council's governance arrangement deems significant projects to be those with minimum capital expenditure of £10m. These are projects that require a level of resident engagement, with issues that may give rise to sensitivities, involving matters which are a major strategic aim of the Council, carrying major risk, with an important historical context.

8.5. All development (as per the General Fund Capital Programme) and regeneration (as per the HRA business plan) projects over £10m will have to produce the following three business cases:

- Strategic Outline Case (SOC)
- Outline Business Case (OBC)
- Full Business Case (FBC)

8.6. At each of the following stages of the five-case model, business cases must include the following five areas: The Strategic Case, The Economic Case, The Commercial Case, The Financial Case and The Management Case.

8.7. Projects under £10m will require a Business Justification Case only. However, this will be dependent on the other criteria and factors. The list below is not exhaustive and whether a project can go through a one stage process has to be reviewed on a case-by-case basis and agreed by senior officers, members and the Project Management Office (PMO). The factors include:

- Level of resident engagement required
- Sensitivities
- Strategic aims of the project
- Historical context of the project

8.8. All business cases will require CRG approval followed by formal approval via a CMR or Cabinet Report. Although development projects may have a budget allocation in the capital programme the approval to draw down the budget will only be obtained via CRG approval and will align to the business case stage the project is at.

8.9. Assessment of the business cases will ensure that all aspects of a potential development scheme are analysed and the impact on all stakeholders identified. Therefore, the Council will be able to gain a full understanding on how a specific scheme will influence the overall strategy, the local economy, officers and resources of the Council.

9. Summary of the Capital Programme – 2021/22 to 2035/36

9.1. Overview of overall capital figures and breakdown by ELT

Table 1: Proposed General Fund (excluding HRA) capital programme 2021/22 to 2035/36

	Forecast	Five Year Plan					Future Years	
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	to 2035/36	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure								
Growth, Planning & Housing	90,083	132,253	110,261	137,569	163,971	73,700	171,012	878,849
Adults Services	568	513	219	-	-	-	-	1,300
Environment & City Management	75,557	96,659	76,465	54,158	28,524	24,575	-	355,938
Children's Services	17,651	3,370	3,040	40	-	-	-	24,101
Finance & Resources	45,135	38,800	44,990	182,345	44,699	73,351	542,436	971,756
Westminster Builds	42,200	30,300	72,100	56,800	95,400	13,600	208,405	518,805
Total Expenditure	**271,194**	**301,895**	**307,075**	**430,912**	**332,594**	**185,226**	**921,853**	**2,750,749**
Funding								
External Funding	(84,431)	(46,939)	(38,686)	(21,844)	(10,254)	(11,446)	(27,950)	(241,550)
Capital Receipts	(7,381)	(83,533)	(47,441)	(8,563)	(79,713)	(122,211)	(669,276)	(1,018,118)
Total Funding	**(91,812)**	**(130,472)**	**(86,127)**	**(30,407)**	**(89,967)**	**(133,657)**	**(697,226)**	**(1,259,668)**
Borrowing Requirement	**179,382**	**171,423**	**220,948**	**400,505**	**242,627**	**51,569**	**224,627**	**1,491,081**

9.2. The proposed capital programme for the Council over the next five years (including 2021/22 and summarised over the subsequent ten years) is a gross capital expenditure budget of £2.751bn. Over £1bn of this expenditure is due to be incurred over the next three years, 2022/23 to 2024/25. This is in line with the Council's development projects (which sit mostly within the Growth, Planning and Housing directorate).

10. Key Projects & Programmes

Education

10.1. The education capital programme falls into two broad categories:

- Schools' expansion
- Building works related to condition surveys, physical impairment, accessibility (e.g. special education needs) and general improvements

10.2. Expenditure on schools' expansions are in response to pupil place planning needs across the borough. The majority of the expenditure in the Children's programme is due to take place in 2021/22, due to the St Marylebone Bridge Special School and King Solomon school expansion completing in-year.

10.3. Expenditure on other school-related projects is designed to improve the fabric of buildings and/or make them more inclusive for children with special educational needs (SEN) or a physical impairment. The service is making best use of its SEN Capital Grant, School Condition Allocation Grant and funding from Section 106 and Community Infrastructure Levy to ensure schools remain in good condition.

10.4. The proposed capital programme includes approximately £6.450m of expenditure on school/education capital projects over the next five years. External funding of £5.300m is assumed, with the Council funding £1.150m. More information on these funding sources can be found in section 11.

10.5. Providing for the above allows the Council to manage expenditure on the High Needs Block of the Dedicated Schools Grant more effectively and ensures it makes best use of the Passenger Transport contracts for children with SEN by providing more capacity in the borough, reducing distances travelled and/or allowing children to become independent travel trained giving them a life skill, improving employment prospects in adulthood, and reducing the Council's expenditure on the General Fund.

Planned Preventive Maintenance/ Structural Works

10.6. The majority of this category relates to £89.445m of Planned Preventive Maintenance of the Highways, Lighting and Bridges and Structures within the Borough. The work is aimed at maintaining the durability of the asset and deliver a well-managed, high-quality streetscape whilst protecting and enhancing Westminster's unique heritage.

Property Capital Programme

10.7. The Council has the benefit of valuable land and buildings which are used to deliver services to Westminster residents such as libraries. Many of our properties are also occupied by voluntary and community organisations who can apply for support in paying their rent to occupy these spaces where they deliver demonstrable benefits to residents. The council also owns properties which are let out to commercial tenants and the rent received is used to support front line services.

10.8. Work is underway to work with key services to identify how ways of delivering services differently can result in property savings whilst enhancing community access. The Vibrant Spaces approach seeks to co-locate services to achieve these strategic goals. The organisation's approach to flexible working has transformed during Covid. The workplace strategy, which is still evolving, has included the launch of the Innovation Hub at City Hall and introducing Touchdown Spaces across Westminster to enable staff to work closer to our communities. These changes will continue throughout 2022/23 to meet the needs of officers delivering for local people.

10.9. Managing the property impacts of Coronavirus to enable Covid safer working for staff and access for the public has been the utmost priority. However, the Council has continued to drive through other high priority work to ensure the continuous improvement to the management of our land and buildings. This work has included:

- Embedding a “corporate landlord” approach in managing the operational estate.
- Focusing on performance management, in particular, the Facilities Management contract.
- Development of the council’s property information system to enable high quality information to be extracted to support decision making.

10.10. Key projects within the Property Capital Programme are as follows:

- <u>Delivery of the £13m operational building decarbonisation programme</u> - This work will conclude in March 2022 and will deliver a substantial reduction in operational portfolio carbon emissions. This work is funded from a BEIS decarbonisation of public buildings grant.
- <u>Commencement of the decarbonisation programme of investment stock</u> - This programme is in its infancy but will direct the planning of investment towards the 2040 net carbon zero target of the council around tier 2 emissions.
- <u>Huguenot House</u> - Agreement was reached as to the Preferred Way Forward in March 2021. Soft market testing has begun for delivery route options which is due to complete in March 2022. Further acquisitions at site will be considered before the financial year end.
- <u>Seymour Centre Project</u> - Consideration of options for the future best use of the Seymour Centre putting wide resident needs and aspirations at the heart of a new offer. The appointed architects have started pre app meetings with the planners and extensive community consultation continues.
- <u>Coroners Court Extension</u> - The project to enhance and extend the existing coroners court has commenced and will conclude in January 2023. This is an exciting step in the delivery of this multi-partner project.
- <u>Queen Mother Sports Centre</u> - The outcome of the Seymour Centre project and progress with the Chelsea Barracks leisure facility will inform plans for the QMSC. In the meantime, strategic property acquisitions progress to potentially enhance the options available for this site. The redevelopment of the site is a key part of the wider capital programme.

Greener and Cleaner

10.11. The council has declared the Climate Emergency a key priority and set ambitious targets to achieve carbon neutrality for the council, across Westminster and our communities. Significant schemes include:

- Waste Collecting and Street Cleansing Vehicles - Reduce waste through transforming recycling facilities and enhancing our environmentally friendly and low emission waste collection service. Street Cleansing operations will be delivered using zero emission (electric) specialist vehicles.

- Council Buildings - Reviewing the environmental credentials of our portfolio, including the retro fit scheme and high specification housing regeneration schemes which are designed to reduce the Council's carbon impact

Public Realm Schemes

10.12. This covers a wide variety of schemes that aim to improve the public realm within the Borough. Significant schemes include:

- Oxford Street District - Temporary improvement works on Oxford Street and the Soho Photography Quarter are approaching completion and works on Manchester Square and Berners and Newman Street will commence before the end of 2021/22. The delivery plan was revised during 2021/22 to ensure each work package meets the following four key tests in order to support the case for investment.

    - A clear case for change - ensures schemes align with the objectives within the business case.

    - Meaningful engagement and partnerships - will encourage engagement with stakeholders, residents and the wider community to forge strong relationships.

    - Clarity on impact for residents - residents needs will be at the forefront of decision making and measures put in place to mitigate any negative outcomes.

    - Robust costing and investment perspective - will ensure proposals are cost effective and consider long term maintenance as well as capital construction costs.

- Strand Aldwych - In light of the coronavirus pandemic, a phased approach to delivery has been introduced. A 'meanwhile' space will be introduced on the Strand, giving the opportunity to support the local economy and the West End's creative and cultural industries as quickly as possible. The Aldwych works to complete the two-way switch were completed successfully in August 2021.This enabled the first phase of the meanwhile space to open in September 2021. This approach provides additional flexibility to take account of a changing economic and cultural landscape and respond to needs as they arise through use and management of the meanwhile space. Work has progressed well with key partners in outlining a collaborative management model for the future maintenance of the space, with all parties willing to contribute.

- Westminster Ceremonial Streetscapes/Protective Measure - Integrates public realm improvements which improve resilience against vehicle-borne terrorist attack within the area described as the Westminster Ceremonial Footprint. This involves replacing existing temporary vehicle security measures drawn from the National Barrier Asset with permanent hostile vehicle mitigation measures, specifically designed to be more sensitive and sympathetic to the historic street scene. These schemes are fully external funded by a wide range of external partners and stakeholders. These funding partners include Home Office, MOPAC, TFL and House of Commons who have provided funding for number of schemes as part of the 'Ceremonial Streetscape' project.

- Queensway's Streetscape - Improving the public realm on Queensway and its surrounding / connector streets including public space between Bayswater Road and Westbourne Grove/ Bishop's Bridge Road.

- Berkeley Square South - Project Realm works to extend footways, reduce carriageway widths, improve crossing points around the southern section of the square following the success of the northern part of Berkeley Square North scheme. The scheme also includes upgrading pedestrian facilities and upgrade of the public realm on Bruton Place, Bruton Lane and Bruton Street.

- Grosvenor Square Public Realm Scheme - Project Realm works to extend footways, reduce carriageway widths, improve crossing points around Grosvenor Square. The scheme also includes upgrading pedestrian facilities and upgrade of the public realm.

General Fund Housing

10.13. The Housing capital programme in the General Fund contains schemes to provide additional affordable housing both in and out of borough. This is via temporary accommodation purchases and contributions to registered providers. The Affordable Housing Fund (AHF) comprises Section 106 agreements, which are ring-fenced monies paid to the Council in lieu of the direct provision of new social housing and is used for the delivery of in-borough housing projects by Registered Social Landlords.

Temporary Accommodation and Rough Sleeping

10.14. The Council has a statutory duty to provide Temporary Accommodation (TA) for households approaching the Council as homeless, who are eligible for housing, have a local connection, are vulnerable and who are not intentionally homeless. There are currently over 2,600 properties used as TA, managed by over 30 different provider organisations. Since 2013 the Council has also been purchasing properties directly for use as TA. This establishes an important pipeline of good quality housing that is available and affordable to households on low incomes during a time when sourcing accommodation has been particularly challenging.

10.15. Rough Sleeping impacts Westminster more than any other London Borough. The Council commissions a range of street outreach, support housing, and hostel provision for people sleeping rough. This acquisition programme will expand the availability of self-contained independent accommodation for rough sleepers assessed by officers as being able to live independently in their own homes. Support will be provided, particularly following the moves into the properties, to ensure the individuals settle and are able to access local services and move into employment.

Development/Regeneration Programme

10.16. The Council's development and regeneration programmes are delivered through either the general fund, the Housing Revenue Account (HRA) or the Council's wholly owned housing company, Westminster Builds. Together these funding routes assist the Council in achieving its City for All objective of building 1,850 affordable homes. Significant schemes include:

- Lisson Grove Programme - The programme incorporates the redevelopment of two key Council sites at Orchardson Street and Lilestone St, both of which form part of the wider Church St masterplan. The programme will provide a new Health and Wellbeing Hub alongside new homes. The existing office site will then be available for redevelopment and delivery of a substantial level of additional housing. The Outline Business Case (part 1) for the planned development was agreed in March 2020. Work is now being undertaken to procure the key consultant team for the programme.

- Church Street Regeneration Site A –The capital strategy reflects general fund investment into a joint venture structure with an investment or delivery partner to facilitate the delivery of regeneration of Site A of the wider Church Street Regeneration programme.

- Luxborough - Delivery of 14 new intermediate homes, commercial space and improvement and landscaping works to areas surrounding Luxborough Tower.

- 291 Harrow Road Plans to acquire the NHS owned site will facilitate the delivery of 133 residential homes including 16 new, high quality specialist residential accommodation for the existing residents of 291 Harrow Road and Elmfield Way.

10.17. The general fund development programme is one branch through which the Council is realising its affordable housing ambitions. The other funding options are through the HRA and the Council's wholly owned housing company – Westminster Builds.

Westminster Builds

10.18. In June 2018, following Cabinet approval, the Council incorporated two new wholly owned companies, Westminster Housing Investments Limited (WHIL) and its subsidiary Westminster Housing Developments Limited (WHDL) known collectively as /operating under the brand 'Westminster Builds', for the purpose of helping the Council deliver its ambition to increase the supply of housing affordable to those living and working in Westminster.

10.19. In this two-company structure (set up for tax efficiency reasons), WHDL will undertake the construction and development of schemes and WB will hold properties for intermediate and market rent.

10.20. Westminster Builds is part of the Council's implementation of its City for All targets, providing homes at a wider range of price levels for people who live and work in Westminster. The Westminster Builds business plan sets out the Company's vision and objectives. The company's vision is as follows:

‘By delivering high quality, modern homes for people from all backgrounds, the company aims to: Build better homes, Build a better city, Build a better future’

10.21. The specific business objectives are:

- to provide more intermediate and market housing in the City
- to offer new tenures and, in particular, intermediate tenures to extend the range of provision available for those living and working in Westminster
- to increase housing delivery at a scale, pace and quality set by the Council and with control and ownership of the assets retained by the Council
- to offer a flexible partner for the Council in delivering housing.

10.22. The current Westminster Builds Business Plan sets out the programme of planned activity by the company over a five-year period from 2021-2026 to include acquisitions, forward funding, collaborative and development opportunities.

10.23. The plan is estimated to deliver 1,145 new homes across all tenures, of which 732 will be developed by Westminster Builds either directly or in partnerships and Joint Ventures and 109 will be acquired from third parties. It is expected that in total 304 homes will be retained by Westminster Builds let at either market or intermediate rent.

Westminster Builds Development Programme

10.24. The development programme included in the business plan consists of the following schemes:

<u>300 Harrow Road</u>

10.25. Harrow Road is a self-delivered development providing 112 new homes, a nursery, workspace and a community hall. The approved scheme will deliver 49% affordable homes subsidised by open market sales. Delivered by WB through its subsidiary WHDL. The main works contract has now been signed and works on site will commence in quarter four of 2021/22. Completion is due in quarter three of 2023/24.

<u>Westmead</u>

10.26. The Westmead development will be directly delivered by Westminster Builds and will produce a total of 65 new homes on site including a mix of both market sale and intermediate rent units, as well as new social rent homes to be retained within the HRA.

Luton Street

10.27. Following the approval by Full Cabinet and subsequent approval of the Full Business Case by CRG and the Westminster Builds board, the company entered into an LLP with BY Development for the delivery of Luton Street. Unlocking the development of the site, which includes 109 private and 62 affordable homes retained by the Council, the arrangement provides a fixed return to the general fund and Westminster Builds on financing the development as well as a share of the profits generated by the private sale in favour of Westminster Builds. The development is expected to complete in quarter two of 2022/23.

Ebury Bridge Phase 2

10.28. The Westminster Builds business plan includes a budget for the direct delivery of Phase 2 of the Council's key regeneration scheme at Ebury Bridge. A final decision on the delivery route is expected to be taken by the Council in quarter one of 2022/23.

Acquisitions

10.29. Included in the business plan is a budget for acquiring completed intermediate units and/or market homes for the purpose of letting at intermediate or market rent levels. In order to retain control of the affordable units on these sites the Council has decided that these units will be held by Westminster Builds rather than an external housing association.

Each scheme will be approved through the Council's existing governance processes. However, the Westminster Builds business plan currently includes planned acquisitions on the following sites: Farm Street (acquired and awaiting first tenants), Parsons North, West End Gate, Ashbridge St, Luxborough St, Pimlico and homes within the first phase of the Ebury Bridge regeneration and Lisson Grove programme in the Church St regeneration area. Current projections show the company will hold 71 homes for rent by the end of March 2022.

Jubilee Phase 2

10.30. Following completion of the legal documents on the Westminster Builds acquisition of 19 units on Jubilee phase 2 for £10.2m, the company entered into a further loan agreement with the Council in Q2 2020/21. The acquisition will be part-funded by £3.9m of affordable housing fund and a grant of £0.7m from the GLA. The acquisitions will be made by staged payments to the developer, with payments totaling £7.530m being made as at Q3 2021/22. The units are expected to be completed in Q1 of 2022/23

10.31. The value of the properties from the Council is determined through a capitalised rent calculation based on the achievable intermediate rent, ensuring a market facing price acceptable to both the Council and WB.

HRA Business Plan

10.32. The Council is committed to delivering an ambitious HRA capital programme that, in addition to building new affordable homes, will regenerate existing estates and safeguard the condition of existing housing stock. The Development element of the overall programme aims to provide a supply of new homes that will enrich and promote healthy neighbourhoods and communities via mixed use developments, proactive place shaping and ensuring there is greater support for local services and amenities.

10.33. The HRA will play a significant role in the delivery of the wider Housing Programme and will work with the Council's General Fund and the wholly owned subsidiaries to ensure the aspiration of the housing plan is delivered. The planned capital spend for 2022/23 is £197m with a total of £2.215bn planned to be spent over the duration of the 30 year business plan. This represents an increase of £123m since the February 2021 HRA budget report.

10.34. This programme will be funded using various funding sources, including the use of the Affordable Housing Fund, Capital Receipts, and available grants. HRA borrowing will be used to cover the gap between available funding and planned expenditure. In October 2018 the HRA borrowing cap was removed, allowing greater flexibility for investment in building affordable housing. However, borrowing within the HRA still needs to be tightly managed and a prudent approach must be taken to ensure that there is sufficient cover within the HRA revenue budget to support planned borrowing. The business plan takes several steps to ensure that the HRA debt profile is sustainable, including a sufficient level of interest cover within the revenue budget (to provide financial resilience) and maintaining appropriate levels of HRA reserves (set at a minimum of 10% of turnover).

10.35. The business plan has been developed at a time of increasing cost volatility in the construction sector (due to inflation running at a ten-year high and evidence of a squeeze on the availability of both labour and materials). Risks are also present in relation to the residential market and the ability to generate projected capital receipts. The business plan attempts to mitigate these risks by including a programme-wide development contingency within the capital programme and building in cost inflation in relation to the planned maintenance programme. It has also created a flexible revenue contribution to capital within the revenue budget that can be re-purposed to support further borrowing if there is any significant adverse movement on the key financial assumptions included within the business plan.

10.36. Key regeneration schemes being developed within the HRA include:

Church Street

10.37. In December 2017, the Cabinet approved the Church Street Masterplan as the Council's framework for informing the future regeneration of the Church Street area. The proposed developments of sites A, B & C form part of this wider Masterplan. Site A will be the first of the three sites to be redeveloped and a decision has been taken for this to be undertaken by Westminster Builds. A decision is yet to be taken on the delivery routes for sites B & C.

Ebury Bridge

10.38. The Ebury Bridge Estate is one of the key priority estates identified within the Council's Housing Renewal Strategy as needing significant improvement and investment. The regeneration plans for the site are split into two phases. In March 2019 a decision was taken by the Council to progress the delivery of Phase 1 through the HRA and this element of the scheme is now in contract. A decision is due to be taken during early 2022/23 as to the most appropriate delivery route for Phase 2.

Carlton Dene

10.39. The development project at Carlton Dene comprises the redevelopment of an existing residential care home and one block of nine apartments to provide new housing for older people, specialist housing for people with learning disabilities, affordable housing and private for sale units. The project will deliver 87 new affordable homes, 65 of which will be extra care housing.

10.40. Other schemes include:

- The demolition and redevelopment of the Balmoral Public House, Darwin House and associated garages will provide 52 new affordable homes in two phases including 34 community supportive housing units that will enable the decant of Darwin House residents and 18 intermediate units.

- Options are being explored for the redevelopment of the vacated Brunel Contact Centre to deliver circa 60 new homes.

- As part of the Paddington Green scheme, the Council is exploring options to acquire 45 affordable homes from the second phase of the West End Gate development being delivered by Berkeley Homes.

11. Capital Funding

11.1. The Council is required to have a funded capital programme that is affordable, i.e., all capital expenditure should have a source of funding and if that funding source is borrowing, the cost of the borrowing should be built into a balanced revenue budget.

11.2. The key sources of funding for the Council are:

- Grants
- Contributions
- S106/CIL
- Capital Receipts
- Direct Revenue Funding
- Borrowing

Grants

11.3. These are predominantly government grants and are usually provided to the Council for the specific use of funding capital expenditure for certain schemes and programmes. The majority of grants the Council receives for capital projects are via the Department for Education (DfE), which are provided to ensure the Council is meeting its statutory duty of providing school places and ensuring school building are in a good condition. Other grants the council receives include TfL grant funding for infrastructure improvements across the City, Disabled Facilities Grant (DFG) and Community Capacity Grants in Adult Social Care.

Capital Contributions

11.4. In comparison to grants, capital contributions are specific contributions received for projects and are normally provided by the government, external agencies or private companies, who have a specific output or outcome they would like achieved through the capital works the Council is providing. Quite often, the scope of these projects is dependent on this external funding, without which the Council may decide to reduce the objectives and scope of a scheme. Examples of capital contributions include several infrastructure projects such as Ceremonial Streetscapes which have specific outcomes that organisations would like to achieve.

Community Infrastructure Levy (CIL)

11.5. Community Infrastructure Levy (CIL) is a planning charge introduced by the Planning Act 2008. The Council started charging CIL in May 2016. Developers must pay a levy linked to planning applications - this is based on a Council approved policy and charging schedule. Under regulation, CIL is split in the following way:

- 15% is allocated to Neighourbood CIL – divided among the 21 Neighbourhood Areas to address the demands of development within their area
- 5% used to administer CIL at Westminster City Council
- 80% of Strategic CIL (or "City Portion") is spent by the Council on delivering the infrastructure needed to support growth

11.6. The majority of CIL funding is used to fund infrastructure projects but an element is also used towards education, community services and open spaces.

11.7. The income from this levy is held corporately and the Council decides how to allocate Strategic CIL as part of the capital budget process and in agreement with the CIL Cabinet Committee. Future projects that assume CIL funding will only commence once allocation of that funding has been recommended by the CIL Cabinet Committee and approved by Cabinet and Full Council. The Capital Programme assumes Strategic CIL funds projects within the proposed programme; however, individual approvals will come forward for those before those projects commence.

11.8. The 2022/23 projects recommended to be funded from Strategic CIL are:

Project	Relationship to development and/or growth
Princes Street Public Realm	Necessary infrastructure to manage the expected increase of pedestrians arriving into the West End via Crossrail (estimated 16,000 pedestrians per hour will use the eastern entrance to Crossrail on the adjacent Hanover Square, exiting the station facing Princes Street and the northern side of Hanover Square). The project is also the last piece of a broader strategic effort to ensure our streets are safe and to improve local areas for

	our communities, with other public realm schemes in the immediate vicinity including at Bond Street, Hanover Square, Harewood Place, Oxford Street and Regent Street.
Sackville and Vigo Streets Public Realm	Necessary infrastructure to manage the expected increase of pedestrians arriving into the West End via Crossrail (estimated 16,000 pedestrians per hour will use the eastern entrance to Crossrail which eventually leads to Sackville and Vigo Streets)
Queensway	Directly related to development – these works were originally funded as part of s106 agreement, but those funds were diverted to affordable housing

11.9. The availability of CIL receipts to fund major schemes is subject to the on-going generation of CIL funds from developers for the duration of the capital programme. Major projects will only proceed subject to business cases being approved according to Capital Review Group guidelines. Part of this scrutiny considers the availability of the funding required to make the scheme viable. In the event that this funding is considered to be at risk (due to low recovery of CIL, for example) alternatives would need to be sought before approval to proceed is granted. The Capital Programme assumes AHF funds projects within the proposed programme; however, individual approvals will come forward for those before those projects commence.

Section 106 / Section 278 and Affordable Housing Fund Receipts

11.10. S106 differs from CIL, as it is essentially a contract between a developer and the Council and, similarly to capital contributions, has to be used for specific projects and outcomes rather than a more general objective.

11.11. S278 receipts are linked to highways works and are specific contributions from a developer. This is related to highways works the Council carries out on behalf of the developer in line with planning approvals.

11.12. Affordable Housing Fund (AHF) receipts are income the Council receives from developers in lieu of affordable housing being built in line with the Council's policies on a prospective development. These receipts must be used toward building new or replacement affordable homes.

11.13. The availability of AHF receipts to fund major schemes is subject to the on-going generation of AHF funds from developers for the duration of the capital programme. Major projects will only proceed subject to business cases being approved according to Capital Review Group guidelines. Part of this scrutiny considers the availability of the funding required to make the scheme viable. In the event that this funding is considered to be at risk (due to low recovery of AHF, for example) alternatives would need to be sought before approval to proceed is granted.

Capital Receipts

11.14. Capital receipts are generated from the sale of non-current assets (i.e., assets such as land and buildings), and apart from special circumstances, can only be used to fund the capital programme. The Council holds all capital receipts corporately, which ensures they can be used to fund the overall programme; therefore, individual services are not reliant on their ability to generate capital receipts.

11.15. A considerable amount of funding in the capital programme is due from capital receipts. These are expected to be generated from the Council's development schemes. However, the value of the receipts could be subject to market volatility and macro-economic circumstances could impact on the level of receipts the Council receives so a prudent approach to these forecasts is taken.

11.16. Capital receipts have the potential of being the most volatile of capital funding sources and are the most uncertain of all funding sources. To mitigate against this uncertainty, the Council maintains a close brief on the state of the property market, reporting this to senior officers and members (via CRG) and only includes a prudent level of income as part of its capital budget, but more importantly as schemes progress ensure that decisions on release of sales are cognisant of the market conditions.

Direct Revenue Financing

11.17. The Council can, if it chooses to, fund capital expenditure via its revenue budget. This can be through in year underspends or via general or earmarked revenue reserves. Any funding of the capital programme via revenue resources would have to be considered in light of the Council's overall revenue budget and the Medium Term Financial Plan.

Borrowing

11.18. Borrowing to finance capital expenditure is normal practice in both the private and public sector. In Local Government the prudential borrowing regime has operated since 2004/05 where Councils must take responsibility to ensure that it is both affordable and sustainable for their revenue budget and for the council taxpayer.

11.19. Borrowing can take the form of internal or external borrowing. Internal borrowing is a temporary position where the Council uses its cash balances instead of externally borrowing at that point in time. If not used for internal borrowing, these cash balances would be invested on a medium to long term basis providing the Council with a return on investment at prevalent market interest rates. As such there is an opportunity cost associated with internal borrowing that is built into the revenue implications of the capital programme. The Council's main objective when borrowing externally is to achieve an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

11.20. External borrowing occurs when the Council borrows money from the open market, via financial institutions and investors or the government, via the Public Works Loan Board (PWLB). On 5 November 2020, the Public Works Loan Board (PWLB) reversed its decision to increase the cost of borrowing for local authorities for general fund purposes by 1%, bringing the rates offered in line with those for housing revenue account purposes. All new loans are therefore now subject to the relevant gilt yields +0.8% (certainty rate).

11.21. In November 2020 the PWLB released further guidance confirming local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans. Under the prudential code, local authorities cannot borrow from the PWLB or any other lender for speculative purposes and must not use internal borrowing to temporarily support investments purely for yield.

11.22. Although the capital programme may identify a need to borrow to fund capital expenditure, the timing and type of borrowing (internal/external) is dependent on cashflow modelling in line with the Council's Treasury Management Strategy, which is updated each year and is a concurrent report on this agenda.

11.23. The Council's total borrowing requirement based on capital expenditure incurred historically but yet to be financed is represented by the Capital Financing Requirement (CFR). This is published in the statement of accounts, and as of 31 March 2021 was £891.800m.

11.24. During 2019/20, the Council arranged forward borrowing loans totaling £400m. These loans have enabled the Council to agree fixed competitive rates in advance of need which eliminates the "cost of carry", that is the difference between loan interest cost and the rate of return on cash investments. The table below summarises the counterparties, amount to be drawn down and maturity dates for each loan facility.

Table 2: Forward Borrowing Summary

Counterparty	Amount (£m)	Start Date	Maturity Date	Rate (%)	Profile
Phoenix Group	37.5	15 March 2022	15 March 2062	2.706	Annuity
Barings LLC	150.0	15 August 2022	15 August 2052	1.970	Maturity
Phoenix Group	12.5	15 March 2023	15 March 2063	2.751	Annuity
Rothesay Life Plc	200.0	08 May 2023	08 May 2063	2.887	Equal Instalment of Principal
Weighted average interest rate	**400.0**			**2.579**	

11.25. All capital financing costs, i.e., interest costs and minimum revenue provision must be treated as a revenue cost and built into the Council's budget plans. In essence, the more the Council borrows, the greater the call on the revenue budget which then requires further service savings to be identified to fund this in the longer term. It is important that borrowing is set at a level that it is both affordable and sustainable in revenue budget terms.

12. Capital Programme Funding: 2021/22 to 2035/36

12.1. The table below summarises the Council's funding of the proposed capital programme as outlined in this report:

Table 3: Funding of the Capital Programme

	Forecast	Five Year Plan					Future Years	
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	to 2035/36 £000	Total £000
External Funding	84,431	46,939	38,686	21,844	10,254	11,446	27,950	241,550
Capital Receipts	7,381	83,533	47,441	8,563	79,713	122,211	669,276	1,018,118
Borrowing Requirement	179,382	171,423	220,948	400,505	242,627	51,569	224,627	1,491,081
Total	**271,194**	**301,895**	**307,075**	**430,912**	**332,594**	**185,226**	**921,853**	**2,750,749**

12.2. In total £1.260bn (44%) of the programme is to be funded via external or internal sources of funding, with the remainder via borrowing (both internal and external).

12.3. The table below outlines the main streams of external funding

Table 4: Analysis of Proposed External Funding

Financed by	Forecast 2021/22 £000	Five Year Plan 2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Future Years to 2035/36 £000	Total £000
Affordable Housing Fund Contributions	15,670	10,962	6,590	-	-	-	18,000	51,222
Section 278 Contributions	10,496	10,473	12,050	6,000	6,000	6,000	-	51,019
Community Infrastructure Levy (CIL)	7,310	4,166	907	10,150	-	-	9,950	32,483
External Contributions	9,403	3,120	8,300	600	-	-	-	21,423
Other Grants and Contribution	4,361	7,628	1,041	515	375	2,567	-	16,487
Section 106 Contributions	5,733	4,841	2,450	1,000	-	-	-	14,024
Carbon Management Programme Grant	12,999	-	-	-	-	-	-	12,999
DCLG Disabled Facilities Grant	1,856	1,729	1,729	1,729	1,729	1,729	-	10,501
DfE Basic Needs Grant	5,615	1,300	3,000	-	-	-	-	9,915
DfE Grant - St Marylebone Bridge Special	7,269	-	-	-	-	-	-	7,269
Transport for London (TfL) Grant	450	250	1,050	650	2,150	1,150	-	5,700
Sport England Grant	-	-	750	1,000	-	-	-	1,750
GLA Good Growth Fund	1,142	599	-	-	-	-	-	1,741
DoH Community Capacity Grant	637	513	219	-	-	-	-	1,369
London Business Rates Pool Strategic	900	450	-	-	-	-	-	1,350
European Regional Development Fund	190	508	200	200	-	-	-	1,098
DfE Schools Condition Allocation	400	400	400	-	-	-	-	1,200
Total	**84,431**	**46,939**	**38,686**	**21,844**	**10,254**	**11,446**	**27,950**	**241,550**
Capital Receipts	7,381	83,533	47,441	8,563	79,713	122,211	669,276	1,018,118
Borrowing Requirement	179,382	171,423	220,948	400,505	242,627	51,569	224,627	1,491,081
Total	**271,194**	**301,895**	**307,075**	**430,912**	**332,594**	**185,226**	**921,853**	**2,750,749**

12.4. The main source of external funding is via contributions towards Highways projects, these include Section 278 and Section 106 Contributions and Community Infrastructure Levy. Another significant source of funding is the Affordable Housing Fund (AHF). Within the General Fund programme this is primarily related to AHF contributions to registered providers.

13. Revenue Implications of the Programme

Table 5: Summary of the Revenue Implications of the Capital Programme

	Forecast 2021/22 £000	Five Year Plan 2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Future Years to 2035/36 £000	Total £000
Expenditure	271,194	301,895	307,075	430,912	332,594	185,226	921,853	2,750,749
External Funding	(84,431)	(46,939)	(38,686)	(21,844)	(10,254)	(11,446)	(27,950)	(241,550)
Capital Receipts	(7,381)	(83,533)	(47,441)	(8,563)	(79,713)	(122,211)	(669,276)	(1,018,118)
Borrowing Requirement	**179,382**	**171,423**	**220,948**	**400,505**	**242,627**	**51,569**	**224,627**	**1,491,081**
Revenue Impacts:								
Capital Financing Cost	19,090	16,937	24,672	33,306	49,564	62,000	558,667	764,237
Financed By:								
Commercial Income	(1,419)	(4,844)	(1,489)	(1,563)	(8,270)	(7,368)	(119,992)	(144,945)
Net Revenue Position	**17,671**	**12,093**	**23,183**	**31,743**	**41,294**	**54,632**	**438,675**	**619,292**
Sinking Fund Adjusted Balance	(2,871)	5,607	(2,483)	(8,043)	(14,264)	(24,189)	3,712	(42,531)
MTP Budget Assumptions	**14,800**	**17,700**	**20,700**	**23,700**	**27,030**	**30,443**	**442,387**	**576,760**

13.1. The council aims to maximise its balance sheet assets and as such can utilise cash balances derived from working capital (such items as the appeals provision, reserves, affordable housing fund, etc.) rather than borrowing externally to finance the net cost of the capital programme. Over the 15-year capital programme it is currently estimated that the council will incur net financial costs, through its revenue budget of £619.292m. This includes £764.237m of financing costs (including MRP), offset by £144.945m of commercial income. £42.531m will be funded from the capital financing reserve.

13.2. The revenue costs of the capital programme are not uniform across the 15 years of the capital programme and are subject to significant fluctuations in line with the profiling of capital expenditure and funding (particularly capital receipts as units are sold after completion). To manage these fluctuations, the Council is operating a sinking fund which ensures the revenue budget increases are consistent with surplus balances at the start of the programme being transferred to a capital financing reserve, which will then be drawn down in later years. Based on current estimates and assumptions at the end of 2035/36 the capital financing budget will be approximately £65m, this represents an increase of about £50m compared to the current base budgets for capital financing. This represents around 7.5% of the current gross expenditure in the General Fund. This is an annual budget that will be put aside as part of the Council's revenue budget and the current plans reflect this.

13.3. As noted earlier in the report, CRG will have a pivotal role in monitoring the cost of funding the programme, ensuring project business cases continue to be viable and the programme is affordable. Where they assess this not to be the case, action will be taken to bring the programme back to an affordable position.

Minimum Revenue Provision (MRP)

13.4. MRP is applied where the council must set aside a revenue allocation for provision of debt repayments (borrowing in the capital programme). MRP replaces other capital charges (e.g., depreciation) in the statement of accounts and has an impact on the council's bottom line revenue budget. MRP will increase and decrease throughout the programme and is sensitive to both expenditure and funding changes. The council will continue to balance the use of capital receipts, internal borrowing and external borrowing to ensure the most efficient use of resources, including the need to fund MRP.

13.5. The Council has an ongoing capital programme and will continue to invest in capital projects beyond 2035/36 and will therefore need to ensure that funds are set aside for the future cost of borrowing.

Revenue Reserves

13.6. In addition to the statutory minimum revenue provision outlined above, the Council also retains discretionary flexibility with earmarked reserves to fund aspects of the programme that may be revenue in nature or projects that are written off. Each year, capital expenditure is reviewed to ensure that any revenue elements of expenditure is charged to reserves in line with accounting regulations. The Council maintains an earmarked reserve for this purpose. There is currently £42m in this reserve to fund the programme.

13.7. Section 25 of the Local Government Act 2003 requires the Council's Section 151 officer to report on the adequacy (or otherwise) of reserves and the robustness of estimates supporting the budget. It is the view of the Chief Financial Officer that the total level of reserves that the Council maintains is considered robust and can support the delivery of the capital programme.

14. Risk Management

14.1. Major capital projects require careful management to mitigate the potential risks that can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy.

General Risks

14.2. General risks are those that are faced because of the nature of the major projects being undertaken. Most of these risks are outside of the Council's control, but mitigations have been developed as part of the business planning and governance process. These risks are set out below along with key mitigations:

Interest Rate Risk

14.3. The Council is planning to externally borrow £515.169m as part of the Capital Strategy over the next five years. Interest rates are variable and a rise could increase the cost of servicing debt to a level that is not affordable. To mitigate this, the Council has used interest rate forecasts that include a prudent provision against interest rate rises.

14.4. In the event that interest rates rose beyond this forecast plus contingency, the revenue interest cost to the Council would increase for all borrowing not yet entered into (generally borrowing is done on fixed rate terms). The forward borrowing arrangement the Council has agreed has mitigated a large extent of this risk, however, a rise of 1% above current interest rate assumptions would cost an extra £5.152m per annum on the full £515.169m borrowed by the end of 2026/27. The extra cost of a 1% rise in interest rates would be £54.415m by 2035/36 over the 15 years if the full projected external borrowing of £515.169m were to be realised.

14.5. The Council is currently maintaining an under-borrowed position. This means that the current capital borrowing need (the Capital Financing Requirement) is not fully funded with external loan debt, as current cash supporting the Council's reserves, balances and cash flow has been used as an interim funding measure. This strategy has been prudent as investment returns have remained low and counterparty risk is minimised. It has also saved a considerable amount of external interest payable, known as the 'cost of carry'.

14.6. The Council's treasury management strategy permits borrowing from various sources, but it has not been previously anticipated that any alternatives to PWLB would need to be utilised, given the current low cost of PWLB funding and speed/ease of transaction. The external borrowing position needs to be kept under review to avoid incurring higher borrowing costs (through increased interest rates) in future years when the Council may not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt.

Inflation Risk

14.7. Construction inflation over and above that budgeted by the council's professionals and advisors, and built into project budgets, could impact on the affordability of the capital programme. A 1% rise in the cost of the programme would increase the cost of the programme by approximately £27.5m. This is mitigated through the provision of contingencies, updating estimates regularly as they change and monitoring the impact through governance processes. This is also mitigated post the signing of contracts with construction companies and developers through fixed price contracts.

14.8. Construction inflation over and above that budgeted by the council's professionals and advisors, and built into project budgets, could impact on the affordability of the capital programme. A 1% rise in the cost of the programme would increase the cost of the programme by approximately £27.5m. This is mitigated through the provision of contingencies, updating estimates regularly as they change and monitoring the impact through governance processes. This is also mitigated post the signing of contracts with construction companies and developers through fixed price contracts.

Legislative Risks

14.9. Capital schemes need to comply with the latest law and regulations, changes in which can impact construction costs and may be retrospective in their nature. This risk is mitigated by awareness of pipeline legislative changes and provision of contingencies.

Market Health/Commercial Risks

14.10. Market health / Commercial Values Risk – the Council's capital programme relies on commercial activity as a key supporting strategy. This involves generation of income from property letting, sales receipts and other revenue/capital financial flows such as land deals with developers. In some cases, the Council commits to large projects, based on assumptions about future asset values. Should market movements mean that these assumptions are inaccurate, then the Council may suffer financially. To mitigate this risk, the Council relies on expert advice on future asset values in making its decisions.

14.11. Supplier Financial Stability – construction companies and developers contracting with the Council that experience financial instability pose a significant risk. They may not be able to raise funding to finance operations, and their potential insolvency could lead to a costly process of changing suppliers without any guarantee of remaining within the overall budget. The Council could suffer direct financial loss, and any defects or other issues may not be resolvable as anticipated. To mitigate this risk, the Council carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible.

Transfer Risk

14.12. When the Council plans and delivers projects, it is important to consider the risks associated with the project and whether the Council (or its subsidiaries such as Westminster Housing Investment Ltd) is the best placed to take on that risk. A key consideration for major capital schemes is whether these will be developer led or whether the Council will self-develop. For a developer led scheme the developer will take on a significant proportion of the risks associated with the project. However, the developer will price this risk in, so it will come at a cost. Considerations can include whether there is resource capacity and expertise to take on specific risks in the context of the overall capital programme. The housing subsidiaries are newly incorporated and there may be an initial set-up risk as the company gains experience and embeds its delivery plan.

Project Risks

14.13. Risks that relate to the delivery of capital projects, which in many cases can be controlled, influenced, or directly mitigated in ways other than making contingencies available. These risks would mostly relate to unforeseen project delays and cost increases which could arise from a range of circumstances. The effective management of these risks is mostly linked to the following strategies:

- Projects are required to maintain a risk register, to ensure effective monitoring.
- Highlight reporting - development projects, as an example, create monthly highlight reports to ensure stakeholders are aware of progress and risks of projects on an on-going basis.
- Appointment of professional teams - the Development team has recruited and retained the services of experts to provide robust planning and review to advise on financial feasibility and to ensure timely delivery of projects. Experts also cover key surveying and financial planning roles to give assurance on quality of work and assumptions.
- Risk of Revenue Write Off – the Council commits to feasibility studies on many of its significant capital schemes at the point where spend is revenue in nature or when capital spend may be written off, should the scheme in question not progress. This is managed through careful consideration and approval of all expenditure potentially at risk of revenue write-off. There is a further risk that any projects funded from flexible use of capital receipts (FCR) may not yield the required ongoing revenue savings and therefore may need to be written off to revenue.

15. Financial Implications

15.1. Financial implications are set out in the main body of this report

16. Legal Implications

16.1. The Council has a duty under section 3(1) of the Local Government Act 2003 to determine and keep under review how much money it can afford to borrow. Section 3(5) of the Local Government Act 2003 provides that the Secretary of State may by regulations make provision about the performance of that duty. Regulations made by the Secretary of State require the Council to have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA regarding the affordability of the Capital Programme.

16.2. The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that particular scheme. Each scheme within the capital programme will be approved in accordance with the council's constitution.

17. Carbon Implications

17.1. In order for the Council to better understand the Carbon impact of the capital strategy, a new part of the bidding process was introduced to capture the available carbon impact information.

17.2. Officers are currently working with a partner to develop a toolkit to model carbon impact on a consistent basis across all capital projects. With this toolkit in development, in the interim a qualitative impact assessment was required to accompany the bids.

17.3. The key assessment criterion was to determine whether a project's estimated emissions impact was expected to be positive, neutral or negative. This impact was then assessed as low (under 100 tonnes), medium (100 to 1,500 tonnes) or high (over 1500 tonnes).

17.4. The headline date shows that of the 155 impact assessments reviewed, 64 would positively impact the Council's carbon footprint, 58 were broadly neutral and 32 projects would negatively impact the position.

17.5. Although there are more positive schemes than negative ones, the data shows the negative schemes are likely to have a high impact whilst the positive schemes low impact. This data may impact the viability of some projects that are not underway or essential for health and safety or infrastructure purposes.

17.6. It is important to note this is an initial assessment, with many of the projects not yet underway and the detail will only be available once the carbon toolkit has been finalized. There may also be opportunity to improve this position in further iterations of the capital programme.

17.7. The Council is continuing to reduce its asset base and retrofit properties with BEIS granting £13m last year for works to be done. Furthermore, schemes such as the adoption of electric vehicles will reduce carbon impact earlier.

18. Staffing Implications

18.1. None specifically in relation to this report.

19. Consultation

19.1. Consultation and engagement will be carried out on individual schemes within the capital programme where it is considered that there will be an impact on residents or service users that warrants consultation.

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

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20. Background Papers:

20.1. Capital programme working papers

20.2. Capital Programme Submission Requests for individual projects

21. Appendices

Appendix A – Capital Programme by Directorate

Appendix A - Capital Programme by ELT

Scheme Name	Forecast 2021/22 Gross Spend	Forecast 2021/22 Funding	Forecast 2021/22 Net	Five Year Plan 2022/23 Gross Spend	2022/23 Funding	2022/23 Net	2023/24 Gross Spend	2023/24 Funding	2023/24 Net	2024/25 Gross Spend	2024/25 Funding	2024/25 Net	2025/26 Gross Spend	2025/26 Funding	2025/26 Net	2026/27 Gross Spend	2026/27 Funding	2026/27 Net	to 2035/36 Gross Spend	to 2035/36 Funding	to 2035/36 Net	Grand Total Gross Spend	Grand Total Funding	Grand Total Net	Financing Capital Receipts	Net with Capital Receipts
	£000			£000			£000			£000			£000			£000			£000			£000				
291 Harrow Road	-	-	-	12,082	-	12,082	3,755	-	3,755	6,930	-	6,930	35,021	-	35,021	5,459	(2,192)	3,267	6,640	-	6,640	69,887	(2,192)	67,695	(75,748)	(8,053)
300 Harrow Road - GF	2,926	-	2,926	7,786	-	7,786	6,276	-	6,276	-	-	-	-	-	-	-	-	-	-	-	-	16,988	-	16,988	(8,250)	8,738
Affordable Housing Fund Budget	1,396	(1,396)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,396	(1,396)	-	-	-
Beachcroft	352	-	352	95	-	95	12	-	12	-	-	-	-	-	-	-	-	-	-	-	-	459	-	459	(3,031)	(2,572)
Blomfield Mews	256	-	256	116	-	116	4,160	(3,780)	380	6,395	-	6,395	1,076	-	1,076	-	-	-	-	-	-	12,003	(3,780)	8,223	(8,455)	(232)
Church St Good Growth Fund	1,864	(1,818)	46	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,864	(1,818)	46	-	46
Church St Regeneration Hub	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300	-	300
Church Street Acquisitions Sites ABC - GF	2,118	-	2,118	2,400	-	2,400	2,400	-	2,400	8,400	-	8,400	12,307	-	12,307	28,887	-	28,887	19,151	-	19,151	75,663	-	75,663	(89,214)	(13,551)
Church Street Green Spine Public Realm	2,549	(2,243)	306	2,073	-	2,073	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,622	(2,243)	2,379	-	2,379
Church Street Site A - Partnership Investment	-	-	-	184	-	184	6,833	-	6,833	18,936	-	18,936	38,863	-	38,863	8,575	-	8,575	-	-	-	73,391	-	73,391	(82,466)	(9,075)
Church Street Sites ABC Equity Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,553	-	8,553	8,553	-	8,553	-	8,553
Commissioned Services IT System	-	-	-	130	-	130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130	-	130	-	130
Crompton Street	-	-	-	310	-	310	285	-	285	5,000	-	5,000	2,500	-	2,500	100	-	100	-	-	-	8,195	-	8,195	(9,500)	(1,305)
District High Streets	-	-	-	500	-	500	4,500	-	4,500	5,000	-	5,000	-	-	-	-	-	-	-	-	-	10,000	-	10,000	-	10,000
Ebury Bridge Estate Equity Loan For Resident Leaseholders	-	-	-	-	-	-	6,896	-	6,896	-	-	-	-	-	-	-	-	-	2,155	-	2,155	9,051	-	9,051	-	9,051
Economic Recovery - Retail/Artists	400	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	400	-	400
Farm Street	88	-	88	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88	-	88	(2,750)	(2,662)
Green Spine Phase 2	159	-	159	300	-	300	4,000	-	4,000	2,000	-	2,000	-	-	-	-	-	-	-	-	-	6,459	-	6,459	-	6,459
Hall Place Greening	102	-	102	679	-	679	3,659	-	3,659	-	-	-	-	-	-	-	-	-	-	-	-	4,440	-	4,440	-	4,440
Harrow Road Place Plan	386	(301)	85	2,862	(599)	2,263	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,248	(900)	2,348	-	2,348
Housing Service Digitisation	159	-	159	10	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	169	-	169	-	169
Housing Solutions Online Services and Back Office Integrations	125	-	125	195	-	195	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320	-	320	-	320
Intermediate Housing Register On-Line Application	-	-	-	90	-	90	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90	-	90	-	90
Lisson Grove Programme - Acquisitions	1,797	-	1,797	1,200	-	1,200	4,480	-	4,480	-	-	-	-	-	-	-	-	-	-	-	-	7,477	-	7,477	-	7,477
Lisson Grove Programme - Main Budget General Fund	1,304	-	1,304	1,500	-	1,500	4,090	-	4,090	19,449	(9,950)	9,499	30,693	-	30,693	30,439	-	30,439	133,253	(27,950)	105,303	220,728	(37,900)	182,828	(165,218)	17,610
Luton Street LLP GF Investment	16,396	-	16,396	6,852	-	6,852	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,248	-	23,248	(28,000)	(4,752)
Luxborough	2,953	(3,447)	(494)	4,526	(302)	4,224	2,869	(196)	2,673	-	-	-	-	-	-	-	-	-	-	-	-	10,348	(3,945)	6,403	(3,262)	3,141
Major Works On TA and Intermediate Housing Acquisitions	200	-	200	220	-	220	220	-	220	220	-	220	220	-	220	240	-	240	1,260	-	1,260	2,580	-	2,580	-	2,580
Moberley & Jubilee Sport Centres	2,579	-	2,579	704	-	704	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,283	-	3,283	(6,650)	(3,367)
Open Spaces, Greener Places	375	-	375	175	-	175	175	-	175	175	-	175	175	-	175	-	-	-	-	-	-	1,075	-	1,075	-	1,075
Oxford Street District	14,500	(1,541)	12,959	22,653	(1,841)	20,812	26,490	-	26,490	41,058	-	41,058	31,883	-	31,883	-	-	-	-	-	-	136,584	(3,382)	133,202	-	133,202
Paddington Place Plan	140	-	140	1,685	-	1,685	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,825	-	1,825	-	1,825
Pimlico Place Strategy	300	-	300	1,790	-	1,790	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,090	-	2,090	-	2,090
Riverfront - North Bank and Thames Path 2	50	-	50	300	-	300	1,403	-	1,403	-	-	-	-	-	-	-	-	-	-	-	-	1,753	-	1,753	-	1,753
Rough Sleeping Programme	-	-	-	11,652	(1,310)	10,342	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,652	(1,310)	10,342	-	10,342
Soho Place Plan	220	-	220	665	-	665	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,885	-	1,885	-	1,885
Stimulating The Economy	1,600	(450)	1,150	3,696	(450)	3,246	2,895	-	2,895	-	-	-	-	-	-	-	-	-	-	-	-	8,191	(900)	7,291	-	7,291
Strand Aldwych	8,000	-	8,000	9,456	-	9,456	1,000	-	1,000	5,000	-	5,000	4,000	-	4,000	-	-	-	-	-	-	27,456	-	27,456	-	27,456
Strategic Infrastructure Pot Expenditure	450	(450)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	450	(450)	-	-	-
Street Markets Strategy Infrastructure I	69	-	69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69	-	69	-	69
Temporary Accommodation	18,659	(7,250)	11,409	30,189	(10,000)	20,189	21,737	(2,750)	18,987	17,346	-	17,346	7,233	-	7,233	-	-	-	-	-	-	95,164	(20,000)	75,164	-	75,164
The Lodge	138	-	138	160	(660)	(500)	901	(480)	421	1,660	(140)	1,520	-	-	-	-	-	-	-	-	-	2,859	(1,280)	1,579	-	1,579
Victoria Place Plan	856	-	856	1,179	-	1,179	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,035	-	2,035	-	2,035
WCH Development Loan & AHF -Victoria Phase 2 & Harrow Rd	3,773	(3,773)	-	2,700	-	2,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,473	(3,773)	2,700	(1,512)	1,188
Wech Open Space	68	-	68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	68	-	68	-	68
West End Partnership	889	-	889	450	-	450	225	-	225	-	-	-	-	-	-	-	-	-	-	-	-	1,564	-	1,564	-	1,564
Westmead WCC	1,587	-	1,587	689	(2,058)	(1,369)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,276	(2,058)	218	-	218
Growth, Planning & Housing Total	**90,083**	**(22,669)**	**67,414**	**132,253**	**(17,220)**	**115,033**	**110,261**	**(7,206)**	**103,055**	**137,569**	**(10,090)**	**127,479**	**163,971**	**-**	**163,971**	**73,700**	**(2,192)**	**71,508**	**171,012**	**(27,950)**	**143,062**	**878,849**	**(87,327)**	**791,522**	**(484,056)**	**307,466**
ASC Care Information Exchange Enhancement Project	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100	-	100
Frameworking Upgrade To Care Management System	200	(200)	-	200	(200)	-	219	(219)	-	-	-	-	-	-	-	-	-	-	-	-	-	619	(619)	-	-	-
Health Integration	163	(163)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	163	(163)	-	-	-
Lupus Street	14	(14)	-	313	(313)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	327	(327)	-	-	-
Mobile Working	70	(70)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	(70)	-	-	-
People First Website	21	(21)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21	(21)	-	-	-
Adults Services Total	**568**	**(468)**	**100**	**513**	**(513)**	**-**	**219**	**(219)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,300**	**(1,200)**	**100**	**-**	**100**
Abel & Cleland	374	(374)	-	343	(343)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	717	(717)	-	-	-
Active Westminster - Open Data Initiative	380	-	380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380	-	380	-	380
Arundel Court	900	(900)	-	2,000	(2,000)	-	400	(400)	-	-	-	-	-	-	-	-	-	-	-	-	-	3,300	(3,300)	-	-	-
Asset Update	250	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	-	250	-	250
Berkeley Square North	150	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	(150)	-	-	-
Burlington Gardens Public Realm	567	(567)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	567	(567)	-	-	-
Bus Stop Accessibility	200	-	200	200	(200)	-	200	(200)	-	200	(200)	-	200	(200)	-	200	(200)	-	-	-	-	1,200	(1,000)	200	-	200
Capital Refurbishments	150	-	150	335	-	335	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	485	-	485	-	485
CCTV Crime & Disorder Estate	140	-	140	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140	-	140	-	140
Cemeteries Boundary Fencing	77	-	77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77	-	77	-	77
Cemeteries Infrastructure	110	-	110	110	-	110	110	-	110	70	-	70	70	-	70	70	-	70	-	-	-	540	-	540	-	540
Central Island Improvements For Elgin Avenue	-	-	-	300	(30)	270	452	-	452	-	-	-	-	-	-	-	-	-	-	-	-	752	(30)	722	-	722
Central London Cycle Grid in Westminster	200	(200)	-	600	-	600	1,400	(800)	600	1,000	(400)	600	1,000	(1,000)	-	-	-	-	-	-	-	4,200	(2,400)	1,800	-	1,800
Ceremonial Streetscape 1	5,703	(5,703)	-	620	(620)	-	3,000	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	9,323	(9,323)	-	-	-
Ceremonial Streetscapes 2	3,352	(3,000)	352	1,000	(1,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,352	(4,000)	352	-	352
Commercial Waste Containers	40	-	40	92	-	92	40	-	40	40	-	40	40	-	40	40	-	40	-	-	-	292	-	292	-	292
Conduit Street & St. George Street Public Realm Improvements	-	-	-	500	(500)	-	3,300	(3,300)	-	600	(600)	-	-	-	-	-	-	-	-	-	-	4,400	(4,400)	-	-	-
Connaught Village Green	100	(100)	-	100	(100)	-	1,571	(300)	1,271	-	-	-	-	-	-	-	-	-	-	-	-	1,771	(500)	1,271	-	1,271
Covent Garden Neighbourhood Traffic Management	368	-	368	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	368	-	368	-	368
Coventry Street And Haymarket Safety Scheme/Public Realm	158	-	158	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	158	-	158	-	158
Cycle Parking (Stands)	235	-	235	75	-	75	75	-	75	75	-	75	75	(75)	-	75	(75)	-	-	-	-	610	(150)	460	-	460
Deep Drainage	400	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	400	-	400
Disabled Facility Grants (DFG)	1,856	(1,856)	-	1,729	(1,729)	-	1,729	(1,729)	-	1,729	(1,729)	-	1,729	(1,729)	-	1,729	(1,729)	-	-	-	-	10,501	(10,501)	-	-	-
Dockless Mobility Infrastructure	-	-	-	100	-	100	100	-	100	100	-	100	-	-	-	-	-	-	-	-	-	300	-	300	-	300
Drainage Infrastructure	678	-	678	1,600	-	1,600	1,200	-	1,200	1,200	-	1,200	1,200	-	1,200	1,200	-	1,200	-	-	-	7,078	-	7,078	-	7,078
Electric Street Cleansing Vehicles - City Wide	-	-	-	4,000	-	4,000	4,000	-	4,000	-	-	-	-	-	-	-	-	-	-	-	-	8,000	-	8,000	-	8,000
Electric Vehicle Charging Infrastructure	1,122	(200)	922	2,290	-	2,290	3,154	-	3,154	4,311	-	4,311	-	-	-	-	-	-	-	-	-	10,877	(200)	10,677	-	10,677
Elizabeth Street / BPR Diagonals Crossing	516	(516)	-	100	(100)	-	457	(457)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,073	(1,073)	-	-	-
Folding Bike Hire Stations	225	-	225	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	225	-	225	-	225
Food Waste Containers	880	-	880	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	880	-	880	-	880
Freight & Servicing Action Plan	150	-	150	150	-	150	100	-	100	100	-	100	100	(100)	-	100	(100)	-	-	-	-	700	(200)	500	-	500
Gas Lighting Replacement	1,100	-	1,100	870	-	870	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,970	-	1,970	-	1,970
General Developer Schemes	6,000	(6,000)	-	6,000	(6,000)	-	6,000	(6,000)	-	6,000	(6,000)	-	6,000	(6,000)	-	6,000	(6,000)	-	-	-	-	36,000	(36,000)	-	-	-
Golden Jubilee Footbridges Lift Refurbishment	1,512	-	1,512	535	-	535	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,047	-	2,047	-	2,047
Great Scotland Yard	18	-	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18	-	18	-	18
Grosvenor Place 1-5	1,270	(1,270)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,270	(1,270)	-	-	-
Grosvenor Square Realm Scheme	700	(700)	-	800	(800)	-	2,500	-	2,500	1,000	(1,000)	-	-	-	-	-	-	-	-	-	-	5,000	(2,500)	2,500	-	2,500
Hanover Square Public Realm Scheme	1,066	(1,066)	-	2,000	(2,000)	-	3,000	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	6,066	(6,066)	-	-	-
Health And Wellbeing Projects	1,099	(100)	999	250	(100)	150	250	(100)	150	250	(100)	150	250	(100)	150	250	(100)	150	-	-	-	2,349	(600)	1,749	-	1,749
Highways Buildouts For Trees	1,459	-	1,459	500	-	500	500	-	500	-	-	-	-	-	-	-	-	-	-	-	-	2,459	-	2,459	-	2,459
Highways Innovation	655	-	655	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000	-	-	-	-	-	-	4,655	-	4,655	-	4,655
HS2 High Speed Rail Mitigations Schemes 2021/22	75	(75)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75	(75)	-	-	-
HVM Covent Garden	245	(245)	-	500	(500)	-	3,050	(3,050)	-	-	-	-	-	-	-	-	-	-	-	-	-	3,795	(3,795)	-	-	-
Identifying Pedestrian Accessibility Concerns	50	-	50	50	-	50	50	-	50	50	-	50	50	(50)	-	50	(50)	-	-	-	-	300	(100)	200	-	200
Improving of Response to Noise Complaints	-	-	-	20	-	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	-	20	-	20
Improving Pedestrian Accessibility	-	-	-	480	-	480	100	-	100	100	-	100	100	(100)	-	100	(100)	-	-	-	-	880	(200)	680	-	680
Isolated Pitches - Independent Market Trader Bollards	858	(80)	778	400	(400)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,258	(480)	778	-	778
LED/CMS Rollout	1,921	-	1,921	1,870	-	1,870	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,791	-	3,791	-	3,791
Legible London - Wayfinding Assets	50	-	50	50	(50)	-	50	(50)	-	50	(50)	-	50	(50)	-	50	(50)	-	-	-	-	300	(250)	50	-	50
Lisson Green Footbridge Refurbishment	-	-	-	450	-	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	450	-	450	-	450
Local Safety Schemes - Various	1,812	(50)	1,762	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000	-	-	-	6,812	(50)	6,762	-	6,762
Lord Hills & Westbourne Terrace Pedestrian Subway Infilling	675	-	675	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	875	-	875	-	875
Low Carbon Street	400	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	400	-	400
LSS Thayer Street & George Street	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300	-	300
Main Fleet Replacement Programme	500	-	500	24,000	-	24,000	-	-	-	17,500	-	17,500	-	-	-	-	-	-	-	-	-	42,000	-	42,000	-	42,000

	Forecast			Five Year Plan																		Grand Total			Financing	
	2021/22			2022/23			2023/24			2024/25			2025/26			2026/27			to 2035/36							
Scheme Name	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Capital Receipts	Net with Capital Receipts
	£000			£000			£000			£000			£000			£000			£000			£000				
Market Electrical Supply Improvements	434	-	434	230	-	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	664	-	664	-	664
Market Infrastructure	-	-	-	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200	-	200	-	200
Mobile Working Project	161	-	161	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161	-	161	-	161
Neat Streets II - C&N10 (Previously Lip Funded)	350	-	350	350	-	350	350	-	350	-	-	-	-	-	-	-	-	-	-	-	-	1,050	-	1,050	-	1,050
North Wharf Gardens Site II	386	(386)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	386	(386)	-	-	-
Old Burlington Street Public Realm	500	(500)	-	400	(400)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900	(900)	-	-	-
Open Spaces Strategy	108	-	108	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108	-	108	-	108
Paddington & Hyde Park Estate Low Traffic Neighbourhood	393	-	393	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	393	-	393	-	393
Paddington Green School MUGA	113	-	113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	113	-	113	-	113
Parking Service - Business Processing & Technology	-	-	-	3,250	-	3,250	250	-	250	-	-	-	-	-	-	-	-	-	-	-	-	3,500	-	3,500	-	3,500
Parking Service - Emissions-Based Charging System Config	-	-	-	40	-	40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40	-	40	-	40
Parking Service - Full Replacement of On-Street Pay-To-Park Signage	-	-	-	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100	-	100
Parking Service - Purchase of Traffic Enforcement Cameras	-	-	-	400	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	400	-	400
Parking Service - Review of Parking Zones & Permissions	-	-	-	250	(66)	184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	(66)	184	-	184
Parking Services - Res Parking Zone(S) Review 2021/22+	50	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	50	-	50
Parks & Gardens Lighting Infrastructure	258	-	258	70	-	70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	328	-	328	-	328
Parks & Open Spaces Infrastructure	166	-	166	150	-	150	150	-	150	150	-	150	150	-	150	150	-	150	-	-	-	916	-	916	-	916
Parks & Open Spaces Noticeboards	66	-	66	66	-	66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	132	-	132	-	132
Parks And Cemeteries Tree Planting	20	-	20	20	-	20	15	-	15	15	-	15	15	-	15	15	-	15	-	-	-	100	-	100	-	100
PED Ducting - Phase 2	750	(750)	-	750	(750)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	(1,500)	-	-	-
Piccadilly and/or Baker Street Two Way - Red Route	50	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	50	-	50
Piccadilly Underpass (Ventilation Fan) Refurbishment	976	-	976	1,500	-	1,500	2,093	-	2,093	-	-	-	-	-	-	-	-	-	-	-	-	4,569	-	4,569	-	4,569
Pimlico Gardens Recreation Ground	-	-	-	90	-	90	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	290	-	290	-	290
Pimlico Low Traffic Neighbourhood	273	-	273	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	273	-	273	-	273
Planned Preventative Maintenance (PPM) - Bridges And Structures	927	(275)	652	1,060	(275)	785	1,090	(275)	815	1,085	(275)	810	1,085	(275)	810	1,085	(275)	810	-	-	-	6,332	(1,650)	4,682	-	4,682
Planned Preventative Maintenance (PPM) In Respect Of Public Lighting (2020/21 Through 2024/25)`	2,562	-	2,562	5,778	-	5,778	4,662	-	4,662	3,002	-	3,002	3,002	-	3,002	3,000	-	3,000	-	-	-	22,006	-	22,006	-	22,006
Playgrounds Minor Works	124	-	124	70	-	70	70	-	70	70	-	70	70	-	70	70	-	70	-	-	-	474	-	474	-	474
Porchester Main Pool Refurbishment	344	-	344	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	344	-	344	-	344
Portman Square Footways	82	-	82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82	-	82	-	82
PPM Highways	7,901	-	7,901	7,130	-	7,130	7,344	-	7,344	7,564	-	7,564	7,791	-	7,791	8,024	-	8,024	-	-	-	45,754	-	45,754	-	45,754
PRG - Bluebell Glade Works	23	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23	-	23	-	23
PRG-Replacement Child's Play Ground	29	-	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29	-	29	-	29
Princes Street Public Realm Scheme	100	(100)	-	500	(500)	-	1,700	(1,700)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,300	(2,300)	-	-	-
Protective Measures	1,526	-	1,526	2,000	-	2,000	2,500	-	2,500	1,000	-	1,000	2,000	-	2,000	-	-	-	-	-	-	9,026	-	9,026	-	9,026
Public Conveniences Renovation Programme	750	-	750	3,250	-	3,250	2,500	-	2,500	-	-	-	-	-	-	-	-	-	-	-	-	6,500	-	6,500	-	6,500
Queen'S Park TfL Cycle Hire Expansion	550	(550)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	550	(550)	-	-	-
Queensway Public Realm Improvments	750	(750)	-	1,000	(1,000)	-	3,500	(1,500)	2,000	-	-	-	-	-	-	-	-	-	-	-	-	5,250	(3,250)	2,000	-	2,000
Recycling Bin Infrastructure - Housing Estates	-	-	-	1,500	-	1,500	1,500	-	1,500	-	-	-	-	-	-	-	-	-	-	-	-	3,000	-	3,000	-	3,000
Recycling Containers and Bins	135	-	135	100	-	100	100	-	100	100	-	100	100	-	100	100	-	100	-	-	-	635	-	635	-	635
Recycling-On-The-Go - Litterbins - Metal Duobins	-	-	-	1,000	-	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	2,000	-	2,000	-	2,000
Riding House Street Pedestrianisation	379	-	379	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	379	-	379	-	379
Rochester Row & Passmore Row	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300	-	300
Royal Albert Hall HVM Highways and Public Realm	2,230	(1,330)	900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,230	(1,330)	900	-	900
Sackville Street & Vigo Street Public Realm	120	(120)	-	880	(880)	-	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	2,000	(1,000)	1,000	-	1,000
Safe And Secure	304	-	304	304	-	304	304	-	304	304	-	304	304	-	304	304	-	304	-	-	-	1,824	-	1,824	-	1,824
Safe City Transformation Programme	1,804	-	1,804	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,804	-	1,804	-	1,804
School Travel Plan Engineering Programme	784	(211)	573	250	-	250	250	-	250	250	-	250	250	(250)	-	250	(250)	-	-	-	-	2,034	(711)	1,323	-	1,323
Secure Cycle Parking (Cycle Hangars)	-	-	-	175	-	175	175	-	175	175	-	175	175	(175)	-	175	(175)	-	-	-	-	875	(350)	525	-	525
Sports & Leisure Sayers Croft Climbing Tower	240	(240)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240	(240)	-	-	-
St Georges Warwick Drive.	369	(369)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	369	(369)	-	-	-
St John'S Wood High Street Public Realm Improvements	-	-	-	1,000	(1,000)	-	250	(250)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,250	(1,250)	-	-	-
State Event Operation Plan	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100	-	100
Street Trees – New Planting	424	-	424	318	-	318	318	-	318	318	-	318	318	-	318	318	-	318	-	-	-	2,014	-	2,014	-	2,014
Street Types: High Street	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150	-	150
Thayer/Mandeville Street	37	-	37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37	-	37	-	37
Traffic Signal Improvements and PCATS	84	-	84	100	-	100	100	-	100	100	-	100	100	(100)	-	100	(100)	-	-	-	-	584	(200)	384	-	384
Tree Preservation Replacement Programme	64	-	64	50	-	50	50	-	50	-	-	-	-	-	-	70	-	70	-	-	-	234	-	234	-	234
VAS Signs	62	-	62	50	-	50	50	-	50	50	-	50	50	(50)	-	50	(50)	-	-	-	-	312	(100)	212	-	212
Victoria Street Red Route	28	-	28	185	-	185	1,356	-	1,356	600	-	600	-	-	-	-	-	-	-	-	-	2,169	-	2,169	-	2,169
Villiers Street	2,096	-	2,096	1,580	-	1,580	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	4,676	-	4,676	-	4,676
Voids In The Public Highway	250	-	250	250	-	250	250	-	250	250	-	250	250	-	250	-	-	-	-	-	-	1,250	-	1,250	-	1,250
Waterloo Bridge HVM	750	-	750	1,344	-	1,344	3,000	-	3,000	2,750	-	2,750	-	-	-	-	-	-	-	-	-	7,844	-	7,844	-	7,844
WCC Public Mortuary - Contingency Power Generator	-	-	-	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100	-	100
Wellington Hotel	150	(150)	-	100	(100)	-	550	(550)	-	-	-	-	-	-	-	-	-	-	-	-	-	800	(800)	-	-	-
Westbourne Green Skate Park & MUGA	43	-	43	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43	-	43	-	43
Wilberforce Multi Use Game Areas	77	(21)	56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77	(21)	56	-	56
Zebra Crossing Markings	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100	-	100
Zero Emission Street Cleansing Vehicles	2,709	(2,709)	-	1,500	(1,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,209	(4,209)	-	-	-
Environment & City Management Total	**75,557**	**(31,613)**	**43,944**	**96,659**	**(22,943)**	**73,716**	**76,465**	**(26,661)**	**49,804**	**54,158**	**(10,354)**	**43,804**	**28,524**	**(10,254)**	**18,270**	**24,575**	**(9,254)**	**15,321**	**-**	**-**	**-**	**355,938**	**(111,079)**	**244,859**	**-**	**244,859**
Barrow Hill Access and Safeguarding	668	(668)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	668	(668)	-	-	-
Carer's Extensions Funding (LAC)	39	-	39	40	-	40	40	-	40	40	-	40	-	-	-	-	-	-	-	-	-	159	-	159	-	159
CCTV Leisure & Libraries	6	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	(6)	-	-	-
Edward Wilson ASD & Internal Building Restructure	300	(300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	(300)	-	-	-
Hallfield Outreach	445	(445)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	445	(445)	-	-	-
Hallfield School ASD	262	(262)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	262	(262)	-	-	-
Hallfield Site Improvements	1,022	(1,022)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,022	(1,022)	-	-	-
King Solomon Academy Expansion	1,734	(1,734)	-	500	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,234	(1,734)	500	-	500
Library IT And Smart Open Solution	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150	-	150
Loanable Libraries Tablet Solution	39	-	39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39	-	39	-	39
Queen Elizabeth II ASD Class Build Provision	500	(500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	(500)	-	-	-
Robinsfield ASD Provision	95	(95)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	95	(95)	-	-	-
Safeguarding For Community Primary Schools	800	(800)	-	300	(300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,100	(1,100)	-	-	-
School Development Capital Projects (Generic)	863	(863)	-	1,000	(1,000)	-	1,000	(1,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,863	(2,863)	-	-	-
SEN High Needs and Family Support	-	-	-	1,000	(1,000)	-	2,000	(2,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000	(3,000)	-	-	-
Social Care System Reprocurement	474	-	474	530	-	530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,004	-	1,004	-	1,004
St George's School Expansion	150	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	(150)	-	-	-
St Marylebone Bridge Special School	9,404	(7,269)	2,135	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,404	(7,269)	2,135	-	2,135
Windmill ASD Centre at Millbank School	700	(700)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700	(700)	-	-	-
Children's Services Total	**17,651**	**(14,814)**	**2,837**	**3,370**	**(2,300)**	**1,070**	**3,040**	**(3,000)**	**40**	**40**	**-**	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24,101**	**(20,114)**	**3,987**	**-**	**3,987**
Business Intelligence & Data Analytics	200	-	200	81	-	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	281	-	281	-	281
Cloud Move	450	-	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	450	-	450	-	450
Contingency	-	-	-	204	-	204	7,164	-	7,164	5,143	-	5,143	7,558	-	7,558	14,704	-	14,704	104,530	-	104,530	139,303	-	139,303	-	139,303
Customer Experience Enhancements	-	-	-	174	-	174	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	174	-	174	-	174
Digital Street Markets	380	(190)	190	508	(508)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	888	(698)	190	-	190
Dynamics Development & APIs	-	-	-	125	-	125	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125	-	125	-	125
End User Computing Refresh	334	-	334	1,083	-	1,083	1,708	-	1,708	-	-	-	-	-	-	-	-	-	-	-	-	3,125	-	3,125	-	3,125
Future Years Spend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	323,142	-	323,142	323,142	-	323,142	-	323,142
IT Information Security Management	130	-	130	30	-	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160	-	160	-	160
IT Infrastructure	-	-	-	-	-	-	1,200	-	1,200	1,200	-	1,200	1,200	-	1,200	1,200	-	1,200	-	-	-	4,800	-	4,800	-	4,800
IT Product Development	-	-	-	2,600	-	2,600	2,600	-	2,600	2,600	-	2,600	2,600	-	2,600	2,600	-	2,600	-	-	-	13,000	-	13,000	-	13,000
Network & Telephony Transformation	420	-	420	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	420	-	420	-	420
Online Customer Experience	1,768	-	1,768	2,019	-	2,019	2,556	-	2,556	-	-	-	-	-	-	-	-	-	-	-	-	6,343	-	6,343	-	6,343
Residential Broadband Connections	400	-	400	735	-	735	810	(400)	410	725	(400)	325	-	-	-	-	-	-	-	-	-	2,670	(800)	1,870	-	1,870
Smart Cities Infrastructure	150	-	150	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300	-	300
Smart City - Clean Tech City Theme	-	-	-	225	-	225	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	225	-	225	-	225
Smart City - Empowering People	-	-	-	830	-	830	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	830	-	830	-	830
Smart City - Extraordinary Experiences	-	-	-	190	-	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	190	-	190	-	190
Smart City - Innovative Ecosystems	-	-	-	250	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	-	250	-	250
Smart City Operating System	-	-	-	450	-	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	450	-	450	-	450
Technology Refresh	375	-	375	714	-	714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,089	-	1,089	-	1,089
Technology Refresh & Upgrades	-	-	-	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150	-	150
Telephony2020 - Phase 2 and Contact Centre	-	-	-	350	-	350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	350	-	350

Scheme Name	Forecast			Five Year Plan																		Grand Total				
	2021/22			2022/23			2023/24			2024/25			2025/26			2026/27			to 2035/36						Financing	
	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Gross Spend	Funding	Net	Capital Receipts	Net with Capital Receipts
	£000			£000			£000			£000			£000			£000			£000			£000				
Website Development & Forms Functionality	-	-	-	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200	-	200	-	200
Website Re-Platform	94	-	94	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	94	-	94	-	94
WEP - Connect Westminster-Broadband	631	-	631	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	631	-	631	-	631
Accessibility Programme - Access & Inclusion	628	-	628	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	-	-	-	3,128	-	3,128	-	3,128
Barnard & Florey	369	(169)	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	369	(169)	200	-	200
Bessborough Street Family Hub Upgrades and Air Conditioning	150	-	150	75	-	75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	225	-	225	-	225
Capitalisation Of Employee Costs	801	-	801	883	-	883	909	-	909	936	-	936	965	-	965	994	-	994	-	-	-	5,488	-	5,488	-	5,488
Changing Places Bid Programme	-	-	-	120	(50)	70	60	(50)	10	-	-	-	-	-	-	-	-	-	-	-	-	180	(100)	80	-	80
Community Facing Facilities	500	-	500	50	-	50	1,450	-	1,450	500	-	500	500	-	500	500	-	500	-	-	-	3,500	-	3,500	-	3,500
Coroners Court Extension	300	-	300	3,400	(2,835)	565	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,700	(2,835)	865	-	865
Hallfield Community Primary School - Electrical Re-Wire And Associated Works	600	(600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600	(600)	-	-	-
Huguenot House	400	-	400	1,300	-	1,300	1,913	-	1,913	5,000	-	5,000	11,000	-	11,000	40,000	-	40,000	40,387	-	40,387	100,000	-	100,000	(108,184)	(8,184)
Huguenot House Acquisitions	2,000	-	2,000	4,000	-	4,000	3,000	-	3,000	8,650	-	8,650	-	-	-	-	-	-	-	-	-	17,650	-	17,650	-	17,650
Improvements Vacant Investment Properties	2,250	-	2,250	1,500	-	1,500	1,500	-	1,500	1,500	-	1,500	1,750	-	1,750	1,750	-	1,750	-	-	-	10,250	-	10,250	-	10,250
Investment Portfolio Landlord Responsibilities	704	-	704	250	-	250	250	-	250	300	-	300	300	-	300	300	-	300	-	-	-	2,104	-	2,104	-	2,104
Landlords Responsibility Budget	6,533	-	6,533	4,000	-	4,000	6,096	-	6,096	5,000	-	5,000	5,000	-	5,000	5,000	-	5,000	-	-	-	31,629	-	31,629	-	31,629
Landmann Way	311	-	311	299	-	299	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	610	-	610	-	610
Lisson Grove Refurbishment	1,211	-	1,211	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,211	-	1,211	-	1,211
Lisson Grove Roofing Works	-	-	-	800	-	800	700	-	700	-	-	-	-	-	-	-	-	-	-	-	-	1,500	-	1,500	-	1,500
Meeting Rooms Refurbishment	400	-	400	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600	-	600	-	600
Minimum Energy Efficiency Standard (MEES)	274	-	274	100	-	100	25	-	25	25	-	25	25	-	25	25	-	25	-	-	-	474	-	474	-	474
Minor Works Operational Portfolio	650	-	650	350	-	350	350	-	350	350	-	350	350	-	350	350	-	350	350	-	350	2,750	-	2,750	-	2,750
Old Marylebone Town Hall Rolling Redecoration Programme	29	-	29	71	-	71	76	-	76	77	-	77	-	-	-	-	-	-	-	-	-	253	-	253	-	253
Porchester Leisure Centre & Paddington Library	-	-	-	1,500	-	1,500	1,868	-	1,868	2,189	-	2,189	206	-	206	-	-	-	-	-	-	5,763	-	5,763	-	5,763
Portman - Remodel	1,281	(459)	822	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,281	(459)	822	-	822
Property Investment Acquisitions	-	-	-	-	-	-	-	-	-	120,000	-	120,000	-	-	-	-	-	-	-	-	-	120,000	-	120,000	-	120,000
Queen Mother Sports Centre	100	-	100	39	-	39	40	-	40	350	-	350	1,450	-	1,450	1,500	-	1,500	74,027	-	74,027	77,506	-	77,506	(77,574)	(68)
Queens Park Family Hub	-	-	-	1,250	-	1,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,250	-	1,250	-	1,250
Reactive Capitalised Maintenance	737	-	737	500	-	500	500	-	500	-	-	-	-	-	-	-	-	-	-	-	-	1,737	-	1,737	-	1,737
Remodelling of Early Help/ Children's Centres	380	-	380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380	-	380	-	380
Retrofit Accelerator (Re:FIT) - Workplaces	1,338	-	1,338	3,000	-	3,000	3,000	-	3,000	3,000	-	3,000	3,000	-	3,000	3,000	-	3,000	-	-	-	16,338	-	16,338	-	16,338
Schools Minor Works	400	(400)	-	400	(400)	-	400	(400)	-	400	-	400	-	-	-	-	-	-	-	-	-	1,600	(1,200)	400	-	400
Seymour Leisure Centre and Marylebone Library	2,100	-	2,100	1,000	-	1,000	5,160	(750)	4,410	23,400	(1,000)	22,400	7,520	-	7,520	438	-	438	-	-	-	39,618	(1,750)	37,868	-	37,868
Sports & Leisure - Leisure Review Maintenance	600	-	600	570	-	570	630	-	630	110	-	110	385	-	385	100	-	100	-	-	-	2,395	-	2,395	-	2,395
Sports & Leisure - Sayers Croft Maintenance	90	-	90	90	-	90	90	-	90	90	-	90	90	-	90	90	-	90	-	-	-	540	-	540	-	540
Sports & Leisure- Condition Survey and Maintenance Projects	1,305	-	1,305	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,305	-	1,305	-	1,305
Sports and Leisure Sayers Croft Loxwood Hall	-	-	-	170	(170)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	(170)	-	-	-
St Marys Terrace	-	-	-	15	-	15	135	-	135	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150	(1,521)	(1,371)
Tresham Centre Expansion	-	-	-	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	-	1,000	-	1,000
Tresham Disabled Resource Centre Phase 2	50	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	(50)	-	-	-
Workplace Property Responsibilities	313	-	313	300	-	300	300	-	300	300	-	300	300	-	300	300	-	300	-	-	-	1,813	-	1,813	-	1,813
ZF Carbon Management Programme	12,999	(12,999)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,999	(12,999)	-	-	-
Finance & Resources Total	**45,135**	**(14,867)**	**30,268**	**38,800**	**(3,963)**	**34,837**	**44,990**	**(1,600)**	**43,390**	**182,345**	**(1,400)**	**180,945**	**44,699**	**-**	**44,699**	**73,351**	**-**	**73,351**	**542,436**	**-**	**542,436**	**971,756**	**(21,830)**	**949,926**	**(187,279)**	**762,647**
Loan To WHIL For Development Projects	42,200	-	42,200	30,300	-	30,300	72,100	-	72,100	56,800	-	56,800	95,400	-	95,400	13,600	-	13,600	208,405	-	208,405	518,805	-	518,805	(346,783)	172,022
WHIL Total	**42,200**	**-**	**42,200**	**30,300**	**-**	**30,300**	**72,100**	**-**	**72,100**	**56,800**	**-**	**56,800**	**95,400**	**-**	**95,400**	**13,600**	**-**	**13,600**	**208,405**	**-**	**208,405**	**518,805**	**-**	**518,805**	**(346,783)**	**172,022**
Grand Total	**271,194**	**(84,431)**	**186,763**	**301,895**	**(46,939)**	**254,956**	**307,075**	**(38,686)**	**268,389**	**430,912**	**(21,844)**	**409,068**	**332,594**	**(10,254)**	**322,340**	**185,226**	**(11,446)**	**173,780**	**921,853**	**(27,950)**	**893,903**	**2,750,749**	**(241,550)**	**2,509,199**	**(1,018,118)**	**1,491,081**

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City of Westminster

Meeting or Decision Maker:	**Cabinet**
Date:	**17th February 2022**
Classification:	**General Release**
Title:	**2022/23 Housing Revenue Account 30-Year Business Plan and Housing Investment Plan**
Wards Affected:	**All**
City for All:	**This report addresses the income and expenditure on the Council's housing stock and the investment in new housing, non-residential buildings and public realm in regeneration areas and as such has a major impact upon the City for All policy.**
Financial Summary:	**This report presents the 30-year Business Plan for the Housing Revenue Account (HRA) covering the spending plans for both capital and revenue over that period. The 5-year outlook for the HRA revenue budget projects gross income of £614.91m and gross expenditure of £595.01m (with a further £19.90m contribution to fund capital). The business plan includes total capital investment of £858.11m over the next 5 years and a total of £2.215bn over the full 30 years. The overall plan set is both viable and sustainable based on current assumptions.**
Report of:	**Debbie Jackson, Executive Director of Growth, Planning and Housing and Gerald Almeroth, Executive Director of Finance & Resources.**

1. Executive Summary

1.1 This report presents the updated 30-year Housing Revenue Account (HRA) Business Plan. It provides an overview of the financial planning that supports the management and operation of the portfolio of 20,814 homes and other commercial assets owned by the Council's HRA. This covers both revenue and capital spending plans and therefore incorporates the extensive Housing Investment Plan which is worth more than £2bn over the next 30 years.

1.2 This ambitious level of investment is designed to deliver a range of lasting benefits for the City, its residents and wider community members. Housing investment makes a particularly significant contribution to the realisation of the City for All vision for Westminster. For example, the business plan supports the delivery of up to 1,100 affordable homes as well as the regeneration of Church Street and Ebury Bridge to ensure that Westminster continues to create vibrant and inclusive communities. It also includes £229m of investment to improve the energy efficiency of the Council's housing stock and the Pimlico District Heating Unit (PDHU) in support of the Council's ambition to achieve net zero carbon emissions by 2030. These commitments demonstrate that the HRA is underpinned by the Council's key strategic priorities. The purpose of the business plan is to ensure that these important strategic outputs are delivered in a financially sustainable manner.

1.3 The HRA Business Plan provides strategic financial planning over a period of 30 years and the report shows that the HRA continues to be financially viable over the long-term. The most important element of this assessment of viability concerns the ability of the HRA to fund the proposed capital programme, particularly in relation to the additional borrowing required. The 2022/23 business plan sets out a requirement to borrow £428m, an increase of £145m on the previous iteration of the business plan. This is considered achievable and therefore provides assurance that the HRA can support the level of ambition included in the Housing Investment Plan. The plan ensures that this borrowing is sustainable by applying prudent financial principles to manage potential risks.

1.4 Finally, the report seeks specific approval for the proposed HRA budgets for the next financial year (2022/23). The HRA is expected to generate approximately £114.98m across a range of income streams in 2022/23. The majority of this comes from dwelling rents (£79.40m) which covers the social rents charged to tenants. The 2022/23 expenditure budget is £112.78m, which leaves an operating surplus of £2.20m. The majority of this (£1.93m) is earmarked as a revenue contribution to fund capital to manage debt levels. The remaining £275k has been combined with £300k from the existing HRA reserve balance to create a £575k Hardship Fund for 2022/23. This is designed to provide financial support to tenants hit by the squeeze on living costs projected over the next 12 months due to high inflation (particularly in relation to household energy bills).

1.5 In 2022/23 there is planned HRA capital expenditure of £197.51m, with a total of £2.215bn budgeted over the life of the 30-year business plan. This represents an increase of £123m versus the previous iteration of the HRA business plan (approved in February 2021). The HRA capital programme is funded through a range of funding sources, with £1.111bn (roughly half) coming from sources outside of the HRA and the remainder being sourced within the HRA itself through a combination of revenue contributions to capital and HRA borrowing.

2. Recommendations

2.1 Approve the HRA revenue budget for 2022/23.

2.2 Approve the HRA 5-year revenue budgets for 2022-23 to 2026-27 and HRA 30-year revenue budgets for 2022-23 to 2051-52.

2.3 Approve the HRA 5-year Capital Programme totalling £858.11m.

2.4 Approve the 30-year Capital Programme for 2022-23 to 2051-52 totalling £2.215bn.

2.5 Approve the creation of a £575k Hardship Fund in 2022/23 that is earmarked to support tenants experiencing financial difficulty due to increases in household bills.

2.6 Note a rent increase of 4.1% from April 2022 as applicable under the Welfare Reform and Work Act 2016.

2.7 Note the HRA reserves and balances for the 5-year Business Plan.

3. Reasons for decision

3.1 Section 76 of the Local Government and Housing Act 1989 requires Local Authorities with a Housing Revenue Account (HRA) to set a budget for the account, using valid assumptions, that avoids a deficit.

3.2 Furthermore, there is a statutory requirement for the Council to prepare a 30-Year Business Plan for the HRA on an annual basis. The purpose of this exercise is to keep the long-term financial viability of the HRA under regular review.

3.3 Finally, this report outlines how the Housing Investment Plan supports the delivery of the Council's City for All vision, including its commitment to deliver new affordable homes whilst ensuring the maintenance of the existing housing portfolio.

4. Key Implications

4.1 The report seeks approval for the 2022/23 HRA revenue budget. The proposed budget represents a balanced position and will maintain a HRA reserve balance of £17.0m. The budget is dependent on a rent uplift of 4.1% being applied in 2022/23 in line with the provisions of The Rents for Social Housing policy, which sets a maximum increase of CPI + 1% (based on September CPI). This proposal is subject to approval via a separate Cabinet Member Report.

4.2 It also seeks approval for the 5-Year HRA Capital Programme which includes total expenditure of £858.11m. This includes £315.14m of investment in existing stock (supporting key priorities around fire safety and climate change) and £516.97m of development investment to deliver up to 800 affordable homes (over this timeframe). This is supported by a range of funding sources but ultimately requires the HRA to borrow £152.04m, which will result in £14.17m of additional interest costs to be covered by the revenue budget over the next 5 years.

4.3 The report outlines the financial plan for the HRA based on assumed rent changes, service budget requirements and other variables as set out in the report. It also highlights the decisions made in relation to HRA reserve levels and other contingencies designed to improve the resilience of the HRA. Acceptance of the proposed financial strategy and approach to risk management that is adopted by the business plan will help the Council to deliver its strategic housing objectives in a manner that is sustainable and keeps the HRA on a secure financial footing.

5. City for All

5.1 The funding earmarked in the HRA Business Plan will make a significant contribution to the delivery of the Council's City for All vision. A summary of the key outputs and their alignment to the City for All strategic themes is shown below:

5.2 <u>Cleaner and Greener</u>

- A £229m programme to reduce the carbon footprint of both Council-owned stock and the PDHU to help the Council achieve its zero emissions ambition
- Improving the energy efficiency of HRA stock to help tenants and leaseholders to reduce energy bills and reduce the debilitating impact of fuel poverty

5.3 <u>Vibrant Communities</u>

- Delivery of up to 1,100 high-quality, new affordable homes to create an inclusive and vibrant place for residents of every income level and age
- Regeneration of the Church Street and Ebury Bridge estates to deliver high quality open spaces and community amenities
- Working with partners to tackle anti-social behaviour and its causes

5.4 <u>Smart City</u>

- Digital investment to enhance the experience of tenants when they engage with the Housing service

- Embracing smart technology to undertake building surveys and improve the efficiency of property management

5.5 Thriving Economy

- Cultivating vibrant communities by improving social infrastructure and delivering new local retail, leisure and enterprise space
- Maximising local opportunities through considerable supply chain and social value commitments and the circular economy that flows from such a comprehensive investment programme

6. Background

6.1 The HRA covers all income and expenditure relating to the portfolio of housing stock owned by the Council. It is required by the Local Government and Housing Act 1989 to be ring-fenced from the Council's General Fund. The legislation specifies that only expenditure relating to the Council's landlord role can be charged to the HRA and, by extension, funded by the rents charged to tenants. The Council has a legal duty to ensure that the account remains solvent and to prepare a long-term business plan annually that keeps this under regular review.

6.2 Preparing the HRA 30-year Business Plan involves an assessment of the long-term financial implications of key strategic objectives (noted above) alongside on-going landlord operations. The impact of capital investment plans, available capital funding, service resource requirements, legislative changes and other global financial assumptions are modelled to create a detailed financial picture. The output from this activity is summarised in **Sections 8-10** of this report (with detailed schedules included in Appendices 2-4).

6.3 The over-arching assumptions that support the business plan are included at Appendix 1. Any adverse movement on these assumptions has the potential to put financial pressure on the HRA and reduce its ability to support capital investment. A key aspect of the business planning process therefore involves making strategic decisions about appropriate levels of cover to ensure that the HRA remains resilient in the face of an ever-changing economic outlook and, more importantly, won't need to compromise on any of its strategic priorities to remain viable. This approach is outlined in **Section 12**.

6.4 A key component of the business plan is the Council's Housing Investment Plan, which centres on three key deliverables:

- Investment to maintain and improve existing council-owned homes;
- Delivery of new affordable homes; and
- Implementation of a comprehensive housing regeneration programme.

Each year, the Council reviews, updates and approves a set of re-profiled capital expenditure proposals for all of the schemes that make up the Housing Investment Plan. These are built into the HRA Business Plan to refresh the assessment of how the Council will be able to finance the capital programme, including the use of surplus capital receipts, the Affordable Housing Fund, grants and HRA borrowing.

7. Government policy, legislative changes and wider national context

7.1 <u>Social Housing White Paper</u>

7.1.1 The Social Housing White Paper provides the proposed framework which ultimately informs the future development of the HRA business plan. Published in November 2020, it sets out a range of standards every social housing resident should expect:

- To be safe in your home
- To know how your landlord is performing
- To have your complaints dealt with promptly and fairly
- To be treated with respect
- To have your voice heard by your landlord
- To have a good quality home and neighbourhood to live in
- To be supported to take your first step to ownership

7.1.2 While the full detail and timetable for implementation is yet to be published, some of the important areas of focus that are likely to be a key consideration for the HRA going forwards are as follows:

- The requirement for social landlords to have an accountable person responsible for health and safety
- New resident satisfaction measures with a requirement for social landlords to publish their performance against these measures annually and consideration of ways the Regulator can compare organisations
- A new regime of inspections
- A review of a new Decent Homes Standard focusing on energy efficiency and green space
- Potential changes to the way leaseholders are consulted on major works and service charges

7.1.3 Officers are working to prepare for the implementation of the White Paper where possible.

7.2 <u>Building & Fire Safety</u>

7.2.1 Building and Fire Safety remains a key area of focus within the housing sector following the outcomes from the Grenfell Inquiry and the Hackitt Report (the details of which are included below). New legislation will have a significant impact on the responsibilities of the Council as a landlord in the future. The Planned Maintenance programme (see **Section 9**) includes budget provision for improvement works based on the current assessment of what actions will be required to comply.

7.2.2 The key considerations for the Council in this area are as follows:

- **The Grenfell Report (Part 1)** – the review of the Grenfell tragedy resulted in a number of specific recommendations that would have a significant and positive impact on fire safety management within the social housing sector. These have been fully adopted by Westminster within its Fire Safety programme planning.
- **The Hackitt Report** – the Independent Review of Building Regulation and Fire Safety led by Dame Judith Hackitt found that there are issues in the way some high-rise residential buildings are built, managed and looked after. Furthermore, residents are not confident that their buildings are safe and have been unable to get their concerns taken seriously.
- **Fire Safety Act and Building Safety Bill** – the findings from the Hackitt Report have been incorporated into two new bills passing through Parliament. The bills will place duties on landlords to manage their buildings, including a new inspection regime and the appointment of building managers. There will also be a regulator to oversee changes and make landlords accountable. Concerns about leaseholder charges for retrospective repairs are being discussed by Ministers.

7.3 Policy on Social Rents

7.3.1 The Government published its Policy on Social Rents in February 2019[1] following a consultation. It stipulated that local authority social rents would come under rent regulation and be subject to the Rent Standard from April 2020. The Standard includes an annual rent increase cap of CPI plus 1% lasting for five years to 2024/25. The Policy also confirms when Affordable Rent can be charged, such as where it is part of a delivery agreement with the GLA or when the local authority has received agreement from the Secretary of State or Mayor of London. The Statement also sets out that Government does not expect local authorities to adhere to its policy on charging higher rents to higher earners and the Council is no longer going ahead with a local policy in this area.

7.3.2 The Council aims to meet the minimum requirements of the Social Rents Policy. It ensures that its social rents meet the criteria of not exceeding the formula rent and rent cap position and the HRA Business Plan includes rent increases for tenants that comply with national rent policy of CPI plus 1%. An analysis of Westminster rents shows that, after the proposed uplift for 2022/23, the average social rent in

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

Westminster is currently £170 per annum lower than the maximum allowable formula rent.

7.4 **<u>Inflation</u>**

7.4.1 As of December 2021, the UK Consumer Price Index (CPI) measure of inflation was running at 5.4%. This is the highest inflation rate for more than 10 years, going back to September 2011 which is the last time it was running higher than 5%. The level of inflation has also increased more than 2% in the two months since September 2021 when it was recorded at 3.1%. This is important given that September CPI is the rate that must be applied to the calculation of the maximum rent increase allowable on the HRA (which is CPI + 1% as noted above).

7.4.2 This macro-economic context creates significant financial challenges for the HRA. Staff costs only account for approximately 18% of total HRA revenue expenditure, which makes services particularly sensitive to the impact of inflation. Repairs & maintenance spend is already experiencing uplifts in pricing on both revenue and capital (driven by a shortage of labour and materials in the supply chain), as is construction pricing on the Development capital programme. Inflation allowances of more than £2m have been built into the 2022/23 HRA revenue budget, but if inflation remains high it represents a significant risk to the business plan.

7.4.3 The other impact of inflation is the squeeze that it puts on living costs for HRA tenants and leaseholders. Data shows that the overall contribution of costs under the heading of 'Housing and Household Services' to the rate of inflation is at its highest since early 2009. The biggest factor is the cost of utilities, particularly electricity and gas. This represents a further risk to the HRA in terms of the ability of its tenants and leaseholders to cover the cost of rent and service charges (making income recovery a significant general risk for the HRA). In response to this, the Council is proposing to set up a £575k Hardship Fund (see recommendation in 2.5 above) that will target support to households that need financial assistance to manage sharp increases in household bills (particularly in relation to energy costs).

8. HRA Revenue

8.1 The reorganisation of the Housing Services department is complete, and the service is now in the process of recruiting more housing officers and surveyors. This has been made possible by redistributing resources from senior management posts to the front line. The new structure will increase interactions with residents, make the repairs service more efficient, and generally improve the overall relationship with tenants and leaseholders. A new formal engagement and consultation structure with residents has been launched and the service is piloting new ways to manage complaints and deal with anti-social behaviour.

8.2 Expanding the front-line estate officer team will significantly reduce the number of homes each officer manages and will increase the daily interactions with tenants and leaseholders. Estate Action Plans are being completed for all homes which will be managed by the housing officers and will provide a record of improvements needed.

8.3 There have also been improvements to the repairs service and the next year will see further steps to improve the responsiveness of the service to make sure that repairs are done right first time. The additional surveyors will allow more pre- and post-inspection of jobs and will hold contractors to account to make sure they are doing jobs on time, to a good quality and are delivering value for money. More communal works will be delivered by the in-house team to make sure the service is responding to local residents and driving down costs wherever possible.

8.4 The Council continues to invest in technology under the Smart City theme of City for All to improve and support service delivery. A new Customer Relationship Management (CRM) system has gone live in the contact centre which allows, for the first time, a full view of customer interactions. This not only improves customer experiences but allows customer advisers to develop knowledge and skills to further improve service delivery. Technology will play an increasingly significant role in how we manage our homes, including smart technologies to monitor damp and using drones to survey roofs and gutters, as two examples. This will not only support residents but will also deliver a more efficient property management service.

8.5 The HRA Business Plan considers both the operation of the Housing Management service and the delivery of the capital programme. The delivery of the capital programme has direct revenue implications due to the impact of financing costs incurred to support the extra borrowing required. In addition, the Regeneration programme increases the level of housing stock and therefore drives growth in both income (increased rents) and expenditure (additional housing management responsibilities) within the HRA revenue budget.

8.6 The five-year revenue outlook for the HRA includes an expectation that rents will increase by CPI plus 1% to 2024/25 (Year 3) and by CPI only for the remaining two years. Based on the same number of dwelling units as 2021/22, this will generate approximately £3.2m in additional rental income in 2022/23 (with the rest of the increase generated by new units).

8.7 This is an important factor in making the HRA Business Plan viable again. The HRA absorbed a 1% reduction in rents for four years between 2016/17 and 2019/20 which severely hindered its ability to keep up with cost inflation on revenue budgets and generate sufficient capacity for capital investment. Therefore, the 2021 iteration of the HRA Business Plan required drawdowns from reserves in certain years in order to balance. The rent increases over the first five years of the revised business plan have set the HRA on a more secure financial footing, improving viability and equipping it to manage the corresponding impact of volatile inflation across its cost base over the same period. The key assumptions and data used to set the 2022/23 budget and long-term business plan are set out at Appendix 1. Table 2 below shows the 5-year revenue outlook for the HRA.

8.8 The five-year HRA revenue outlook also includes an expectation that the HRA will see a net increase in stock numbers of c.400 homes (taking into account units that are due to be demolished within live regeneration schemes). This boosts income from rents but also generates increased management costs. The impact of this will need to be monitored closely as each new development moves into operation to ensure that new units meet the operational assumptions included in the business case for each scheme and can be managed within the overall envelope of the HRA in accordance with the assumptions in the business plan.

8.9 This relationship with the capital programme creates corresponding financial risks for the HRA revenue budget. For example, cost growth on capital schemes (which is a very real risk given the level of inflation being seen in the construction sector) could drive the need for additional borrowing which increases interest costs within the revenue budget. In addition, delays to the completion of residential schemes would mean that the HRA wouldn't generate additional rental income in line with the expectations of the business plan.

8.10 To help mitigate these challenges, a flexible revenue contribution to capital has been built into the revenue budget (which is shown in Table 2). Its primary purpose is to reduce HRA debt levels over the life of the business plan, but there is flexibility for it to be used as a revenue contingency if the revenue budget comes under pressure or additional borrowing is needed. It essentially creates a level of interest cover within the revenue budget (at a ratio of no less than 1.20 in any given year) which is an important metric for ensuring that HRA borrowing plans are sustainable and the HRA is resilient to unforeseen risks.

Table 2 – 5 Year HRA Business Plan

Year	1 2022.23	2 2023.24	3 2024.25	4 2025.26	5 2026.27
	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(79.401)	(83.187)	(87.209)	(87.708)	(89.944)
Commercial Rent	(7.700)	(8.164)	(8.251)	(8.416)	(8.584)
Garages, Sheds & Car Parks Income	(0.908)	(0.930)	(0.949)	(0.968)	(0.987)
Service Charges	(18.245)	(18.796)	(19.548)	(19.524)	(19.896)
Heating and Water (Including PDHU)	(6.557)	(6.720)	(6.855)	(6.992)	(7.132)
HRA Investment & Other Income	(2.171)	(2.225)	(2.270)	(2.315)	(2.362)
TOTAL INCOME	**(114.981)**	**(120.023)**	**(125.082)**	**(125.923)**	**(128.905)**
Staff	20.952	21.476	21.905	22.343	22.790
Repairs & Maintenance	21.221	21.885	22.415	22.739	23.337

Supervision & Management	7.685	7.878	8.035	8.196	8.360
Estate Services	9.297	9.529	10.199	10.403	10.831
Heating and Water (Including PDHU)	6.557	6.720	6.855	6.992	7.132
Rent, Rates and Commercial Charges	0.598	0.613	0.625	0.638	0.651
TMO Allowances	1.552	1.591	1.622	1.655	1.688
Support Costs	11.121	11.399	11.627	11.859	12.096
Movement on Bad Debt Provision	0.500	0.513	0.523	0.533	0.544
Depreciation	22.254	22.837	23.085	23.328	23.627
Capital financing costs	10.694	11.985	11.785	12.657	13.248
Regeneration Feasibility	0.350	0.359	0.366	0.373	0.381
TOTAL EXPENDITURE	**112.781**	**116.783**	**119.043**	**121.716**	**124.685**
HRA Net (Surplus)/Deficit position	**(2.200)**	**(3.240)**	**(6.039)**	**(4.207)**	**(4.220)**
Contribution to RCCO	1.926	3.240	6.039	4.207	4.220
Contribution to Hardship Fund	0.274	0.000	0.000	0.000	0.000
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Interest Cover Ratio	**1.21**	**1.27**	**1.51**	**1.33**	**1.32**

8.11 The table demonstrates that the HRA revenue budget will be balanced over the medium-term. This represents an improvement on the previous iteration of the business plan in which drawdowns from the HRA reserve were required in two of the first five years to cover projected revenue deficits.

8.12 Whilst increased income is a big factor in this improved outlook, the Housing Service has also delivered £2.35m of savings within the revenue budget. This ensures that efficient use of resources contributes equally in supporting the HRA to manage revenue cost pressures driven by high inflation, increased capital financing costs and shortfalls in commercial income.

8.13 Furthermore, the balance on the HRA reserve (which is covered in more detail in **Section 11** of this report) will intentionally be held at £17m for the duration of the first 5 years of the plan. This represents 19-21% of dwelling rent turnover. This will increase the financial strength of the HRA in the face of a relatively volatile macro-economic environment, with high levels of cost inflation, labour and materials shortages, and interest rate increases all expected to have a detrimental impact on HRA finances.

8.14 The long-term objective for the HRA reserve is for it to be maintained at a minimum of 10% of turnover from Year 6 onwards. This means it would never drop below £11m over the life of the business plan. However, this would involve potentially releasing funds from the reserve in 2027/28 to fund capital. This would help to reduce HRA debt (and therefore create a funding efficiency) but may not be the preferred approach and is something that can be reviewed annually, in accordance with an assessment of HRA risks, each time the HRA business plan is refreshed.

8.15 For 2022/23, the Council is proposing to set up a Hardship Fund. The purpose of this will be to provide targeted support to tenants suffering from the effect of large increases to household bills because of high levels of inflation, particularly in relation to energy bills. The fund will initially be held at £575k (which requires a £274k contribution from the HRA revenue budget). The size of the fund has been modelled based on an estimate of average household inflation along with an assessment of the numbers of households that are likely to hit financial difficulty due to cost increases.

9. HRA Capital and Stock Investment Plan

9.1 The HRA capital programme will see £858.11m of capital expenditure committed over the next five years (2022/23 – 2026/27) on the development of new build affordable housing, estate regeneration, investment in existing housing stock and acquisition of affordable homes across Westminster. The HRA will finance this programme using a variety of funding sources and will always ensure that the most appropriate financing option is used to support scheme viability and generate value for money for the revenue budget (which means reducing borrowing wherever possible). The following sections set out the major categories of spend within the capital programme and details some of the projects and schemes within these categories. A full schedule of the whole capital programme can be found at Appendix 4. **Section 10** sets out in more detail the financing of the capital programme.

9.2 Planned Maintenance Programme (£1.208bn)

The 2022/23 HRA Business Plan includes capital investment in existing stock totalling £57.826m. The business plan projects a total of £1.208bn to be invested in maintaining and improving existing HRA stock over the next 30 years.

This programme, and the associated budgetary requirement, is built using substantial supporting data taken from a rolling 3-year stock condition survey. This is further informed by overlaying analyses of the number and location of repairs being generated, insurance claims, legislative changes (e.g., building and fire safety), and complaints. This information is fed into the asset management database to assess priorities and determine the annual capital programme requirement.

It should be noted that elements of the planned maintenance programmes include works to leaseholder properties, and the costs reflected below represent the gross costs. Leaseholders will be consulted and billed in accordance with their lease for contributions they are required to make towards qualifying works.

Table 3 – HRA Planned Maintenance

	2022.23 £'000	2023.24 £'000	2024.25 £'000	2025.26 £'000	2026.27 £'000	2027.28-2051.52 £'000	Total Scheme Costs
Planned Maintenance							
Voids, Aids and Adaptions	5,700	5,700	5,700	5,700	5,700	129,700	158,200
Electrical and Mechanical Services	2,836	2,757	2,728	2,773	2,627	58,380	72,101
Major Works	30,304	41,384	34,527	34,906	33,296	400,622	575,039
Fire Precautions	9,932	3,448	2,424	2,132	1,360	26,820	46,116
Asset Management, Condensation and Minor Works	2,811	2,705	2,595	2,595	2,400	36,000	49,106
Domestic Heating, Hot Water and Lifts	3,743	3,643	3,643	3,643	3,513	59,815	78,000
PDHU and Climate Action Works	2,500	9,441	13,166	11,605	11,205	181,405	229,322
Planned Maintenance Total	**57,826**	**69,078**	**64,783**	**63,354**	**60,101**	**892,742**	**1,207,884**

9.2.1 Voids and Aids & Adaptations

In 2021/22 the average cost of refurbishing a void property increased. In addition, the service intends to use a property becoming void as an opportunity to undertake energy efficient works as part of its climate change agenda. As a consequence of both factors, the annual budget has been increased by £800k for the first 14 years of the business plan. This remains a demand led budget, but approximately £4.3m is projected to be spent on voids each year with the remaining £1.4m earmarked for adapting properties to meet the needs of residents (mainly those that are elderly or infirm). Common adaptation works include installation of grab rails, converting bathrooms into wet rooms, baths into showers and vice versa, installing stair lifts, etc.

9.2.2 Electrical & Mechanical Services

This budget covers the renewal of estate lighting, door entry systems, communal boilers, lateral mains, lightning conductors etc.

9.2.3 Major Works

The major works programme is derived from the asset management database which records the useful economic life of each building component across the HRA stock portfolio, including roofs, windows, communal decorations, etc. This is further informed by a rolling 3-year survey of HRA stock and information obtained from the volume and types of repairs being requested. The consolidated output from these collective data points helps the service to identify and prioritise work which the major works programme needs to address.

9.2.4 Fire Precautions

Fire Risk Assessments (FRA) are regularly completed for all buildings that are more than 6 storeys. The frequency is determined by the level of risk associated with each building, which considers the height of the building, the means of escape, combustibility of materials, etc. As such, FRAs are undertaken every 12, 24 or 36 months by a competent person, and the actions emanating from these are placed into a programme of works, which includes things such as the renewal of fire doors, installation of sprinkler systems, etc. Ultimately, this budget will help to ensure that the Council is able to address the requirements of the Fire Safety Act which incorporates some of the recommendations from the Grenfell enquiry.

9.2.5 Asset Management, Condensation and Minor Works

Damp and condensation are known issues in Westminster stock and are a specific focus of improvement works. The installation of internal wall insulation, secondary or double glazing and cavity wall insulation will jointly assist in tackling these issues and will also contribute towards the Council's green agenda and reduce carbon emissions.

9.2.6 Domestic Heating, Hot Water, and Lifts

This budget delivers our domestic boiler replacement programme. Westminster has 6,566 domestic boilers, which are replaced with low energy boilers Grade A+ on a rolling 15-year cycle. This area also covers the management of our 363 lifts in high rise blocks, with a planned programme of renewal and refurbishment.

9.2.7 PDHU and Climate Action Plan

The Council declared a Climate Emergency in 2019 and has set itself a challenging target to become a carbon neutral council by 2030 and have a carbon neutral city by 2040. Achieving this requires heavy investment in its housing assets and communal heating systems over and above what is built into existing maintenance programmes. Initial work has commenced on modelling the various scenarios for HRA stock (which includes the impact of building fabric measures such as insulation). In addition, a number of feasibilities will be commissioned on the relatively new low-carbon heating alternatives that could replace the existing gas heating infrastructure. The service aims to proactively review all options for HRA stock, working closely with partners to embrace cutting-edge technology.

The budget for Climate Works has increased by £33m to £218m. It is also now assumed that only 50% will funded from external grants. This drives an increase in the HRA borrowing requirement but represents a more realistic assumption.

In addition, it intends to maximise carbon reduction where possible with the Pimlico District Heating Undertaking (PDHU), which is the council's largest emitter of carbon. However, it should be noted that the current capital programme only allows for £11m of investment in the PDHU based on known routine works. Any wider investment ambition for the PDHU is not currently factored into the plan, but this remains a definite objective.

9.3 **Regeneration Programme (£856.14m)**

Table 4 – Regeneration Programme

Year	1	2	3	4	5	06-30	
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28-2051.52	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	
Regeneration							
Carlton Dene	893	21,166	18,487	-	-	-	40,546
Church Street Site A	1,269	1,452	8,257	203	203	51,290	62,674
Church Street Acquisitions	2,000	8,400	14,432	-	-	83,444	108,276
Church Street Site B	-	-	-	-	1,208	100,743	101,951
Church Street Site C	-	-	-	-	-	42,758	42,758
Lisson Arches	11,521	994	-	-	-	-	12,515
Luton Street	8,400	-	-	-	-	-	8,400
Parsons North	614	494	13	-	-	-	1,121
Cosway Street	13,840	683	-	-	-	-	14,523
Ashbridge	1,920	180	-	-	-	-	2,100
Cundy Street	1,000	-	-	7,000	-	-	8,000
Ashmill Street	272	16	-	-	-	-	288
Ebury Bridge Phase 1	40,228	40,791	30,036	5,980	-	-	117,035
Ebury Bridge Acquisitions	10,418	13,754	8,592	-	-	-	32,764
Ebury Bridge Phase 2	4,692	8,066	4,285	12,759	304	17,553	47,659
Tollgate Gardens	545	-	-	-	-	-	545
Westmead HRA buybacks	-	1,505	-	-	-	-	1,505
Queens Park Court	3,580	6,160	-	-	-	-	9,740
Churchill Gardens	3,597	9,282	6,595	2,590	-	-	22,064
Bayswater	-	824	1,468	5,574	9,554	5,917	23,337
Bayswater Acquisitions	-	1,200	1,200	-	-	-	2,400
West End Gate	1,303	-	-	-	-	-	1,303
300 Harrow Road	4,124	3,978	-	-	-	-	8,102
Contingency	12,153	14,078	13,149	5,698	1,920	30,834	77,831
Paddington Green	1,537	3,690	3,997	1,846	-	-	11,070
Woodchester	100	700	6,133	6,134	6,134	-	19,201
Lisson Grove Programme	-	-	-	-	-	6,635	6,635
Brunel Estate	295	2,115	15,969	13,816	1,643	-	33,838
Small Sites/Infills	9,381	15,328	12,022	1,081	150	-	37,962
Regeneration Total	**133,682**	**154,856**	**144,635**	**62,681**	**21,116**	**339,174**	**856,143**

9.3.1 The HRA Business Plan has been developed at a time of growing construction costs and expectations of an increasingly challenging residential market in central London. While the Council cannot control or influence these challenges, the plan is structured to minimise their impact on the Council's development and regeneration programme and safeguard the planned delivery of affordable homes.

9.3.2 The programme remains under constant review, and each scheme is subject to a detailed viability assessment to ensure the Council is delivering value for money at all times. Each scheme has its own individual business case which is subject to a separate Cabinet Member decision. The business cases for each scheme contain stress tests to indicate the financial and delivery risks.

9.3.3 Further details of some of the schemes within the HRA are provided below.

9.3.4 **Carlton Dene**

This scheme involves the redevelopment of an existing 42 bed care home in Maida Vale into a modern extra care housing development which will deliver 65 self-contained extra care flats for older people. Extra care homes are designed to meet the needs of people of retirement age, making sure people are safe and supported whilst also maintaining independence.

In addition, the scheme also incorporates the redevelopment of Peebles House into 22 affordable apartments. This includes a range of unit sizes, including one-, two- and three-bedroom homes.

An early works package is being explored by the delivery team to progress the demolition of the existing buildings and secure the site until construction of the new homes begins. The Specialist Housing Strategy for Older People (SHSOP) steering group has considered delivery strategy and recommended procurement of an external partner. A detailed programme is being worked up in preparation for the formal governance/decision making process.

9.3.5 **Church Street**

Church Street is the most deprived area of Westminster and is the focus of much needed regeneration, as highlighted within the Church Street Masterplan. The masterplan seeks to deliver real change for the community by creating great places, opportunities for a healthy and prosperous lifestyle, new homes and more jobs.

Site A is the first to come forward and its redevelopment will contribute to the delivery of the Council’s City for All objectives by using a transparent process to provide a range of homes and creating opportunity for residents and businesses.

The design offers a model of economic, environmental and social sustainability centred around residents.

Church Street is Westminster's largest regeneration project with over 1,200 homes across the scheme. The redevelopment will also provide significant improvements to the Church Street Market and public realm.

The Planning application for Church Street Sites A, B and C was submitted on 22nd November and validated by the Local Planning Authority in early December. The statutory planning consultation was live for 42 days and concluded on the 19th of January.

The CPO in Principle Cabinet Report was issued to Cabinet in December for a decision to proceed with a CPO. The Procurement Strategy is being finalised and will go to Cabinet in due course to recommend the procurement of a partner to assist in delivery.

9.3.6 **Lisson Arches**

Lisson Arches is sited adjacent to disused railway arches within the Church Street ward. This development will provide 60 sheltered accommodation units as well as enterprise space.

The extensive enabling works package completed in August 2020, and United Living are now on site progressing the construction of the new building, which will complete in September 2022.

45 of the social housing units provide replacement stock for the 45 units earmarked for demolition in Penn House, a nearby sheltered accommodation block. The remainder will provide additional decant space for the wider Church Street Programme.

9.3.7 Ebury Bridge

Ebury Bridge is a wholescale estate regeneration scheme with full demolition and re-provision. The scheme will deliver 781 new mixed tenure homes, with high quality public realm along with community and social infrastructure. Outline planning consent for the entire scheme and detailed planning consent for Phase 1 was achieved in 2021 and the main works contractor, Bougues UK (BYUK), commenced delivery of Phase 1 in November 2021 and are due to complete in May 2024.

WCC has committed to self-delivering Phase 1 which comprises of 226 new homes. This phase will largely enable the Council to meet the re-housing requirements for future phases of development.

Phase 2 of the programme will also be a WCC led delivery model and, subject to approval later this year, will be delivered in stages.

9.3.8 **Churchill Gardens**

This scheme involves the redevelopment of Darwin House on the Churchill Gardens estate to provide 34 modern community supported homes (including a warden's flat) and 18 homes for intermediate rent. The community homes will be designed according to high sustainability and HAPPI (Housing our Ageing Population Panel for Innovation) principles to ensure that they meet the needs of residents.

Stage 4 design is already complete, and all pre-commencement planning conditions have been submitted for discharge. The client team are finalising the Enabling Works Contract with Wates with a view to contract being in place by the end of February 2022 so that site set-up can commence.

9.3.9 **Infill Programme**

The Infill Programme identifies development opportunities within the existing estate that can be brought forward for, predominantly, new affordable housing. These include conversion of disused space such as basements, drying rooms and storage sheds and new build opportunities on underutilised garage sites, car parks and vacant land adjacent to estates. Most schemes within this programme have achieved planning and are either in the pre-construction services agreement phase or are in construction. This programme is set to deliver just over 100 affordable units.

9.4 **Self-Financing (£0.151bn)**

Year	1	2	3	4	5	06-30	
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28-2051.52	Total Scheme Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Other Schemes	6,000	5,000	5,000	5,000	5,000	125,000	151,000
Self Financing	6,000	5,000	5,000	5,000	5,000	125,000	151,000
Other Schemes Total	**6,000**	**5,000**	**5,000**	**5,000**	**5,000**	**125,000**	**151,000**

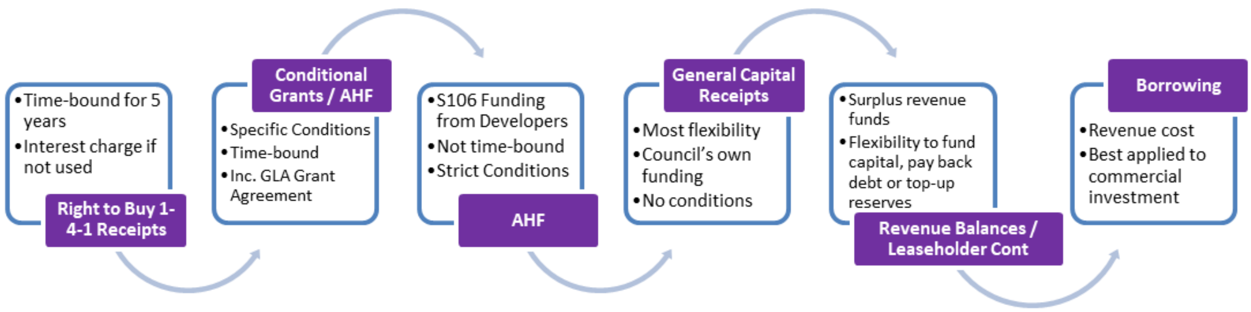
The Self-Financing scheme involves the disposal of HRA stock which does not meet the on-going needs of the council when assessed against the agreed disposal criteria (which consider the quality, financial and business needs of the HRA). The proceeds from these disposals are then utilised for the acquisition of replacement affordable homes that better meet the needs of residents.

10. Capital Programme Funding

10.1 The HRA business plan utilises multiple financing sources in order to deliver the capital programme and aims to adopt the optimal funding approach in any given year. This ensures that both individual schemes are viable and value for money is achieved for the HRA as a whole.

10.2 The HRA business plan requires a robust strategic approach to capital financing that considers a range of prudential factors. The key consideration, ultimately, is the ability of the HRA revenue budget to cover the cost of servicing additional borrowing (i.e., interest costs). Capital financing costs constitute approximately 13.5% of revenue generated from rents and therefore represent a significant element of the revenue budget. Whilst there is no requirement for the HRA to set a Minimum Revenue Provision (MRP), as is the case for the General Fund, it is important that the HRA provides an appropriate level of interest cover to ensure that the level of borrowing it commits to is sustainable. The revised business plan aims to ensure that the interest cover ratio never drops below 1.20, which effectively means that the revenue budget is always able to absorb the impact of a 20% swing in borrowing costs (which might be caused by cost increases on the capital programme or increases in interest rates over the 30 years of the plan).

10.3 Whilst the HRA seeks to maximise the flexibility it has available to it in terms of making decisions on how best to apply available capital funding in any given year, the HRA business plan adopts a set of general principles on the most efficient approach to funding the capital programme. This involves utilising funding that has time and usage conditions first, with a set of prioritisation criteria then applied to other types of funding. Ultimately, borrowing is always the last option to finance investment given the financial implications this has (as noted above). The chart below demonstrates the methodology applied in the business plan.



10.4 The various HRA financing options detailed in this chart are explained in further detail below.

10.5 <u>Right to Buy Receipts</u>

Secure tenants within the HRA have the "Right to Buy" their home. The purchase price is discounted but generates a capital receipt for the HRA. This receipt must be used to fund the delivery of a replacement affordable home under the terms of the “one-for-one” agreement held with MHCLG. The rules previously required receipts to be applied within three years (with unspent receipts returned to the Treasury) but this timeframe was recently extended by a further 2 years. In addition, the Government added minimum expectations for funding new build delivery (versus market purchase) and also expanded the use of right-to-buy receipts to cover the delivery of shared ownership.

10.6 Conditional Grants

Some grants that are awarded to the Council have conditions attached to them that stipulate how (and sometimes when) they must be used to ensure that the required outputs are delivered. For the HRA, this generally applies to grants awarded by the GLA (which is the most common source of grant funding for development schemes).

10.7 Affordable Housing Fund

Payments received from developers on planning schemes in lieu of affordable housing obligations are held in the Council’s Affordable Housing Fund (AHF). These funds are then available to be used by the Council to invest in the delivery of affordable housing across the City, either through Council-led developments (including estate regeneration) or in partnership with housing associations.

The balance held in the AHF as of 1 April 2021 totalled £178.97m. This balance is entirely committed, or at least nominally earmarked for known pipeline schemes, to deliver more affordable housing. Future payments into the AHF are dependent upon new planning applications being submitted and approved and, importantly, where developers opt to make payments in lieu of delivering affordable housing themselves.

Within the HRA business plan, £244.84m of AHF funding is included to finance the capital programme over the 30-year period (entirely within the Development programme). This means that the pipeline of future receipts will need to be closely monitored to ensure that funds are available to meet future spending plans. This will be kept under review in light of the impact of Covid-19 and other factors on the appetite for development in Westminster.

10.8 Capital Receipts

The HRA generates capital receipts for transfers of land or disposal of property which can be recycled to finance the capital programme. Development schemes also seek to use receipts from the sale of private units to subsidise the delivery of affordable housing. These receipts represent a significant proportion of projected capital financing for the HRA. However, there are risks attached to any assumptions about capital receipts. Any variance in their value or timing may impact on the HRA’s ability to finance capital spend and could ultimately lead to a need for increased levels of borrowing. Use of capital receipts represents £404.52m worth of capital financing over the next 30 years.

10.9 Major Repairs Allowance and Leaseholder Contributions

The HRA is required to set aside a statutory minimum level of revenue funding for capital, known as the Major Repairs Allowance (MRA). This must be committed to the upkeep of the existing housing stock and is therefore allocated to fund the Planned Maintenance programme.

The amount required to be allocated to MRA is based on the depreciation calculation for HRA stock. It effectively ensures that a minimum level of investment is made in the existing stock to keep assets fit-for-purpose. If the value of Planned Maintenance activity is lower than the MRA requirement then the Council is permitted to carry forward the balance in the Major Repairs Reserve to fund future works. However, the planned level of investment in existing stock at Westminster is consistently higher than the MRA and the HRA business plan therefore has to be able to finance the difference.

Major Works are delivered across the Housing portfolio meaning that many of the residents that benefit from this investment will be leaseholders. They are required to contribute towards the funding of capital works. Contributions from leaseholders therefore help to finance the Planned Maintenance Programme. These funds are held separately and ringfenced towards the specific works to which they relate.

10.10 Borrowing

Any capital expenditure not covered through any of the funding routes noted above will require borrowing. All additional borrowing is undertaken with a consideration of the financial return for the HRA. This might be in terms of extending the life of existing HRA stock to safeguard future rents, or to help finance new build schemes which will effectively increase stock numbers and grow the HRA bottom line through the generation of additional rental income.

As noted above, the level of borrowing that the HRA can commit to is one of the main considerations when assessing the viability of the HRA business plan. The HRA is projected to borrow £428.25m over the course of the revised 30-year plan. This equates to 19% of the entire HRA capital programme and represents a £145m increase on the level of borrowing included in the 2021 iteration of the business plan (which is largely driven by revised assumptions on the availability of external funding for the Climate Works programme). Nonetheless, this level of borrowing can be supported by the revenue budget with an appropriate level of resilience.

10.11 Capital Programme – Financial Overview

The table below summarises the overall expenditure and financing position for the HRA Capital Programme.

Table 5 – Capital Programme Financing Plan

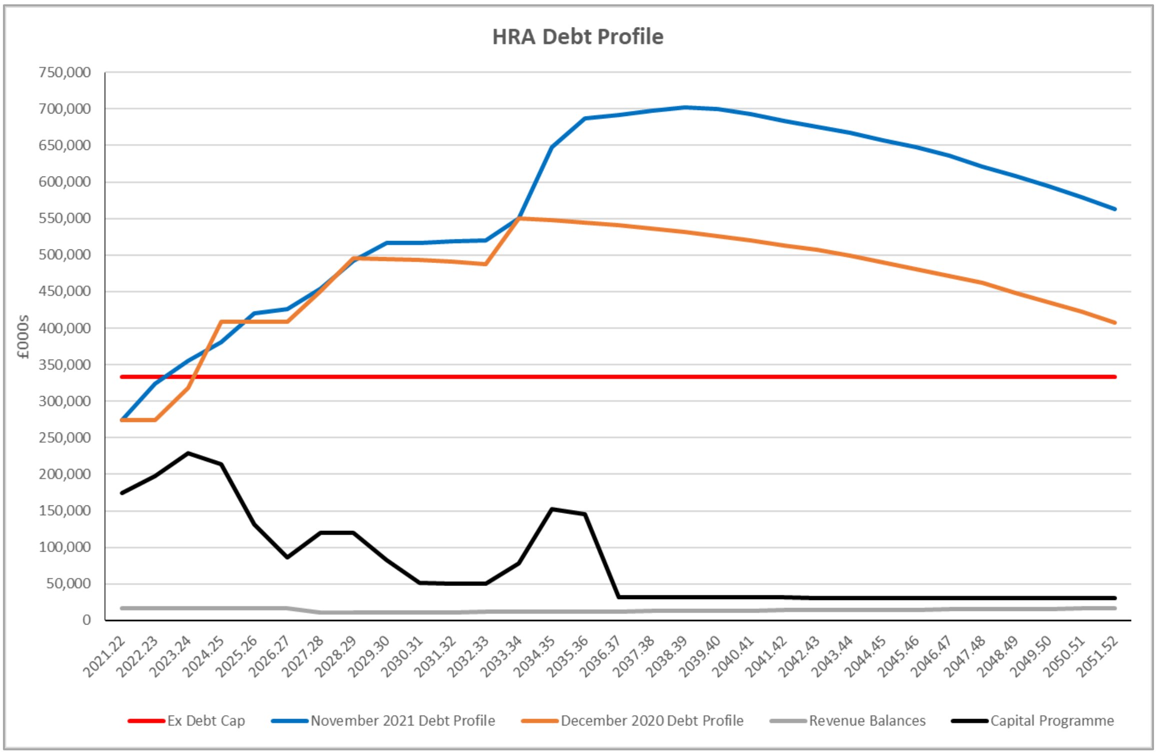
Year	1	2	3	4	5	06-30	
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28-2051.52	Total Scheme Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Planned Maintenance	**57,826**	**69,078**	**64,783**	**63,354**	**60,101**	**892,742**	**1,207,884**
Regeneration	**133,682**	**154,856**	**144,635**	**62,681**	**21,116**	**339,174**	**856,143**
Other Schemes	**6,000**	**5,000**	**5,000**	**5,000**	**5,000**	**125,000**	**151,000**
Total HRA Capital Programme	**197,508**	**228,934**	**214,418**	**131,035**	**86,217**	**1,356,916**	**2,215,027**
Funding							
Major Repairs Allowance	22,254	22,837	23,085	23,328	23,627	560,687	675,818
Government Grant/Loan	3,475	4,224	976	3,715	1,739	-	14,129
Climate Action Funding	1,000	2,500	5,000	5,000	5,000	90,500	109,000
Affordable Housing Fund	57,672	60,170	37,572	20,203	13,173	56,048	244,838
Capital Receipts	41,924	80,777	89,410	22,741	22,665	147,000	404,517
Leaseholder Contributions	8,984	12,387	14,263	13,531	13,564	190,248	252,975
CIL	7,750	-	7,052	-	-	36,228	51,030
Other	4,188	15,046	11,748	2,347	1,146	-	34,474
New Borrowing	50,262	30,994	25,311	40,171	5,303	276,205	428,246
Total Funding	**197,508**	**228,934**	**214,418**	**131,035**	**86,217**	**1,356,916**	**2,215,027**

10.12 The opening debt balance for the HRA as of 1 April 2021 was £274.12m. Based on the future borrowing requirements built into the proposed HRA capital programme, HRA debt is projected to peak at £702.36m by 2038/39. An additional £50.26m of borrowing is projected in 2022/23. This requires a growth of £1.46m within the HRA revenue budget resulting in a total capital financing cost of £10.69m in 2022/23. New borrowing is assumed to come with a 2.6% cost of finance.

10.13 The HRA is projected to generate surpluses over the second half of the business plan (from Year 18 onwards). This is largely because the development capital programme does not extend beyond the first 15 years. It is assumed that these surpluses will be available to pay down debt, and thereby help to manage the capital financing burden placed on the HRA revenue budget (which grows to £21.30m per annum once the HRA hits the peak debt level noted above). The total value of the available surpluses in the business plan is £119.49m.

10.14 There is no requirement for the HRA to pay down debt, and this approach is partly subject to the availability to re-finance within the various debt instruments used. If debt cannot be re-paid, any surpluses would go into the HRA reserve and the revenue budget would have to continue to cover interest costs at the peak level noted above. The chart below shows the revised HRA debt profile (the blue line) versus the previous iteration of the HRA business plan (the orange line) which demonstrates the higher levels of debt required in the updated business plan. This profile assumes that surpluses in the second half of the plan would be used to pay down debt, and that the HRA Reserve (the grey line) would be maintained at the proposed minimum.

Chart 1 – HRA Debt Profile



Capital Programme (black line) - Total planned capital investment in the HRA totals £2.215bn over the next 30 years. This includes major works on existing stock of £1.207bn, a Regeneration programme totalling £0.856bn and the Self-Financing Acquisition programme totalling £0.151bn.

Debt Cap (red line) – the HRA at each local authority previously had a debt cap imposed by government as part of the 2012 self-financing settlement. Westminster's HRA had a debt cap of £334m and this has been provided as an indication of how the current borrowing profile reflects against this previous benchmark to show the level of flexibility that has been made available to the Council as a consequence of the removal of the debt cap.

Current Projected Debt (blue line) - Borrowing rises from the current level of £274.12m (as at 1st April 2021) and peaks in 2038/39 at £702.36m based on the borrowing need within the revised HRA business plan. The comparison to the previous iteration of the HRA business plan is shown via the orange line.

HRA Reserve Balance (grey line) - The HRA business plan seeks to maintain a minimum reserve balance of 10% of turnover, which works out at no less than £11m over the life of the plan. In addition, there is an intention to hold the reserve at £17m over the next 5 years, which equates to between 19-21% of turnover. These parameters are considered to represent a prudent approach in terms of managing risk and ensuring that the HRA remains on a sound financial footing, without being over cautious and driving up debt levels unnecessarily.

11. HRA Reserve Position

11.1 The opening balance on the HRA reserve at the start of the 2021/22 financial year was £17.30m. This reserve balance is primarily designed to help the HRA to cover in-year risks but may also be used to support one-off projects and investment opportunities that might drive efficiencies and/or delivery of a better service to residents of the Council.

11.2 As a means of managing financial risk, it should be noted that the HRA reserve is finite and is therefore only suitable for covering one-off shocks or helping to mitigate more permanent financial issues over a short period of time (while alternative solutions are sought). Reserve levels are therefore considered in conjunction with an assessment of the level of interest cover required within the revenue budget, which provides a more structural level of contingency which is better suited to managing the impact of significant shifts in business plan assumptions over a longer period of time.

11.3 The table below presents the projected approach to managing the HRA reserve over the next 5 years. This demonstrates the strategic intention to maintain the reserve at level of £17m over this period in order to provide cover against wider economic volatility being experienced nationally and specifically within the housing sector, and also over a period of higher risk with the development schemes being delivered. The reserve position will be reviewed on an annual basis in line with the overall HRA business plan.

Table 6 – Medium-Term Reserve Projection

Year	1 2022.23	2 2023.24	3 2024.25	4 2025.26	5 2026.27
	£'m	£'m	£'m	£'m	£'m
Opening Balance	**17.301**	**17.000**	**17.000**	**17.000**	**17.000**
Planned contribution/(drawdown)	(0.301)	0.000	0.000	0.000	0.000
Proposed Reserve Balance	**17.000**	**17.000**	**17.000**	**17.000**	**17.000**
Proposed Reserve as % of Turnover	21%	20%	19%	19%	19%

12. Risk Management

12.1 This report underlines the strategic intention within the HRA to maximise investment in both existing stock (including energy efficiency improvements) and the delivery of new homes across the city. This objective requires the HRA to commit to an increased level of borrowing over the next 30 years. This means that the HRA Business Plan has less spare borrowing capacity overall and a requirement to cover higher annual interest costs within its revenue budget. Clearly the consequence of these two factors is a reduction in the ability of the HRA to absorb or manage the financial impact of unforeseen and unplanned risks that may materialise over the course of the plan (some of which have been identified in Appendix 5).

12.2 The HRA Business Plan is built on a series of assumptions about the expected future impact of a number of variables (including inflation, rent increases, interest rates, etc). The first aspect of risk management within the HRA is to ensure that the assumptions built into the plan are as prudent as possible. This helps to ensure that the plan is viable in the face of a relatively conservative outlook. An overview of key assumptions is included at Appendix 1.

12.3 The second aspect of the risk management approach is to actively build financial cover into the business plan that would allow it to absorb the impact of any adverse movement on key assumptions or the emergence of any more general unforeseen risks. These measures allow the HRA to manage the impact of emerging risks without necessarily having to compromise on either service delivery or the level of capital ambition. The refreshed business plan does this in 4 key areas:

a) **HRA Reserve** – this has been maintained at £17m over the first five years of the plan to manage medium-term financial volatility driven by inflation. It never drops below 10% of turnover from year 6 onwards and the approach will be reviewed annually. The reserve represents the ultimate backstop in managing financial risk, with its finite nature meaning that it can only help to manage one-off shocks or cover on-going pressures for a limited period of time.

b) **Revenue Interest Cover** – the refreshed business plan ensures that the minimum ratio of interest cover in the revenue budget is 1.20. This is achieved through the inclusion of a flexible revenue contribution to capital (set at £1.9m in 2022/23). This primarily helps to reduce additional borrowing over the life of the plan, but it also provides significant manoeuvrability to manage financial risk. It can be diverted to cover revenue pressures if required, and unlike the HRA reserve can actually be used to permanently adjust the revenue budget and cover pressures that are on-going. If risks emerge on the capital programme, it can also be diverted to provide additional borrowing capacity. The £1.9m included in 2022/23 could support additional borrowing of c.£80m if it was all used to cover interest.

c) **Capital Contingency** – a programme-wide capital contingency of 10% is included in the business plan for the Development programme (which is additional to any contingencies that are included within the viabilities for individual schemes). This is factored into the projected borrowing requirement and ensures that the plan can absorb the impact of unforeseen costs or specification changes, price inflation on schemes not yet in contract, or reduced capital receipts from unit sales. This means that the HRA can cover some of the inherent risks of a development programme without any impact on its overall viability over 30 years. Whilst the revenue interest cover noted above can also help to mitigate capital risk, if required, it is primarily seen as a means of managing revenue risk and the capital contingency would therefore be the first port of call for any cost increase on the capital programme.

d) **Planned Maintenance Inflation** – the Planned Maintenance programme represents a rolling programme of works to improve the condition of existing stock. It is set based on information in the asset management database which uses today's prices. The business plan therefore models a level of inflation on the capital budgets to reflect the fact that a boiler replacement will be more expensive in 15 years' time, for example. Again, this is built into the projected borrowing requirement and ensures that planned maintenance requirements have a level of insulation against the impact of inflation within the plan.

12.4 The measures covered above demonstrate that the HRA Business Plan has been prepared with careful consideration of how best to provide resilience against financial risk without compromising the ability of the HRA to deliver its strategic objectives. In the event that the financial shocks to the HRA were very extreme, there are some final risk management measures available to ensure that the HRA remains viable in a worst-case scenario. These can be summarised as follows:

a) **Re-Profiling** – not all expenditure on the Development programme is fully committed. This provides an opportunity to re-profile by extending or delaying the delivery of certain schemes to meet revised affordability parameters. This does expose the Council to contract price inflation but remains an option.

b) **Reduce Planned Maintenance Schedule** – whilst the HRA is required to make a minimum investment in existing stock and many contracts have a minimum annual spend requirement, the current investment plan is higher than both and could be revised to manage affordability concerns. This is likely to have a knock-on impact on stock condition and increase the volume/cost of revenue repairs.

c) **Dispose of HRA Assets** – a more aggressive assessment of which assets are surplus to requirements could generate increased capital receipts to help fund the capital programme.

d) **Rent Policy** – the average rent is currently lower than the maximum formula rent allowable. Although annual rent increases are capped, there are options available to the Council to allow it to converge towards the maximum.

12.5 The three stages of risk management covered above demonstrate how the HRA might manage and mitigate financial risk. A key aspect of the approach to risk management is also how risks are identified and captured in the first place. Clearly, the Council's annual budget monitoring and reporting processes are a key aspect of this. This helps to capture in-year risks within the outturn forecast, but the HRA Business Plan is also regularly reviewed in tandem with this process as new information emerges (and is not a one-off exercise undertaken annually). This allows the impact of emerging risks to be fully understood in the context of the whole business plan, and sensitivity analysis to be undertaken to assess how the HRA might manage these risks over the medium- to long-term. Furthermore, the service holds a risk register that is regularly reviewed and updated by the Housing management team.

13. Financial Implications

The financial implications are set out in the main body of this report.

14. Legal Implications

14.1 The expenditure referred to in this report will be spent pursuant to the Council's powers and duties as set out below. The Council has a duty to disclose information as set out The Housing Revenue Account (Accounting Practices) Directions 2016.

14.2 The provision of housing accommodation is set out in Part II of the Housing Act 1985. Statutory requirements regarding keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989 ("Act"). The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget. The Act places a duty on local housing authorities to: (i) to produce and make available for public inspection, an annual budget for their HRA, which avoids a deficit; (ii) to review and if necessary, revise that budget from time to time and (iii) to take all reasonably practical steps to avoid an end of year deficit.

14.3 On 10 November 2020 MHCLG published guidance on the operation of the Housing Revenue Account ring-fence. This guidance updates and replaces Circular 8/95 published by the former Department of the Environment (DoE). It gives advice to local housing authorities in England on certain aspects of the HRA. This guidance restates ministers' established policy for the HRA and introduces no new issues of principle. However, it does highlight the need to be fair to both tenants and council taxpayers and that there should be a fair and transparent apportionment of costs between the HRA and General Fund.

14.4 The Localism Act 2011 contains provisions relating to housing finance in Sections 167 to 175. These provisions introduced a new system of Council housing finance which ended the current Housing Revenue Account subsidy system in England and replaced it with self-financing arrangements. Section 171 of the Localism Act 2011 empowered the Secretary of State to make provision relating to the level of indebtedness in relation to local housing authorities in England which keep a Housing Revenue Account.

14.5 Under Regulation 12 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) local authorities are required to use

Right To Buy capital receipts to pay the "poolable amount" to the Secretary of State, on a quarterly basis.

14.6 On 29 October 2018, the government confirmed that the HRA borrowing cap was abolished with immediate effect. As a result, local authorities with an HRA are no longer constrained by government controls over borrowing for housebuilding and are able to borrow against their expected rental income, in line with the Prudential Code. All borrowing within the HRA must be in line with the CIPFA Prudential Code.

14.7 The basis for setting rent stems from Section 24 of the Housing Act 1985 which provides that a local authority must make such reasonable charges as they determine for the tenancy occupation of their houses. This report deals with other legislative provisions which are expected to influence the Housing Investment Strategy such as the social rent reduction introduced by Section 23 of the Welfare Reform and Work Act 2016 and changes to the social benefits system under Sections 8-17 of the Welfare Reform and Work Act 2016.

14.8 The Housing and Planning Act 2016 is also likely to affect the findings of subsequent reports and the Council's regeneration initiatives. The relevant provisions include the imposition of a liability for local housing authorities which maintain a Housing Revenue Account to make payments to the Secretary of State based on the market value of any vacant higher value void properties which the local authority owns. Additionally, Chapter 6 and Schedule 7 the Housing and Planning Act 2016 seek to phase out secure tenancies as life interests and replace them with fixed term secure tenancies thus potentially allowing for more flexibility in terms of stock management.

14.9 The Housing and Planning Act 2016 also contains provisions which have been implemented and may attract procedural changes in the way the Council progresses its regeneration projects. Such provisions include the amendments made to the planning regime under Part 6 and amendments to the compulsory purchase and appropriation procedures under Part 7.

14.10 It should be noted that as part of the HRA regeneration programme, if the Council wishes to dispose of land or property or provide financial assistance in connection with housing (which includes disposal to any Council owned company), consent of the Secretary of State may be required, unless such disposals fall within the General Disposal Consents of Section 32 of the Housing Act 1985.

15 Carbon Implications

15.1 In order for the Council to better understand the carbon impact of the wider capital strategy, a new element of the internal bidding process was introduced to capture the available carbon impact information.

15.2 Officers are currently working with a partner to develop a toolkit to model carbon impact on a consistent basis across all capital projects. With this toolkit in development, in the interim a qualitative impact assessment was required to accompany the CPSR forms.

15.3 The key assessment criterion was to determine whether a project's estimated emissions impact were expected to be positive, neutral or negative. This impact was then assessed as low (under 100 tonnes), medium (100 to 1500 tonnes) or high (over 1500 tonnes).

15.4 The headline date shows that of the 155 impact assessments reviewed in relation to capital schemes (including those funded by the HRA), 64 would positively impact the Council's carbon footprint, 58 were broadly neutral and 32 projects would negatively impact the position.

15.5 Although there are more positive schemes than negative ones, the data shows the negative schemes are likely to have a high impact whilst the positive schemes low impact. This data may impact the viability of some projects that are not underway or essential for health and safety or infrastructure purposes.

15.6 It is important to note this is an initial assessment, with many of the projects not yet underway and the detail will only be available once the carbon toolkit has been finalized. There may also be opportunity to improve this position in further iterations of the capital programme.

15.7 The HRA capital programme earmarks funding for several specific initiatives that will reduce the carbon footprint of the Council as a whole. Firstly, the £218m of allocated to retrofitting existing HRA stock will improve the energy efficiency of a large proportion of the Council's asset base. There is also £11m of investment set aside to improve the efficiency of the Pimlico District Heating Unit (PDHU). Finally, whilst the construction of new housing is intrinsically not a carbon neutral undertaking, each development scheme is considered to deliver more energy efficient and sustainable housing which will ultimately improve the carbon footprint of the bult environment across the City of Westminster as a whole.

16 Staffing Implications

16.1 There are no specific staffing implications attached to this report. The HRA business plan ensures there is sufficient revenue budget to cover the cost of the current structure of the Housing service.

17 Consultation

17.1 Development of the Business Plan and Housing Investment Plan has involved officers from within the Housing, Regeneration and Finance departments and with input from the relevant Cabinet Members (via presentation at CRG). We have had regard to national and local housing policies and objectives which have informed the priorities for investment.

17.2 A key component of the housing regeneration programme is community engagement: officers and consultants have worked with local communities to develop plans for their neighbourhoods. Community engagement teams work on the ground with residents, visiting residents in their homes, staffing drop-in sessions and holding open days. Resident expectations are high, and the City Council is committed to an on-going programme of resident involvement as these schemes develop further. Consequently, consultations are undertaken at the appropriate stage on a given scheme basis rather than as a part of the Business Plan process.

17.3 The internal governance processes within Housing, development and major projects teams have been rigorously reviewed and focus now upon key project management skills and tolerance reporting. The creation of a Programme Management Office (PMO) during 2018/19 also adds to the monitoring of the significant development programmes that are being funded by the HRA.

18 Equalities Implications

18.1 The Equality Act 2010 introduced a single public sector equality duty. This duty requires the Council to have due regard in its decision-making processes to the need to:

a. Eliminate discrimination, harassment, victimisation or other prohibited conduct.
b. Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it, and.
c. Foster good relations between those who share a relevant characteristic and those that do not share it.

18.2 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

18.3 The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the new strategy.

18.4 It should be noted in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change, the relevant service department will carry out an equality impact assessment to secure delivery of that duty, including such consultation as may be required.

18.5 In addition, each of the estate regeneration schemes is subject to an Equalities Impact Assessment to ensure any arising issues are addressed. DDA works and disabled adaptations are included as essential works within the capital programme. Further Equalities Impact Assessment and/or consultation may be necessary if significant changes are envisaged to Housing Management Schemes.

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

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Appendix 1 – Key Assumptions

	Assumptions	Notes
Inflation	2022/23 (3.1%), 2023/24 (2.5%), 2024/25 onwards (2%)	OBR forecast for CPI applied. Bank of England target used from 2024/25
Dwelling Rents	CPI + 1% to 2024-25 CPI only from 2025-26	CPI for 2022/23 is 3.1%, assumed at 2.5% for 2023/24 and 2% from 2024/25 onwards
Voids	2%	Same as previous BP
Bad Debt	0.61% in 2022/23 and 2023/24, 1% from 2024/25 onwards	Same as previous BP
Service Charges	£5.94 per week opening charge (CPI uplift on cost and income thereafter)	Opening rate based on most recent SC estimates
Non-Dwelling Rents	Linked to CPI from 2023/24	Budgets re-based for 2022/23 based on current performance
Repairs and Maintenance Costs	Linked to CPI	CPI has been used throughout the plan as a more credible measure of inflation
Interest Rates	2.6% on External Borrowing	New external borrowing has been assumed to cover all investment
Pay Award	2%	Consistent with General Fund
RtB Sales	15 per annum	Same as previous BP

Appendix 2 – 5 Year Revenue Budget

Year	1 2022.23	2 2023.24	3 2024.25	4 2025.26	5 2026.27
	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(79.401)	(83.187)	(87.209)	(87.708)	(89.944)
Commercial Rent	(7.700)	(8.164)	(8.251)	(8.416)	(8.584)
Garages, Sheds & Car Parks Income	(0.908)	(0.930)	(0.949)	(0.968)	(0.987)
Service Charges	(18.245)	(18.796)	(19.548)	(19.524)	(19.896)
Heating and Water (Including PDHU)	(6.557)	(6.720)	(6.855)	(6.992)	(7.132)
HRA Investment & Other Income	(2.171)	(2.225)	(2.270)	(2.315)	(2.362)
TOTAL INCOME	**(114.981)**	**(120.023)**	**(125.082)**	**(125.923)**	**(128.905)**
Staff	20.952	21.476	21.905	22.343	22.790
Repairs & Maintenance	21.221	21.885	22.415	22.739	23.337
Supervision & Management	7.685	7.878	8.035	8.196	8.360
Estate Services	9.297	9.529	10.199	10.403	10.831
Heating and Water (Including PDHU)	6.557	6.720	6.855	6.992	7.132
Rent, Rates and Commercial Charges	0.598	0.613	0.625	0.638	0.651
TMO Allowances	1.552	1.591	1.622	1.655	1.688
Support Costs	11.121	11.399	11.627	11.859	12.096
Movement on Bad Debt Provision	0.500	0.513	0.523	0.533	0.544
Depreciation	22.254	22.837	23.085	23.328	23.627
Capital financing costs	10.694	11.985	11.785	12.657	13.248
Regeneration Feasibility	0.350	0.359	0.366	0.373	0.381
TOTAL EXPENDITURE	**112.781**	**116.783**	**119.043**	**121.716**	**124.685**
HRA Net (Surplus)/Deficit position	**(2.200)**	**(3.240)**	**(6.039)**	**(4.207)**	**(4.220)**
Contribution to RCCO	1.926	3.240	6.039	4.207	4.220
Contribution to Hardship Fund	0.274	0.000	0.000	0.000	0.000
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Interest Cover Ratio	**1.21**	**1.27**	**1.51**	**1.33**	**1.32**

Appendix 3a – 30 Year Business Plan

Year	1	2	3	4	5	6	7	8	9	10
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.3	2030.31	2031.32
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(79.401)	(83.187)	(87.209)	(87.708)	(89.944)	(91.928)	(93.385)	(94.806)	(98.885)	(99.733)
Commercial Rent	(7.700)	(8.164)	(8.251)	(8.416)	(8.584)	(8.756)	(8.931)	(9.110)	(9.292)	(9.478)
Garages, Sheds & Car Parks Income	(0.908)	(0.930)	(0.949)	(0.968)	(0.987)	(1.007)	(1.027)	(1.048)	(1.069)	(1.090)
Service Charges	(18.245)	(18.796)	(19.548)	(19.524)	(19.896)	(20.289)	(20.693)	(21.104)	(22.013)	(22.123)
Heating and Water (Including PDHU)	(6.557)	(6.720)	(6.855)	(6.992)	(7.132)	(7.274)	(7.420)	(7.568)	(7.720)	(7.874)
HRA investment income & Other Income	(2.171)	(2.225)	(2.270)	(2.315)	(2.362)	(2.409)	(2.457)	(2.506)	(2.556)	(2.607)
TOTAL INCOME	**(114.981)**	**(120.023)**	**(125.082)**	**(125.923)**	**(128.905)**	**(131.663)**	**(133.913)**	**(136.142)**	**(141.535)**	**(142.905)**
Staff	20.952	21.476	21.905	22.343	22.790	23.246	23.711	24.185	24.669	25.162
Repairs & Maintenance	21.221	21.885	22.415	22.739	23.337	23.831	24.295	24.658	25.123	25.705
Supervision & Management	7.685	7.878	8.035	8.196	8.360	8.527	8.697	8.871	9.049	9.230
Estate Services	9.297	9.529	10.199	10.403	10.831	11.048	11.268	11.494	11.724	11.958
Heating and Water (Including PDHU)	6.557	6.720	6.855	6.992	7.132	7.274	7.420	7.568	7.720	7.874
Rent, Rates and Commercial Charges	0.598	0.613	0.625	0.638	0.651	0.664	0.677	0.690	0.704	0.718
TMO Allowances	1.552	1.591	1.622	1.655	1.688	1.722	1.756	1.791	1.827	1.864
Support Costs	11.121	11.399	11.627	11.859	12.096	12.338	12.585	12.837	13.094	13.355
Movement on Bad Debt Provision	0.500	0.513	0.523	0.533	0.544	0.555	0.566	0.577	0.589	0.600
Depreciation	22.254	22.837	23.085	23.328	23.627	23.916	24.155	24.181	24.405	24.738
Capital financing costs	10.694	11.985	11.785	12.657	13.248	13.713	14.610	15.516	15.948	16.053
Regeneration Feasibility	0.350	0.359	0.366	0.373	0.381	0.388	0.396	0.404	0.412	0.420
TOTAL EXPENDITURE	**112.781**	**116.783**	**119.043**	**121.716**	**124.685**	**127.222**	**130.137**	**132.773**	**135.262**	**137.678**
HRA Net (Surplus)/Deficit position	**(2.200)**	**(3.240)**	**(6.039)**	**(4.207)**	**(4.220)**	**(4.441)**	**(3.777)**	**(3.369)**	**(6.272)**	**(5.227)**
Revenue Contribution to Capital (RCCO)	1.926	3.240	6.039	4.207	4.220	4.441	3.777	3.369	6.092	5.116
Planned contribution/(drawdown) from Reserves	0.274	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.180	0.111
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Year	11	12	13	14	15	16	17	18	19	20
	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.4	2040.41	2041.42
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(102.045)	(103.810)	(105.603)	(109.820)	(110.048)	(112.172)	(114.336)	(116.540)	(118.781)	(123.392)
Commercial Rent	(9.667)	(9.861)	(10.058)	(10.259)	(10.464)	(10.673)	(10.887)	(11.105)	(11.327)	(11.553)
Garages, Sheds & Car Parks Income	(1.112)	(1.134)	(1.157)	(1.180)	(1.204)	(1.228)	(1.252)	(1.277)	(1.303)	(1.329)
Service Charges	(22.656)	(23.175)	(23.705)	(24.729)	(24.811)	(25.334)	(25.868)	(26.413)	(26.969)	(28.067)
Heating and Water (Including PDHU)	(8.032)	(8.192)	(8.356)	(8.523)	(8.694)	(8.867)	(9.045)	(9.226)	(9.410)	(9.598)
HRA investment income & Other Income	(2.659)	(2.713)	(2.767)	(2.822)	(2.879)	(2.936)	(2.995)	(3.055)	(3.116)	(3.178)
TOTAL INCOME	**(146.172)**	**(148.885)**	**(151.646)**	**(157.334)**	**(158.099)**	**(161.211)**	**(164.383)**	**(167.615)**	**(170.906)**	**(177.118)**
Staff	25.665	26.179	26.702	27.236	27.781	28.337	28.903	29.482	30.071	30.673
Repairs & Maintenance	26.278	26.723	27.175	27.711	28.284	28.817	29.360	29.913	30.476	31.050
Supervision & Management	9.414	9.603	9.795	9.991	10.190	10.394	10.602	10.814	11.030	11.251
Estate Services	12.197	12.441	12.690	12.944	13.203	13.467	13.736	14.011	14.291	14.577
Heating and Water (Including PDHU)	8.032	8.192	8.356	8.523	8.694	8.867	9.045	9.226	9.410	9.598
Rent, Rates and Commercial Charges	0.733	0.747	0.762	0.777	0.793	0.809	0.825	0.842	0.858	0.876
TMO Allowances	1.901	1.939	1.978	2.017	2.058	2.099	2.141	2.184	2.227	2.272
Support Costs	13.623	13.895	14.173	14.456	14.745	15.040	15.341	15.648	15.961	16.280
Movement on Bad Debt Provision	0.612	0.625	0.637	0.650	0.663	0.676	0.690	0.704	0.718	0.732
Depreciation	25.169	25.347	25.525	25.704	26.025	26.256	26.489	26.724	26.962	27.201
Capital financing costs	16.174	16.677	18.467	20.346	20.975	21.139	21.275	21.301	21.167	20.953
Regeneration Feasibility	0.429	0.437	0.446	0.455	0.464	0.473	0.483	0.492	0.502	0.512
TOTAL EXPENDITURE	**140.228**	**142.805**	**146.706**	**150.812**	**153.875**	**156.375**	**158.891**	**161.340**	**163.675**	**165.976**
HRA Net (Surplus)/Deficit position	**(5.944)**	**(6.080)**	**(4.939)**	**(6.522)**	**(4.224)**	**(4.837)**	**(5.492)**	**(6.275)**	**(7.231)**	**(11.142)**
Revenue Contribution to Capital (RCCO)	5.687	5.876	4.733	6.072	4.173	4.595	5.246	6.024	6.976	10.650
Planned contribution/(drawdown) from Reserves	0.257	0.204	0.206	0.450	0.051	0.242	0.246	0.251	0.255	0.492
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Year	21	22	23	24	25	26	27	28	29	30
	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.5	2050.51	2051.52
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(123.387)	(125.753)	(128.162)	(130.614)	(133.111)	(138.262)	(138.243)	(140.878)	(143.562)	(146.295)
Commercial Rent	(11.784)	(12.020)	(12.260)	(12.506)	(12.756)	(13.011)	(13.271)	(13.536)	(13.807)	(14.083)
Garages, Sheds & Car Parks Income	(1.356)	(1.383)	(1.410)	(1.439)	(1.467)	(1.497)	(1.527)	(1.557)	(1.588)	(1.620)
Service Charges	(28.118)	(28.710)	(29.315)	(29.932)	(30.563)	(31.806)	(31.863)	(32.534)	(33.220)	(33.919)
Heating and Water (Including PDHU)	(9.790)	(9.986)	(10.186)	(10.390)	(10.597)	(10.809)	(11.026)	(11.246)	(11.471)	(11.700)
HRA investment income & Other Income	(3.242)	(3.307)	(3.373)	(3.440)	(3.509)	(3.579)	(3.651)	(3.724)	(3.798)	(3.874)
TOTAL INCOME	**(177.677)**	**(181.159)**	**(184.706)**	**(188.320)**	**(192.003)**	**(198.965)**	**(199.581)**	**(203.476)**	**(207.447)**	**(211.492)**
Staff	31.286	31.912	32.550	33.201	33.865	34.542	35.233	35.938	36.657	37.390
Repairs & Maintenance	31.635	32.231	32.837	33.456	34.085	34.727	35.381	36.047	36.725	37.416
Supervision & Management	11.476	11.706	11.940	12.178	12.422	12.670	12.924	13.182	13.446	13.715
Estate Services	14.869	15.166	15.469	15.779	16.094	16.416	16.744	17.079	17.421	17.769
Heating and Water (Including PDHU)	9.790	9.986	10.186	10.390	10.597	10.809	11.026	11.246	11.471	11.700
Rent, Rates and Commercial Charges	0.893	0.911	0.929	0.948	0.967	0.986	1.006	1.026	1.046	1.067
TMO Allowances	2.317	2.364	2.411	2.459	2.508	2.558	2.610	2.662	2.715	2.769
Support Costs	16.606	16.938	17.277	17.622	17.975	18.334	18.701	19.075	19.456	19.845
Movement on Bad Debt Provision	0.747	0.762	0.777	0.792	0.808	0.824	0.841	0.858	0.875	0.892
Depreciation	27.443	27.687	27.932	28.180	28.430	28.683	28.937	29.194	29.453	29.714
Capital financing costs	20.722	20.498	20.257	19.992	19.704	19.352	18.971	18.602	18.343	17.432
Regeneration Feasibility	0.523	0.533	0.544	0.555	0.566	0.577	0.589	0.600	0.612	0.625
TOTAL EXPENDITURE	**168.306**	**170.692**	**173.109**	**175.551**	**178.022**	**180.480**	**182.961**	**185.508**	**188.220**	**190.335**
HRA Net (Surplus)/Deficit position	**(9.371)**	**(10.467)**	**(11.597)**	**(12.769)**	**(13.981)**	**(18.484)**	**(16.619)**	**(17.968)**	**(19.227)**	**(21.157)**
Revenue Contribution to Capital (RCCO)	9.339	10.198	11.322	12.490	13.697	17.933	16.585	17.667	18.921	20.846
Planned contribution/(drawdown) from Reserves	0.032	0.269	0.275	0.279	0.284	0.551	0.034	0.301	0.306	0.311
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Appendix 3b – 30 Year HRA Reserve Projection

Year	1	2	3	4	5	6	7	8	9	10
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.3	2030.31	2031.32
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**17.301**	**17.000**	**17.000**	**17.000**	**17.000**	**17.000**	**11.000**	**11.000**	**11.000**	**11.180**
Planned contribution/(drawdown) to Reserves	(0.301)	0.000	0.000	0.000	0.000	(6.000)			0.180	0.111
Proposed Reserve Balance	**17.000**	**17.000**	**17.000**	**17.000**	**17.000**	**11.000**	**11.000**	**11.000**	**11.180**	**11.291**
Proposed Reserve as % of income	21%	20%	19%	19%	19%	12%	12%	12%	11%	11%

Year	11	12	13	14	15	16	17	18	19	20
	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.4	2040.41	2041.42
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**11.291**	**11.548**	**11.752**	**11.958**	**12.408**	**12.459**	**12.701**	**12.947**	**13.198**	**13.453**
Planned contribution/(drawdown) to Reserves	0.257	0.204	0.206	0.450	0.051	0.242	0.246	0.251	0.255	0.492
Proposed Reserve Balance	**11.548**	**11.752**	**11.958**	**12.408**	**12.459**	**12.701**	**12.947**	**13.198**	**13.453**	**13.945**
Proposed Reserve as % of income	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%

Year	21	22	23	24	25	26	27	28	29	30
	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.5	2050.51	2051.52
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**13.945**	**13.977**	**14.246**	**14.521**	**14.800**	**15.084**	**15.635**	**15.669**	**15.970**	**16.276**
Planned contribution/(drawdown) to Reserves	0.032	0.269	0.275	0.279	0.284	0.551	0.034	0.301	0.306	0.311
Proposed Reserve Balance	**13.977**	**14.246**	**14.521**	**14.800**	**15.084**	**15.635**	**15.669**	**15.970**	**16.276**	**16.587**
Proposed Reserve as % of income	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%

Appendix 4 – HRA 30 Year Capital Programme

Year	1	2	3	4	5	06-30	
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28-2051.52	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	
Planned Maintenance							
Voids, Aids and Adaptions	5,700	5,700	5,700	5,700	5,700	129,700	158,200
Electrical and Mechanical Services	2,836	2,757	2,728	2,773	2,627	58,380	72,101
Major Works	30,304	41,384	34,527	34,906	33,296	400,622	575,039
Fire Precautions	9,932	3,448	2,424	2,132	1,360	26,820	46,116
Asset Management, Condensation and Minor Works	2,811	2,705	2,595	2,595	2,400	36,000	49,106
Domestic Heating, Hot Water and Lifts	3,743	3,643	3,643	3,643	3,513	59,815	78,000
PDHU and Climate Action Works	2,500	9,441	13,166	11,605	11,205	181,405	229,322
Planned Maintenance Total	**57,826**	**69,078**	**64,783**	**63,354**	**60,101**	**892,742**	**1,207,884**
Regeneration							
Carlton Dene	893	21,166	18,487	-	-	-	40,546
Church Street Site A	1,269	1,452	8,257	203	203	51,290	62,674
Church Street Acquisitions	2,000	8,400	14,432	-	-	83,444	108,276
Church Street Site B	-	-	-	-	1,208	100,743	101,951
Church Street Site C	-	-	-	-	-	42,758	42,758
Lisson Arches	11,521	994	-	-	-	-	12,515
Luton Street	8,400	-	-	-	-	-	8,400
Parsons North	614	494	13	-	-	-	1,121
Cosway Street	13,840	683	-	-	-	-	14,523
Ashbridge	1,920	180	-	-	-	-	2,100
Cundy Street	1,000	-	-	7,000	-	-	8,000
Ashmill Street	272	16	-	-	-	-	288
Ebury Bridge Phase 1	40,228	40,791	30,036	5,980	-	-	117,035
Ebury Bridge Acquisitions	10,418	13,754	8,592	-	-	-	32,764
Ebury Bridge Phase 2	4,692	8,066	4,285	12,759	304	17,553	47,659
Tollgate Gardens	545	-	-	-	-	-	545
Westmead HRA buybacks	-	1,505	-	-	-	-	1,505
Queens Park Court	3,580	6,160	-	-	-	-	9,740
Churchill Gardens	3,597	9,282	6,595	2,590	-	-	22,064
Bayswater	-	824	1,468	5,574	9,554	5,917	23,337
Bayswater Acquisitions	-	1,200	1,200	-	-	-	2,400
West End Gate	1,303	-	-	-	-	-	1,303
300 Harrow Road	4,124	3,978	-	-	-	-	8,102
Contingency	12,153	14,078	13,149	5,698	1,920	30,834	77,831
Paddington Green	1,537	3,690	3,997	1,846	-	-	11,070
Woodchester	100	700	6,133	6,134	6,134	-	19,201
Lisson Grove Programme	-	-	-	-	-	6,635	6,635
Brunel Estate	295	2,115	15,969	13,816	1,643	-	33,838
Small Sites/Infills	9,381	15,328	12,022	1,081	150	-	37,962
Regeneration Total	**133,682**	**154,856**	**144,635**	**62,681**	**21,116**	**339,174**	**856,143**
Self-Financing							
Self Financing	6,000	5,000	5,000	5,000	5,000	125,000	151,000
Self-Financing Total	**6,000**	**5,000**	**5,000**	**5,000**	**5,000**	**125,000**	**151,000**
Total HRA Capital Programme	**197,508**	**228,934**	**214,418**	**131,035**	**86,217**	**1,356,916**	**2,215,027**
Funding							
Major Repairs Allowance	22,254	22,837	23,085	23,328	23,627	560,687	675,818
Government Grant/Loan	3,475	4,224	976	3,715	1,739	-	14,129
Climate Action Funding	1,000	2,500	5,000	5,000	5,000	90,500	109,000
Affordable Housing Fund	57,672	60,170	37,572	20,203	13,173	56,048	244,838
Capital Receipts	41,924	80,777	89,410	22,741	22,665	147,000	404,517
Leaseholder Contributions	8,984	12,387	14,263	13,531	13,564	190,248	252,975
CIL	7,750	-	7,052	-	-	36,228	51,030
Other	4,188	15,046	11,748	2,347	1,146	-	34,474
New Borrowing	50,262	30,994	25,311	40,171	5,303	276,205	428,246
Total Funding	**197,508**	**228,934**	**214,418**	**131,035**	**86,217**	**1,356,916**	**2,215,027**

Appendix 5 – Table of Risks, Impacts and Mitigations

Risk	Impact	Mitigation
Capital Receipts	Any significant slippage in the timing or value of receipts will create a shortfall in capital financing (temporary or permanent) which would increase the HRA borrowing requirement.	Valuations will be regularly undertaken for schemes with units for sale to allow projected receipts to be closely monitored. Alternative options may be sought to keep schemes viable. A development contingency is available to cover shortfalls and stay within the parameters of the current capital programme.
Availability of External Funding	The Climate Works programme is assumed to be 50% externally funded (i.e. grants). If this is unachievable, the HRA borrowing requirement will increase.	The interest cover in the HRA BP provides an opportunity to generate additional borrowing capacity, if required, but spend profiles across the HRA capital programme may need to be revised to mitigate.
Rent Policy	The 5-year Rent Policy period comes to an end in 2024/25. If the revised policy for 2025/26 onwards restricts rent increases by more than the level modelled (CPI only) there will be a reduction in HRA income.	Lobbying, with other RPs, is key to the success of preventing this. However, the level of interest cover built into the HRA revenue budget and the balance on the HRA reserve does provide some cover to reduce the potential impact of a rent freeze (at least for a short period of time, before spending plans might need to be revised).
Interest Rates	The rates assumed are 2.6% on new borrowing throughout the plan. If interest rates were to rise this would have an adverse impact on capital	The revenue budget includes an interest cover ratio of at least 1.20. This ensures that the revenue budget can

Risk	Impact	Mitigation
	capacity and may jeopardise the projected level of HRA borrowing in the plan.	absorb the impact of interest rate increases (up to a point).
Inflation	If inflation were to be higher than the assumed CPI rates, the resulting cost increase would alter the surplus/deficit position on the revenue account. The cost increases would also impact scheme viability within the capital investment strategy and may result in a need for additional borrowing.	The increase in revenue costs would be partially offset by increased income as this is also linked to CPI. The level of interest cover on the revenue budget would also provide some means of absorbing cost increases, but ultimately the BP would need to be refreshed and spending plans reviewed accordingly.
Welfare Reform Implementation of Universal Credit, benefit cap and other welfare reform changes.	May increase rent arrears which impacts HRA income. Initial data on rent arrears from Universal Credit tenants does indicate a rise in rent arrears. However, this is based on a relatively small sample size so needs to be monitored.	More active/proactive debt management action may be required. Robust monitoring of service activity to act as an early warning.
Brexit/Economic uncertainty Adverse impacts on costs and values because of Brexit	Price inflation is being experienced within the construction/maintenance sector driven by the availability of materials and labour (arising from barriers to supply, additional costs applied to imports and changes in the value of sterling). This could increase the HRA borrowing requirement or adversely impact delivery profiles within the capital programme.	A selection of current projects are being reviewed to identify and quantify the impacts based on the best evidence available to highlight areas where further measures need to be taken. Ultimately, the contingency built into the capital programme provides some cover, but where schemes become unviable as a result there may be a need to terminate or delay.

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City of Westminster

Cabinet

Decision Maker	Cabinet
Date	17 February 2022
Status	General Release
Title	Treasury Management Strategy Statement for 2022/23 to 2026/27
Wards Affected	All
Policy Context	To manage the Council's finances prudently and efficiently.
Cabinet Member	Cabinet Member for Finance and Smart City
Financial Summary	The Annual Treasury Management Strategy Statement sets out the Council's strategy for ensuring that: a. its capital investment plans are prudent, affordable and sustainable; b. the financing of the Council's capital programme and ensuring that cash flow is properly planned; c. cash balances are appropriately invested to generate optimum returns having regard to security and liquidity of capital.
Report of:	Gerald Almeroth Executive Director of Finance and Resources galmeroth@westminster.gov.uk 020 7641 2904

1. EXECUTIVE SUMMARY

1.1 The Local Government Act 2003 (“the Act”) and the Regulations made under the Act require the Council to have regard to the Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. These are contained within this report.

1.2 The Act also requires the Council to set out a statement of its treasury management strategy for borrowing and to prepare an Annual Investment Strategy (as shown in Appendix 1). This sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments. The Treasury Management Strategy Statement and Annual Investment Strategy must both have regard to guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC) and must be agreed by the Full Council.

1.3 This report sets out the Council’s proposed Treasury Management Strategy Statement (TMSS) for the period 2022/23 to 2026/27, and Annual Investment Strategy (AIS) for the year ended 31 March 2023, together with supporting information.

1.4 The TMSS and AIS form part of the Council’s overall budget setting and financial framework.

1.5 There are no material changes from the 2021/22 TMSS.

2. RECOMMENDATIONS

2.1 The Cabinet is asked to recommend to Full Council the approval of:

- the Treasury Management Strategy Statement;
- the borrowing strategy and borrowing limits for 2022/23 to 2026/27 set out in section 6;
- the Prudential Indicators set out in section 8;
- the Annual Investment Strategy and approved investments set out in Appendix 1;
- the Minimum Revenue Provision Policy set out in Appendix 2.

3. REASONS FOR DECISIONS

3.1 To comply with the Local Government Act 2003, other regulations and guidance and to ensure that the Council’s borrowing and investment plans are prudent, affordable and sustainable and comply with statutory requirements.

4. BACKGROUND INFORMATION

4.1 The Council is required to operate a balanced budget, which broadly means that monies received during the year will meet payments expenditure. The function of treasury management is to ensure that the Council’s capital programme and corporate investment plans are adequatly funded, and the cashflow is adequately planned, with cash being available when it is needed to discharge the Council’s legal obligations and deliver Council services. Surplus monies are invested to obtain an optimal return, while ensuring security of capital and liquidity.

4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as “the management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

4.3 The Council has formally adopted CIPFA’s Code of Practice on Treasury Management and follows the key requirements of the Code as set out in Appendix 3.

4.4 The TMSS covers three main areas summarised below:

Capital spending

- Capital spending plans
- Other investment opportunities
- Capital Finance Requirement (CFR)
- Affordability

Borrowing

- Borrowing strategy
- New Loans
- Limits on external borrowing
- Maturity structure of borrowing
- Policy on borrowing in advance of need
- Forward borrowing
- Debt rescheduling
- Investing primarily for yield

Managing cash balances

- The current cash position and cash flow forecast
- Prospects for investment returns
- Council policy on investing and managing risk
- Balancing short and long term investments
- Improving investment returns

4.5 The Annual Investment Strategy (AIS) at Appendix 1 provides more detail on how the Council’s surplus cash investments are to be managed in 2022/23. Approved schedules of specified and non-specified investments will be updated following consideration by Members and finalisation of 2022/23 budget plans.

4.6 CIPFA published revised Treasury Management and Prudential codes on 20 December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Council must regard to these codes when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports (monitoring and outturn) during the financial year, submitted to the Audit and Transparency Committee.

4.7 The revised codes will have the following implications for 2023/24:

- adoption of a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;

- clarification of what CIPFA expects a local authority to borrow externally and what is regarded as inappropriate: requirement to adopt a proportionate approach to commercial and service capital investment;
- addressing of environmental, social and governance (ESG) issues within the capital strategy;
- review of the commercial property portfolio, with a view to divest where appropriate;
- documentation of investment practices to manage risks associated with non-treasury investment;
- business model to support long term treasury investment;
- effective management of liquidity and longer term cash flow requirements;
- amendment to TMP1 (Treasury Management Practice) to address ESG policy within the treasury management risk framework;
- knowledge and skills register for individuals involved in the treasury management function (proportionate to the size and complexity of the treasury management operation);
- requirement to clarify reporting requirements for service and commercial investments (particularly where supported by borrowing/leverage).

TREASURY MANAGEMENT STRATEGY STATEMENT

5. SECTION 1 - CAPITAL SPENDING

Capital spending plans

5.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.2 Table 1 summarises the Council's capital expenditure plans, both in terms of those projects agreed previously, and those forming part of the current budget cycle. The table sets out the Council's current expectations reference the revenue or capital financing.

5.3 Compared with the forecast in the original 2021/22 TMSS, General Fund capital spend has slipped back by around £168m in the 2022/23 revised budget and there remains an element of further slippage in future years.

The risks are that:

- ➢ continued slippage in new starts will push borrowing requirements to later years when interest rates are forecast to be higher than currently;

- ➢ slippage in the programme of capital receipts may increase the need to borrow in the short to medium term.

Table 1 Capital spending and funding plans

2020/21 Actual £m		2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	Total £m
	Expenditure							
135	General Fund	**271**	**302**	**307**	**431**	**333**	**185**	**1,829**
140	HRA	**165**	**198**	**229**	**214**	**131**	**86**	**1,023**
275		**436**	**500**	**536**	**645**	**464**	**271**	**2,852**
	Funding							
	General Fund							
45	Grants & Contributions	**84**	**47**	**39**	**22**	**10**	**11**	**213**
9	Capital Receipts Applied	**7**	**84**	**47**	**9**	**80**	**122**	**349**
1	Revenue Financing	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	HRA							
88	Grants & Contributions	**96**	**105**	**117**	**100**	**68**	**58**	**544**
52	Capital Receipts Applied	**30**	**42**	**81**	**89**	**23**	**23**	**288**
195		**217**	**278**	**284**	**220**	**181**	**214**	**1,394**
80	**Net financing need for the year**	**219**	**222**	**252**	**425**	**283**	**57**	**1,458**

Other investment opportunities

5.4 As well as investing in assets owned by the Council and used in the delivery of services, the Council can also invest, where appropriate, in:

- infrastructure projects, such as green energy;
- loans to third parties;
- shareholdings, and loans to limited companies and joint ventures.

5.5 Such investments are treated as expenditure for treasury management and prudential borrowing purposes even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities are agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Annual Investment Strategy.

5.6 In addition, the Council has a substantial commercial investment property portfolio which forms part of the investment strategy. The Council has allocated funds of £120m. The aim is to diversify the property portfolio into sectors that have historically been considered alternatives but are increasingly being viewed as mainstream. The strategy focuses on increasing the income generated by the Council from its property holdings, while also meeting its strategic aims. Future Public Work Loans Board (PWLB) borrowing will not form part of the investment portfolio's source of external funding.

5.7 The Council has also invested £30m within the overall context of the Council's annual investment strategy in a residential housing partnership. This partnership was developed in response to the lack of private rented accommodation accessible to rising numbers of people living in temporary accommodation or otherwise at risk of homelessness in London.

Capital Financing Requirement (CFR)

5.8 The CFR measures the extent to which capital expenditure has not yet been financed from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

5.9 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

5.10 Table 2 shows that the CFR will increase over the medium term. Consequently, the capital financing charge to revenue will increase, reflecting the capital spending plans.

Table 2 Capital Financing Requirement forecast

2020/21 Actual £m		2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
	CFR as at 31 March						
598	General Fund	**778**	**949**	**1,170**	**1,570**	**1,813**	**1,865**
294	HRA	**333**	**384**	**415**	**440**	**480**	**485**
892		**1,111**	**1,333**	**1,585**	**2,010**	**2,293**	**2,350**
	Annual Charge						
81	General Fund	**180**	**171**	**221**	**400**	**243**	**52**
0	HRA	**39**	**51**	**31**	**25**	**40**	**5**
81		**219**	**222**	**252**	**425**	**283**	**57**
	Reason for Change						
100	Net financing	**238**	**242**	**276**	**454**	**325**	**106**
(19)	Less MRP	**(19)**	**(20)**	**(24)**	**(29)**	**(42)**	**(49)**
81		**219**	**222**	**252**	**425**	**283**	**57**

5.11 Table 3 below confirms that the Council's gross debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current year and the following financial years. This allows some flexibility for limited early borrowing for future years and ensures that borrowing is not undertaken for revenue purposes.

Table 3 Borrowing compared to the Capital Financing Requirement

2020/21 Actual £m		2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
206	Gross Projected Debt	**238**	**400**	**587**	**571**	**558**	**549**
892	Capital Financing Requirement	**1,111**	**1,333**	**1,585**	**2,010**	**2,293**	**2,350**
686	**Under / (over) borrowing**	**873**	**933**	**998**	**1,439**	**1,735**	**1,801**

5.12 The Council's MRP policy is shown at Appendix 2. The Department for Levelling Up, Housing and Communities (DLUHC) has issued a Consultation on changes to Minimum Revenue Provision (MRP), for which the deadline for response is 8 February 2022. Government's intention is not to change policy, but to clearly set out in legislation the practices that authorities should already be following. Authorities that are already fully compliant with MRP requirements (including Westminster) will be unaffected.

5.13 There are two changes proposed to the 2003 MRP Regulations, which already reflect general local authority accounting practice:

1. Capital receipts may not be used in place of the revenue charge.

2. Prudent MRP must be determined with respect to the authority's total capital financing requirement, with the intention of stopping the intentional exclusion of debt from the MRP determination because it relates to an investment asset or capital loan.

5.14 Members will be updated on how the new Regulations will impact the Council's current approach (minimal) and any changes required will be formally adopted within MRP appendix within the 2023/24 TMSS Strategy report.

Affordability

5.15 The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and, in particular, the impact on the Council's "bottom line". The estimates of financing costs include current commitments and the proposals in the Council's budget report. Table 4 below sets out the expected ratio of capital financing costs to income for both General Fund and HRA activities:

Table 4 Ratio of capital financing costs to income

2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
%		%	%	%	%	%	%
(3.60)	General Fund	**(10.33)**	**(11.67)**	**(13.60)**	**(14.15)**	**(13.98)**	**(13.79)**
46.91	HRA	**45.15**	**44.98**	**44.94**	**43.67**	**43.40**	**43.07**

5.16 For the next five years, gross capital financing charges for the General Fund capital programme are largely outweighed or balanced by income from investments and the commercial property portfolio. The capital financing charges arising from the HRA capital programme remain in line with the forecast increase income, hence, capital charges as a proportion of the HRA net revenue stream remain relatively steady.

6. SECTION 2 - BORROWING

Borrowing strategy

6.1 One of the main functions of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses.

On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

6.2 The Council's main objective when borrowing money is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Given the significant cuts to public expenditure and, in particular, to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the long-term stability of the debt portfolio.

The key factors influencing the 2022/23 strategy are:

- forecast borrowing requirements,
- the current economic and market environment, and
- interest rate forecasts.

6.3 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim funding measure. This strategy was prudent as investment returns have remained low and counterparty risk has been minimised. It has also saved a considerable amount of interest payable, known as the 'cost of carry'.

6.4 The borrowing position needs to be kept under review to avoid incurring higher borrowing costs in future years when the Council may not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt. The monitoring process includes the setting of various trigger points, the breaking of which will require officer consideration of borrowing requirements and market conditions.

New Loans

6.5 All new loans are subject to the relevant gilt yields +0.8% (known as the PWLB certainty rate). A prohibition has been recently introduced to deny access to borrowing from the PWLB for any local authority which has purchase of assets for yield in its three-year capital programme.

6.6 The Council's treasury management strategy permits borrowing from various sources, but it has not been previously anticipated that any alternatives to PWLB would need to be utilised, given the current low cost of PWLB funding.

6.7 The key advantage of PWLB is the speed and ease of transaction processing and the low fee and administration cost associated with the loans. Alternative types of funding could result in lengthy due diligence, consultancy costs, legal advice and fees and will be far more costly administratively.

6.8 In addition, there are also some alternative sources of long-term borrowing. These alternative options for funding to PWLB include:

- **Banks**

  Discussions with the Council's treasury consultant suggest that the Council could access borrowing from banks. However the decision by the PWLB to reverse the 1% additional cost of general fund borrowing has resulted in banks now being placed in an overly competitive environment.

- **Pension Fund institutional investors**

  Initial indications have suggested that the Council may be able to borrow from institutional investors at rates of around gilt yield plus 1.2% to 1.8% for periods of over 20 years, via a private placement agreement (PPA). Such an arrangement will be subject to extensive negotiations with the lenders, who will need to carry out due diligence on a Council's finances, budgets and balance sheet.

- **Bond issuance**

  A bond issue would first require the Council to become credit rated by one (or more) of the major ratings agencies: Fitch, S&P or Moody's. This is a complex, lengthy, repetitive and costly process.

  The precise rate offered will be market led and dependent on the financial resilience of the authority and the market's perception of creditworthiness.

  Councils with significant reserves and a record of not overspending on budget will be able to secure the most advantageous rates. Bond releases typically require a minimum size of at least £200m.

- **The Municipal Bonds Agency**

  This has been in existence since 2013 but has only recently transacted its first bond issuance and local authority borrower and is not regarded as a major provider.

6.9 Alternative opportunities for the Council may well present themselves, and the borrowing strategy will be designed to allow for this. The 'benchmark' for a borrowing opportunity is regarded at around gilts +0.8%. It is unclear at this stage whether feasible PWLB competition will materialise, and it is likely to take some time to do so. Officers will continue to explore alternatives to the PWLB, working with the Council's treasury advisor, Link. PWLB rates will also be kept under regular and active review.

6.10 Immediate liquidity needs can be satisfied by borrowing from other local authorities in the short term, consistent with the Council's current approved treasury management strategy. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

6.11 While the Council will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a "cost of carry", to any new borrowing that will cause a temporary increase in cash balances. Indicative work recently undertaken indicates there may be need to take new long term financing in the financial year 2024/25.

Table 5 The Council's balance sheet position at 31 March 2022

	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Capital Financing Requirement	**1,111**	**1,333**	**1,585**	**2,010**	**2,293**	**2,350**
Other Long Term Liabilities						
PFI	**(7)**	**(6)**	**(6)**	**(6)**	**(6)**	**(6)**
Leases	**(44)**	**(43)**	**(42)**	**(42)**	**(41)**	**(40)**
Under / (over) borrowing	**1,060**	**1,284**	**1,537**	**1,962**	**2,246**	**2,304**
External Borrowing	**238**	**400**	**587**	**571**	**558**	**549**
Under borrowing/ Internal borrowing	**822**	**884**	**950**	**1,391**	**1,688**	**1,755**

Limits on external borrowing

6.12 The Prudential Code requires the Council to set two limits on its total external debt, as set out in Table 6 below. The Authorised Limit has been increased in line with the CFR.

The limits are:

- **Authorised Limit for External Debt (Prudential Indicator 5a)** – This is the limit prescribed by section 3(1) of the Local Government Act 2003 representing the maximum level of borrowing which the Council may incur. It reflects the level of external debt which, while not desired, could be afforded in the short term, but may not be sustainable in the longer term.

- **Operational Boundary (Prudential Indicator 5b)** – This is the limit which external debt is not normally expected to exceed. The boundary is based on current debt plus anticipated net financing need for future years.

Table 6 Overall borrowing limits

2020/21 Actual £m		2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
	Authorised Limit:						
944	Borrowing and other long term liabilities	**1,162**	**1,382**	**1,633**	**2,058**	**2,340**	**2,396**
	Operational Boundary:						
206	Borrowing	**238**	**400**	**587**	**571**	**558**	**549**
17	Other long term liabilities	**51**	**49**	**48**	**48**	**47**	**46**
223	**Operational Boundary**	**289**	**449**	**635**	**619**	**605**	**595**

6.13 The Executive Director of Finance and Resources reports that the Council complied with these prudential indicators in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals in this report.

Maturity structure of borrowing (Prudential Indicator 8)

6.14 Managing the maturity profile of debt is essential for reducing the Council's exposure to large fixed rate sums falling due for refinancing within a short period, and thus potentially exposing the Council to additional cost. Table 7 below sets out current upper and lower limits for debt maturity which are unchanged from 2021/22. The principal repayment profile for current council borrowing remains within these limits.

Table 7 Debt maturity profile limits

Actual Maturity at 31 Dec 2021	Duration	Upper Limit	Lower Limit
0	Under 12 Months	**40**	**0**
0	12 Months and within 24 Months	**35**	**0**
13	24 Months and within 5 Years	**35**	**0**
23	5 Years and within 10 Years	**50**	**0**
64	10 Years and Above	**100**	**35**

Table 8 Maturity profile of long-term borrowing

Borrowing as at 31 December 2021		
Period	General Fund	HRA
	£m	£m
0 - 5 years	**0**	**27**
5 - 10 years	**0**	**46**
10 - 15 years	**0**	**48**
15 - 20 years	**0**	**0**
20 - 25 years	**15**	**0**
25 - 30 years	**0**	**20**
30 - 35 years	**0**	**20**
35 - 40 years	**0**	**0**
40 - 45 years	**10**	**15**
Total	**25**	**176**

6.15 The Council has £70 million of LOBOs (Lender Option Borrower Option) debt, none of which matures in the near future. Were the lender to exercise their option, the Executive Director of Finance and Resources will consider accepting the new rate of interest or repaying (with no penalty) if it is in the Councils interest. Repayment of the LOBO may result in a need for refinancing.

6.16 In the event that there is a much sharper rise in long and short term rates than currently forecast, then the balance of the loan portfolio will be revisited with a view to taking on further longer term fixed rate borrowing in anticipation of future rate rises.

Policy on Borrowing in Advance of Need

6.17 The Council has the power to borrow in advance of need in line with its future borrowing requirements under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended.

6.18 Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

6.19 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Forward Borrowing

6.20 As anticipated in the 2021/22 TMSS, the Council took no additional borrowing for the financial year due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA). The monitoring process includes the setting of various trigger points, the breaking of which will require officer consideration of borrowing requirements and market conditions.

6.21 Due to the overall financial position and the underlying need to borrow for capital purposes, it is prudent for the Council to lock in affordability by placing some forward borrowing for the amounts it can be relatively certain it will need, while maintaining some forward flexibility as projects may or may not proceed within the expected timeframes.

6.22 During the financial year 2019/20, the Council arranged forward borrowing loans totalling £400m. These loans have enabled the Council to agree competitive rates in advance of need which eliminates the “cost of carry”, i.e., the difference between loan interest cost and the rate of return on cash investments. This also gives some stability and certainty to the financing of the Councils housing development schemes in particular.

6.23 An analysis of these loans can be found in the table below.

Counterparty	Amount (£m)	Start Date	Maturity Date	Rate (%)	Profile
Phoenix Group	37.5	15 March 2022	15 March 2062	2.706	Annuity
Barings LLC	150.0	15 August 2022	15 August 2052	1.970	Maturity
Phoenix Group	12.5	15 March 2023	15 March 2063	2.751	Annuity
Rothesay Life Plc	200.0	08 May 2023	08 May 2063	2.887	Equal Instalment of Principal
Weighted average interest rate	**400.0**			**2.579**	

Debt Rescheduling

6.24 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the cost of debt repayment (premiums incurred).

6.25 The reasons for any rescheduling to take place will include:

- generating cash savings and/or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- enhancing the balance of the portfolio by amending the maturity profile and/or the balance of volatility.

6.26 Consideration will also be given to identifying the potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Investing Primarily For Yield

6.27 Under the new Public Work Loans Board (PWLB) framework, the Council will need to submit its three-year capital plan to the PWLB and classify under different areas of spend, listed below, with classification the responsibly of the S151 officer. Any monies lent by the PWLB would also need to be classified under the following areas of spend:

- Service spending
- Housing
- Regeneration
- Preventative action
- Treasury Management: refinancing and externalisation of internal borrowing

6.28 Under the PWLB criteria, it is stipulated: "Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with a PWLB loan."

6.29 On transacting a PWLB loan, the S151 officer is required to confirm that the local authority is not borrowing in advance of need and does not intend to buy investment assets primarily for yield. When applying for a new PWLB loan, the Council will be asked to confirm that the latest plans submitted remain current and the assurance that they do not intend to buy investment assets primarily for yield remains valid.

6.30 The PWLB guidance defines investment assets bought primarily for yield as:

- buying land or existing buildings to let out at market rate;
- buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification;
- buying land or existing buildings, other than housing, which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger, such as the completion of land assembly.

7. SECTION 3 – MANAGING CASH BALANCES

The current cash position and cash flow forecast

7.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

7.2 Table 9 below shows that cash balances have increased by £353m since 31 March 2021 to 31 December 2021 which is mainly due to the forecast pattern of the Council's cashflows and is mainly dependant on the timing of precept payments, receipt of grants, council tax and business rates, and progress on the capital expenditure programme. The cash balance would be expected to be closer to £600m by 31 March 2022, but a one-off payment of approximately £292m from the GLA will result in a higher than usual year end balance.

Table 9 Cash position at 31 December 2021

As at 31 March 2021			As at 31 December 2021	
Principal	Average Rate		Principal	Average Rate
£m	%		£m	%
		Investments		
315	**0.19**	Specified	**668**	**0.17**
18	**1.74**	Non-Specified	**18**	**1.74**
333	**0.35**	**Total**	**686**	**0.23**
		Borrowing		
136	**3.77**	Public Works Loan Board	**131**	**3.74**
70	**5.08**	Market Loans	**70**	**5.08**
206	**4.22**	**Total**	**201**	**4.21**

7.3 The medium-term cash flow forecast below demonstrates that the Council currently has a substantial positive cash flow position with the average cash position expected to decrease each subsequent year with a projected requirement to take further financing in 2024/25. Treasury officers will work closely with the capital finance team to monitor slippage within the capital program. Information relating to future business rates and the amounts held pending rating appeals will also be monitored as these are uncertain and will have an impact on the figures detailed below.

Table 10 Medium-term cashflow forecast

	2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Balance at 1 April	**350**	**116**	**61**	**6**	**(427)**	**(719)**
Movement in Cash						
Capital Receipt	37	126	128	98	103	145
Grants & Contributions	180	152	156	122	78	69
Cash In	**217**	**278**	**284**	**220**	**181**	**214**
Other Cash movements	(58)	4	4	4	4	4
HRA Cash movements	10	2	6	4	0	0
Capital Programme	(436)	(500)	(536)	(645)	(464)	(271)
Cash Out	**(484)**	**(494)**	**(526)**	**(637)**	**(460)**	**(267)**
Forward Borrowing	38	162	200	0	0	0
Repayment of debt	(5)	(1)	(13)	(16)	(13)	(10)
Balance 31 March	**116**	**61**	**6**	**(427)**	**(719)**	**(782)**
Average Balance	**233**	**89**	**34**	**(211)**	**(573)**	**(751)**

7.4 The Council aims to manage daily cash flow peaks and troughs to achieve a nil current account balance throughout the year. As such the average yearly surplus cash balances should be fully invested throughout. Although the opening balance of £350m on 1 April 2021 is used in table 10, this does not represent the average balance for the month of April 2021 and results in lower balances being reflected in the cashflow forecast. The average investment balance was £497m in April 2021 and £615m for the year to 31st December 2021.

Prospects for investment returns

7.5 Investment returns are expected to increase in 2022/23. However, while markets are pricing in a series of Bank Rate increases, actual economic circumstances may see the MPC fall short of these elevated expectations. As part of the response to the pandemic and lockdown, the Bank of England and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID-19 crisis. This has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

7.6 As for Money Market Funds (MMFs), yields have remained low. Some managers resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money available at the very short end of the market.

7.7 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties producing accurate forecasts of when the overpayment of disbursements of funds received will require repayment, or when further large receipts will be received from the Government.

Council policy on investing and managing risk

7.8 The aim is to manage risk and reduce the impact of any adverse movement in interest rates on the one hand but, at the same time, not setting the limits to be so restrictive that they impair opportunities to reduce costs or improve performance.

Balancing short and long term investments

7.9 Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. During 2021/22, investments of £18m exceeded 364 days. This means the Council remains well within the upper limit for such investments of £450m.

Table 11 Investment limits

2020/21 Actual £m		2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
18	Upper Limit for principal sums invested for more than 364 days	**18**	**450**	**450**	**450**	**450**	**450**

Improving investment returns

7.10 An Investment Executive was set up to ensure that the Council made best use of its resources and ensure value for money was being achieved in its overall investment strategy. The task force contains both Council Members and Officers and meets on a half yearly basis. This is the subject of a concurrent report on this agenda.

8. SUMMARY OF PRUDENTIAL INDICATORS (PIs)

8.1 The purpose of prudential indicators (PIs) is to provide a reference point or “dashboard” so that senior officers and Members can:

- easily identify whether approved treasury management policies are being applied correctly in practice and,
- take corrective action as required.

8.2 As the Council’s S151 officer, the Executive Director of Finance and Resources has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.

8.3 The Executive Director of Finance and Resources has confirmed that the PIs set out below are all expected to be complied with in 2021/22 and does not envisage at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2022/23.

PI Ref	Paragraph Reference		2020/21 Actual	2021/22 Forecast	2022/23 Proposed
1	5.1	Capital expenditure	£275m	£436m	£500m
2	5.8	Capital Financing Requirement (CFR)	£892m	£1,111m	£1,333m
3	5.12	Net debt vs CFR	£686m underborrowing	£873m underborrowing	£933m underborrowing
4	5.13	Ratio of financing costs to revenue stream	GF (3.60)% HRA 46.91%	GF (10.33)% HRA 45.15%	GF (11.67)% HRA 44.98%
5a	6.12	Authorised limit for external debt	£944m	£1,162m	£1,382m
5b	6.12	Operational debt boundary	£223m	£289m	£449m
6	7.3	Working Capital Balance	£0m	£0m	£0m
7	7.90	Limit on surplus funds invested for more than 364 days (i.e. non specified investments)	£18m	£18m	£450m
8	6.14	Maturity structure of borrowing	Upper limit under 12 months: 40% Actual: 3% Lower limit 10 years and above: 35% Actual: 67%	Upper limit under 12 months: 40% Forecast: 0% Lower limit 10 years and above: 35% Forecast: 64%	Upper limit under 12 months: 40% Lower limit 10 years and above: 35%

9. LEGAL IMPLICATIONS

9.1 The Local Government Act 2003 provides that a local authority has the power both to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs. The Act requires the Council to determine and to keep under review how much money it can afford to borrow. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, provide that, in complying with this duty, the Council must have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. The Council is also required to have regard to the CIPFA Treasury Management Code of Practice.

9.2 The current CIPFA Treasury Management Code of Practice 2017 and the Secretary of State's Investment Code both require the Section 151 officer (Executive Director) to present an Annual Treasury Management Strategy Statement, which includes an Annual Investment Strategy, for the forthcoming year for approval by the Full Council before the beginning of each financial year.

9.3 The revised CIPFA Prudential Code for Capital Finance in Local Authorities sets out various indicators that are to be used to support capital expenditure plans and treasury management decisions. The prudential and treasury indicators have to be set by the Full Council when the budget is set and are monitored during the year. The prudential indicators are included in section 8 of this report.

9.4 The Council is also required to approve a Treasury Management Strategy Statement setting out the overarching framework for treasury management services within the Council. This statement is set out in sections 5-7 of this report.

10. APPENDICES

1 Annual Investment Strategy

2 Minimum Revenue Provision (MRP) Policy

3 CIPFA Requirements

4 Prospects for Interest Rates and Economic Update

BACKGROUND PAPERS

Treasury Management Strategy Statement 2021/22 (Approved by Council March 2021)

1. Section 3 Local Government Act 2003

2. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended

3. DLUHC Guidance on Minimum Revenue Provision (fourth edition) February 2018

4. DLUHC Capital Finance Guidance on Local Government Investments February 2018

5. CIPFA Prudential Code for Capital Finance in Local Authorities, 2017

6. CIPFA Treasury Management Code of Practice, 2017

7. CIPFA Treasury Management Guidance Notes, 2018

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

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ANNUAL INVESTMENT STRATEGY

1. The Council holds significant invested funds, representing income received in advance of expenditure, balances and reserves. During the first half of the current year, the Council's average investment balance has been around £580m and the cash flow projections show this pattern is expected to increase in the forthcoming year. Investments are made with reference to the core balance, future cash flow requirements and the outlook for interest rates.

2. The Council's investment policy has regard to the DLUHC's Guidance on Local Government Investments ("the Investment Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then followed by yield.

3. In accordance with the above guidance and to minimise the risk to investments, the Council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which will provide security of investments, enable diversification and minimise risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Investment returns expectations

4. It is not expected that Bank Rate will go up fast after the initial rate rise in December 2021 as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%.

5. It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10% in early 2020 were emergency measures to deal with the Covid crisis hitting the UK. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds that they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1.00% is both highly unusual and highly supportive of economic growth.

6. The suggested budgeted investment earnings rates for returns on investments placed for periods up to approximately three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022) are as follows:

Average earnings in each year	
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

Investment time limits

7. This limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. For the year 2022/23, the proposed limit of investments for over 364 days is £450m as set out in table 11 of the TMSS.

Investment policy

8. The Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to assess continually and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

9. Other information sources used will include the financial press, share prices and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Creditworthiness policy

10. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

After this main principle, the Council will ensure that:

- it maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- it has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

11. The Executive Director of Finance and Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

12. Credit rating information is supplied by Link Asset Services, the Council's treasury advisors. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing.

13. The Council takes into account the following relevant matters when proposing counterparties:

- the financial position and jurisdiction of the institution;
- the market pricing of credit default swaps for the institution;
- any implicit or explicit Government support for the institution;
- Standard & Poor's, Moody's and Fitch's short and long term credit ratings;

- sovereign ratings to select counterparties from only the most creditworthy countries; and
- core Tier 1 capital ratios.

14. Changes to the credit rating will be monitored and, in the event, that a counterparty is downgraded and does not meet the minimum criteria specified in Appendix 1, the following action will be taken immediately:

    - no new investments will be made;

    - existing investments will be recalled if there are no penalties; and

    - full consideration will be given to recall or sale of existing investments which would be liable to penalty clause.

15. Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the start of the pandemic crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

Specified and non-specified investments

16. The DLUHC Guidance on Local Government Investments made under section 15(1) of the Local Government Act 2003, places restrictions on local authorities around the use of specified and non-specified investments.

    A specified investment is defined as an investment which satisfies all of the conditions below:

    - the investment and any associated cash flows are denominated in sterling;
    - the investment has a maximum maturity of one year;
    - the investment is not defined as capital expenditure; and
    - the investment is made with a body or in an investment scheme of high credit quality; or with the UK Government, a UK Local Authority or parish/community council.

17. **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. In addition to the long-term investments listed in the table at the end of Appendix 1, the following non-specified investments that the Council may make include:

    - **Green Energy Bonds**: investments in solar farms are a form of Green Energy Bonds that provide a secure enhanced yield. The investments are structured as unrated bonds and secured on the assets and contracts of solar and wind farms. Before proceeding with any such investment, internal and external due diligence will be undertaken in advance of investments covering the financial, planning and legal aspects.

- **Social Housing Bonds:** various fund managers facilitate the raising of financing housing associations via bond issues. The investment is therefore asset backed and provides enhanced returns. Officers will need to undertake due diligence on each potential investment in order to understand the risks and likelihood of default.

- **Asset Backed Securities (ABS) / Residential Mortgage backed securities (RMBS)** – as these securities by their nature are asset backed they are regarded as low risk should a default take place, but have a higher return. These are available for direct investment, or as pooled / segregated assets managed by a third party fund manager. In the event of a fund manager option being selected, this would need to be procured through a proper procurement process.

- **Loans:** the Council will allow loans (as a form of investment) to be made to organisations delivering services for the Council where this will lead to the enhancement of services to Westminster Stakeholders. The Council will undertake due diligence checks to confirm the borrower's creditworthiness before any sums are advanced and will obtain appropriate levels of security or third party guarantees for loans advanced. The Council would expect a return commensurate with the type, risk and duration of the loan. A limit of £50 million for this type of investment is proposed with a duration commensurate with the life of the asset and Council's cash flow requirements. All loans will need to be in line with the Council's Scheme of Delegation and Key Decision thresholds levels.

- **Shareholdings in limited companies and joint ventures:** the Council invests in three forms of company:

  - Small scale businesses funded through the Civic Enterprise Fund aimed at promoting economic growth in the area. Individual investments are no more than £0.5m and the aim is for the Fund to be self-financing over the medium-term.

  - Trading vehicles which the Council has set up to undertake particular functions. These are not held primarily as investments but to fulfil Council service objectives. Any new proposals will be subject to due diligence as part of the initial business case. As these are not to be held primarily as investment vehicles, then there is an expectation that they will break even.

  - Trading vehicles held for a commercial purpose where the Council is obliged to undertake transactions via a company vehicle. These will be wholly owned subsidiaries of the Council with the aim of diversifying the investment portfolio risk.

  - Westminster Housing Investment Ltd

18. For any such investments, specific proposals will be considered by the Tri-Borough Director of Treasury and Pensions, and approved by the S151 Officer after taking into account:

- cash flow requirements

- investment period

- expected return

- the general outlook for short to medium term interest rates
- creditworthiness of the proposed investment counterparty
- other investment risks.

19. The value of non-specified investments will not exceed their investment allocation. The Council must now formulate a strategy that allocates its cash in the most effective manner to short, medium and long term non-specified investments.

Country of domicile

20. The current TMSS allows deposits/ investments with financial entities domiciled in the following countries: Australia, Canada, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, UK and USA. This list will be kept under review and any proposed changes to the policy reported to the next meeting.

Schedule of investments

21. The criteria for providing a pool of high quality short, medium and long-term, cash-based investment counterparties along with the time and monetary limits for institutions on the Council's counterparty list are in the table below:

22. Officers will monitor the impact of the UK's exit from the European Union on the names within the Council's counterparty list.

All investments listed below must be sterling denominated

Investments	Minimum Credit Rating Required (S&P/Moody's/Fitch)	Maximum Individual Counterparty Investment Limit (£m)	Maximum tenor
DMO Deposits	Government Backed	Unlimited	6 months
UK Government (Gilts/T-Bills/Repos)	Government Backed	Unlimited	Unlimited
Supra-national Banks, European Agencies	LT: AA/Aa/AA	£200m	5 years
Covered Bonds	LT: AA/Aa/AA	£300m	10 years
Network Rail	Government guarantee	Unlimited	Oct 2052
TFL	LT: AA/Aa/AA	£100m	5 years
Greater London Authority (GLA)		GLA: £100m	5 years
UK Local Authorities (LA)	N/A	LA: £100m per LA, per criteria £500m in aggregate	3 years
Local Government Association (LGA)		LGA: £20m	15 years
Commercial Paper issued by UK and European Corporates	ST: A-1/P-1/F-1	£40m per name, £200m in aggregate	6 months
Money Market Funds (MMF)	LT: AAA/Aaa/AAA By at least two of the main credit agencies	£70m per Fund Manager, £300m in aggregate	3 day notice
Ultra Short Dated Bond Funds (USDBFs)	Due Diligence	£25m per fund manager £75m in aggregate	Up to 7 day notice
Collateralised Deposits	Collateralised against loan	£100m	50 years
Social Housing Bonds	Due Diligence	£200m	10 years
Pooled Property Funds	Due Diligence	£200m	10 years
Asset backed securities (ABS) and Residential mortgage backed securities (RMBS)	Asset Backed / Due Diligence	£200m	10 years
UK Bank (Deposit or Certificates of Deposit)	LT: AA-/Aa3/AA- ST: F1+	£75m	5 years
	LT: A-/A3/A ST: F1	£50m	3 years
Non-UK Bank (Deposit or Certificates of Deposit)	LT: AA-/Aa2/AA- ST: F1+	£50m	5 years
	LT: A/A2/A ST: F1	£35m	3 years
Green Energy Bonds	Internal and External due diligence	Less than 25% of the total project investment or maximum £20m per bond. £50m in aggregate	10 years
Rated UK Building Societies	LT: A-/A3/A ST: F1	£10m per Building Society, £50m in aggregate	1 year
Loans to organisations delivering services for the Council	Due diligence	£50m in aggregate	Over the life of the asset
Government Bonds - regulated investment vehicle	AAA/AA only	£50m	Daily pricing
Sovereign approved list (AA- rated and above): Australia, Canada, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, UK and USA			

Rationale for investment limits

Debt Management Office (DMO): Unlimited. The DMO is an executive agency of Her Majesty's Treasury. Being fully UK government backed, the DMO is the ultimate low risk depositary. Being ultra-low risk, the investment return is very low.

UK Government Gilts/T-Bills/Repos: Unlimited. UK Government gilts are regarded by the market as high quality and ultra-low risk. Being ultra-low risk, the investment return is low.

Supranational Banks, European Agencies: £200m limit. A supra-national bank is a financial institution, such as the European Investment Bank or the World Bank, whose equity is owned by sovereign states. Being owned by overseas states, they are regarded as being low risk, but not in the same safe risk category as UK. The investment return is low.

Covered Bonds: £300m limit. Covered bonds are debt securities issued by a bank or mortgage institution and collateralised against a pool of assets that, in case of failure of the issuer, can cover claims at any point of time. They are subject to specific legislation to protect bond holders. With slightly more risk, the investment return is higher than UK Gilts.

Network Rail: Unlimited. Network Rail is the owner and infrastructure manager of most of the rail network in England, Scotland and Wales. Having a UK government guarantee, they are regarded as being reasonably low risk with a lower investment return.

Transport for London (TfL): £100m limit. Transport for London is a local government body responsible for the transport system in Greater London. Its parent organisation is the Greater London Authority (GLA). Being a GLA owned entity, the investment is regarded as safe and the return is low.

Greater London Authority (GLA): £100m limit. The Greater London Authority is the top-tier administrative body for Greater London, consisting of a directly elected executive Mayor of London and an elected 25-member London Assembly. Being categorised alongside UK local authorities, the investment is regarded as safe and the return is low.

UK Local Authorities: £100 limit per authority, £500m in total. Local authorities have always been regarded as safe counterparties. As an additional safeguard, each new local authority counterparty will be subject to due diligence checks regarding latest accounts, external audit opinion, financial budget projections and financial reputation. There are 326 billing authorities with tax-raising powers in England, consisting of 201 non-metropolitan district councils, 55 unitary authority councils, 36 metropolitan borough councils, 32 London borough councils, the City of London Corporation and the Council of the Isles of Scilly. Additionally, there are levying authorities, consisting of 45 police authorities, 52 fire authorities and six waste disposal authorities. UK local authorities and levying authorities are regarded as safe and the return is relatively low.

Local Government Association: £20m limit. The Local Government Association (LGA) is a charitable organisation, funded largely from subscriptions, which comprises local authorities in England and Wales, representing the interests of local government to national government. Its core membership comprises 335 councils. Despite being an entity which represents local authorities, this entity is not regarded as risk free as local authorities and therefore the limit is lower at £20m.

Commercial Paper issued by the UK and European Corporates: £40m per name, £200m in total. Commercial paper is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Investment is confined to high quality investment grade corporates. The risk and investment return are higher than the sovereign categories.

Money Market Funds (MMF): £70m per manager, £300m in total. Money market funds are open-ended funds that invests in short-term high quality debt securities such as Treasury bills and commercial paper.

Ultra short dated bond funds (USDBFs): £25m per manager, £75m in total. Enhanced money market funds increase returns via increasing interest rate, credit and liquidity risk in order to enhance the return. Being well diversified reduces the impact of a single default within the portfolio.

Collateralised Deposits: £100m limit. In lending agreements, collateral is a borrower's pledge of specific property to a lender to secure repayment of a loan, serving as a lender's protection against a borrower's default. Being asset backed, they are regarded as being reasonably low risk should a default take place, but with a higher return.

Social Housing Bonds: £200m limit. Housing associations are increasingly issuing public bonds, secured against social housing assets, to meet financing requirements. This category is greater risk and will provide an enhanced return.

Pooled Property Funds: £200m limit. These are investment vehicles such as mutual funds, commingled funds, group trusts, real estate funds, limited partnership funds, and alternative investments. The distinguishing feature of a pooled fund is that a number of investors contribute money to the fund.

Residential Mortgage Backed Securities (RMBS): £200m limit. A residential mortgage backed security is a pool of mortgage loans created by banks and other financial institutions. The cash flows from each of the pooled mortgages is packaged by a special-purpose entity into classes and tranches, which then issues securities and can be purchased by investors. Being asset backed, they are regarded as being reasonably low risk should a default take place, but with a higher return.

UK Bank Deposits: £75m or £50m per bank. Banks have become a riskier counterparty since the bail outs of Lloyds and RBS. The Financial Services (Banking Reform) Act 2013 confers on the Bank of England a bail-in stabilisation option for the resolution for banks and building societies, ensuring that shareholders and creditors/depositors of the failed institution, rather than the taxpayer, meet the costs of the failure. Despite the bail-in risk, the return on UK bank deposits is relatively low.

Non-UK Bank Deposits: £50m or £35m (Sterling deposits only) per bank. Overseas banks incorporated in the UK provide a number of options for high quality institutions with returns largely similar to UK banks.

Green Energy Bonds: £20m per bond, £50m limit (subject to due diligence). This comprises of finance for the supply of electricity from renewable energy sources, particularly in areas such as energy storage and electric vehicle networks. This category is greater risk and will provide an enhanced return. Use should be made of regulated markets where available in order to provide additional investment security and risk reduction.

Rated Building Societies: £10m per building society, £50m limit. Same rationale as UK banks, see above.

Loans to organisations delivering services to the Council: £50m limit. Assessed individually and subject to due diligence. At markets rates of interest and reflecting the risk of the borrower, this will offer an enhanced rate of return.

UK Government Bonds (Regulated Investment Vehicle): £50m limit. The Fund takes a specialised investment approach to fixed income investments, seeking to generate returns from high quality government bonds and related derivatives that are largely independent of the level of bond yields, changes in interest rates and wider market fluctuations. The strategy aims to generate returns by exploiting mispricing occurring when very closely related securities are priced inconsistently with each other.

Minimum Revenue Provision (MRP) Policy

- Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year. The accounting approach is to spread the cost over the estimated useful life of the asset. The mechanism for spreading these costs is through an annual MRP. The MRP is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is funded by Council Tax.

- Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (Statutory Instrument (SI) 3146/2003) requires full Council to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

- The Council is recommended to approve the following MRP Statement:

  - For capital expenditure incurred before 1 April 2007, MRP will be calculated using Option 1 (the 'Regulatory Method') of the CLG Guidance on MRP. Under this option MRP will be 4% of the closing non-HRA CFR for the preceding financial year.

  - For all capital expenditure incurred after 1 April 2007 financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon the asset life method under Option 3 of the DCLG Guidance.

  - In some cases, where a scheme is financed by prudential borrowing it may be appropriate to vary the profile of the MRP charge to reflect the future income streams associated with the asset, whilst retaining the principle that the full amount of borrowing will be charged as MRP over the asset's estimated useful life.

  - The Council reserves the right to adopt an annuity MRP structure where appropriate to match an assets cash flows.

  - A voluntary MRP may be made from either revenue or voluntarily set aside capital receipts.

  - Estimated life periods and amortisation methodologies will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

  - As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

- Charges included in annual PFI or finance leases to write down the balance sheet liability shall be applied as MRP.

- Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.

- If property investments are short-term (i.e. no more than 4 years) and for capital appreciation, the Council will not charge MRP as these will be funded by the capital receipt on disposal

- There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made. For the Council this is componentised based on the life of component and the gross replacement cost within the overall existing use value – social housing of the HRA stock.

- For commercial properties, MRP is charged on a hurdle rate basis to ensure that the Council's investment return is sufficient to meet MRP and associated borrowing costs.

CIPFA Requirements

The Council has formally adopted CIPFA's Code of Practice on Treasury Management (updated 2017) and complies with the requirements of the Code as detailed in this appendix. There are no changes to the requirements formally adopted in the 2017 update with regard to reporting, these are listed below:

- Maintaining a Treasury Management Policy Statement setting out the policies and objectives of the Council's treasury management activities.
- Maintaining a statement of Treasury Management Practices that sets out the manner in which the Council will seek to achieve these policies and objectives.
- Presenting the Full Council with an annual TMSS statement, including an annual investment strategy and Minimum Revenue Provision policy for the year ahead (this report), a half year review report and an annual report (stewardship report) covering compliance during the previous year.
- A statement of delegation for treasury management functions and for the execution and administration of statement treasury management decisions. (see below)
- Delegation of the role of scrutiny of treasury management activities and reports to a specific named body. At Westminster City Council this role is undertaken by the Audit and Performance Committee

Treasury Management Delegations and Responsibilities

The respective roles of the Council, Cabinet, Audit and Performance Committee and Section 151 officer are summarised below. Further details are set out in the Treasury Management Practices.

<u>Council</u>

Council will approve the annual treasury strategy, including borrowing and investment strategies. In doing so Council will establish and communicate their appetite for risk within treasury management having regard to the Prudential Code.

<u>Cabinet</u>

Cabinet will recommend to Council the annual treasury strategy, including borrowing and investment strategies and receive a half-year report and annual out-turn report on treasury activities.

Cabinet also approves revenue budgets, including those for treasury activities.

<u>Audit and Performance Committee</u>

This committee is responsible for ensuring effective scrutiny of the Treasury strategy and policies.

Section 151 Officer

Council has delegated responsibility for the implementation and monitoring of treasury management decisions to the Section 151 Officer to act in accordance with approved policy and practices. The s151 Officer has full delegated powers from the Council and is responsible for the following activities:

- investment management arrangements and strategy;
- borrowing and debt strategy;
- monitoring investment activity and performance;
- overseeing administrative activities;
- ensuring compliance with relevant laws and regulations;
- provision of guidance to officers and members in exercising delegated powers.

Tri-Borough Director of Treasury and Pensions

Has responsibility for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

Treasury Team

Undertakes day to day treasury investment and borrowing activity in accordance with strategy, policy, practices and procedures.

Training

The CIPFA code requires the s151 officer to ensure that Members with responsibility for making treasury management decisions and for scrutinising treasury functions receive adequate training. The training needs of all officers are reviewed periodically as part of the Learning and Development programme. Officers attend various seminars, training sessions and conferences during the year and appropriate Member training is offered as and when is needed, and suitable opportunities, are identified.

Prospects for Interest Rates

1. The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20 December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

2. Over the last two years, the coronavirus outbreak has caused significant economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left the Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16 December 2021.

3. As shown in the forecast table above, the forecast for Bank Rate now includes four increases, an actual increase December 2021 to 0.25%, then Q2 2022 to 0.50%, Q1 2023 to 0.75%, Q1 2024 to 1.00% and, finally, in Q1 2025 to 1.25%.

4. **Gilt yields / PWLB rates**. Since the start of 2021, there has been much volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB Certainty Rates above shows, there is forecast to be a steady, but slow, rise in both the Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

5. While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on UK gilt yields. As an average since 2011, there has been a 75% correlation between movements in US ten-year treasury yields and UK ten-year gilt yields. This is a significant upward risk exposure to the forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

Economic Update

6. **Covid 19 Vaccines.** These are regarded as the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the arrival of the Omicron mutation at the end of November 2021 rendered the initial two doses of all vaccines largely ineffective in preventing reinfection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection.

7. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is considerable pent-up demand and purchasing power for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid.

8. **A summary overview of the future path of bank rate.**

- In December 2021, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.

- The next increase in Bank Rate could be in February 2022 to May 2022, dependent on how severe an impact there is from Omicron.

- With inflation expected to peak at around 6% in April 2022, the MPC may want to be seen to be active in taking action to counter inflation on 5 May 2022, the release date for its Quarterly Monetary Policy Report.

- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.

- The Bank Rate increases beyond May 2022 are difficult to forecast as inflation could drop in the second half of 2022.

- However, the MPC will want to normalise the Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next downturn: all rates under 2% are providing stimulus to economic growth.

- Year end 0.25% increases into Q1 of each financial year from 2023 have been assumed to recognise this upward bias in the Bank Rate, but the actual timing in each year is difficult to predict.

- Covid remains a major potential downside threat in all three years as there could be further mutations.

- Purchases of gilts under QE ended in December 2021. Note that when the Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

9. **MPC Meeting 16 December 2021.** The Monetary Policy Committee (MPC) voted 8-1 to raise the Bank Rate from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

10. The MPC disappointed financial markets by not raising the Bank Rate at its November 2021 meeting. Most forecasters had viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. The decision taken was to wait until statistics were available to show how the economy had fared at this time.

11. On 15 December 2021, the CPI inflation figure for November 2021 spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

12. Other elements of inflation are also transitory, e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices should also fall back once winter is passed and demand for energy reduces.

13. Although it is possible that the Government could step in with some fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure, unless it is very limited and targeted on narrow sectors like hospitality (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth, but at a time when the threat posed by rising inflation is near to peaking.

14. This is an adverse set of factors against which the MPC had to decide on Bank Rate. The MPC is now concerned that inflationary pressures are building and need concerted action by the MPC to counter. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure announced for November 2021. The MPC commented that there were some signs of greater persistence in domestic costs and price pressures.

15. These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% in April 2022, rather than at 5%. However, as the Bank retained its guidance that only a “modest tightening” in policy will be required, the increases are not likely to be much more.

16. The MPC’s forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows:

- Raising Bank Rate as “the active instrument in most circumstances”.
- Raising Bank Rate to 0.50% before starting on reducing its holdings.
- Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
- Once Bank Rate had risen to at least 1%, it would start selling its holdings.

17. United States of America: inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the Federal Reserve’s meeting of 15 December 2021 would take aggressive action against inflation. Federal reserve officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the Federal Reserve chairman stated his view that the economy had made rapid progress to achieving the other goal: maximum employment.

18. European Union: the slow roll out of Covid vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 showed strong growth of 2.0%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. The arrival of Omicron is now a major headwind to growth in Q4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

19. Headline inflation reached 4.9% in November 2021, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to fall in 2022. The Eurozone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

20. The EU has entered into a period of political uncertainty where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June 2022. Political uncertainties could have repercussions on economies and on Brexit issues.

21. **World Growth**. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4 to 5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope.

Appendix 1

Responsible Procurement and Commissioning Strategy

Westminster City Council

Contents

Foreword

We are living through a time of pressing political and social issues: human impact on the climate and on natural ecosystems can no longer be ignored; the extent of workers' rights violations is increasingly becoming exposed; and the fallout from the COVID-19 pandemic has shone a light on pervading inequality in the UK and abroad. Over many decades, unchecked business activities, the use of nebulous global supply chains and the pursuit of profit at the expense of human and environmental health have brought us here. These issues are ours to help resolve as a council with local authority powers and responsibilities, and as individuals who wish to pursue intergenerational equity; passing on a planet and society within which generations to follow can thrive.

Westminster City Council's vision is to create a world class City for All; supporting communities to help them to recover from the pandemic and become stronger, healthier and greener. The aim is to help build a dynamic new economy that can respond flexibly to change, whilst continuing to tackle the climate emergency, support our vibrant communities, and harness technology to improve people's lives. This Responsible Procurement and Commissioning Strategy is Westminster City Council's approach to delivering our City for All vision, whilst at the same time contributing towards wider societal, national and global goals.

Our organisation spends over £500million each year on third party services and contracts. As such, we have significant potential to drive positive change. Procurement, commissioning and contract management activities are enablers to ensure these services support our policy objectives and deliver maximum value for Westminster's community and wider stakeholders.

We will use our significant spend to influence and create positive action on tackling the climate emergency, improving our local environment, contributing to local and national recovery, leveraging community benefit and driving forward greater diversity and inclusion. We will play our part in driving innovation, progressing the circular economy and ensuring the right due diligence procedures are in place to help bring to an end the exploitation of workers in domestic and global supply chains.

We have set our ambitions high, but we intend to take a considered and tailored approach to delivering the Responsible Procurement and Commissioning Strategy, so that we channel the efforts made by our supply chain partners and achieve the greatest impact possible. The requirements will be determined according to the nature and value of each contract and will be focused on areas of greatest risk and opportunity. We will set high standards but will provide flexible options and work in partnership with suppliers to establish and achieve ambitious continuous improvement targets. Using this proportionate approach will ensure that we maintain good levels of competition, avoid creating barriers to smaller organisations and achieve best value for money, whilst at the same time ensuring that we deliver meaningful outcomes that help deliver a world class City for All.

Cllr Paul Swaddle

Cabinet Member for Finance and Smart City

Executive Summary

This Responsible Procurement and Commissioning (RPC) Strategy is designed to translate our City for All vision into a clear framework for Westminster City Council's procurement and commissioning activities. It also seeks to contribute towards wider national and global goals.

The RPC Strategy is based on four themes, each with four objectives we aim to achieve during phase one of delivery during 2022:

- **Environmental Sustainability**
    - Increase environmental performance
    - Reduce the carbon intensity of electricity
    - Reduce carbon associated with our supply chains
    - Increase interventions to aid climate resilience
- **Community & Business Partnerships**
    - Increase trials and pilots of new tech and solutions
    - Increase no. projects delivering community benefit
    - Increase the impact of legacy projects
    - Increase skills support for smaller organisations
- **Build Back Better**
    - Increase careers inspiration and preparation
    - Increase no. skills and work-related opportunities
    - Increase no. roles for Westminster residents
    - Increase implementation of the waste hierarchy
- **Inclusive, High-Quality Work**
    - Increase professional development opportunities
    - Increase workforce diversity, inclusion & representation
    - Increase monitoring of fair employment & treatment
    - Increase due diligence to combat modern slavery

Each objective is accompanied by clear commitments on how it will be achieved in practice, alongside cost benefits, how any cost implications will be managed or mitigated and how competition will be maintained.

This work will be underpinned by an initial focus on prioritising spend categories in terms of risk and potential, training and guidance for staff, awareness raising and engagement with our supply chain and collaboration internally and externally to achieve optimal results.

Four areas have been identified as priorities to deliver at pace. They have separate action plans that will be reported on at relevant Council delivery boards/ working groups already established:

- Climate Emergency – Delivery Board
- Modern Slavery and Exploitation – Tri-Borough Working Group
- Diversity, Inclusion and Representation – Strategic Board
- Social Value Delivery – GPH and F&R collaboration

As a local authority and the administrator of tax-payers' money, we recognise our responsibility to procure and commission in a sustainable, ethical and progressive way that delivers the best possible outcomes and value for money. We seek to adhere to the spirit as well as the letter of national legislation and frameworks and international targets. Our organisation can influence our suppliers and harness their potential to benefit our local and wider community.

This strategy is a result of a comprehensive engagement programme, involving staff across the council and suppliers. It is a Council-wide commitment and its delivery will rely on collaboration between the Procurement and Commercial Service, commissioners, service leads and contract managers, our leadership and our supply chain, supported by peers who are on the same journey.

What do we mean by responsible procurement and commissioning?

The key terms

- **Procurement** - Westminster spends over £500 million annually acquiring goods, works and services from third parties. This strategy aims to integrate RPC principles at each stage of the procurement cycle. The level of impact made and how seriously contractors take our ambitions will also depend on the weighting attributed as part of supplier evaluation in tenders. As such, Westminster will increase its current 5% weighting to between 10-20% depending on the nature of the contract.

- **Commissioning –** This covers the whole lifecycle from planning to monitoring services. For this strategy to be successful, it is vital that its principles are considered when services are planned and in contract management. Promises made by suppliers in tenders must be followed through and supported by contract managers.

- **Social Value** – Commissioners of public services are required to consider how social, economic and environmental benefits can be secured for local communities through procurement. This includes helping local communities recover from the impact of COVID-19, creating new jobs and skills, fighting climate change, reducing waste, driving equal opportunity, tackling workforce inequality and improving health and wellbeing and community integration. The Council's existing Social Value Programme engages with suppliers to match the socio-economic needs of residents with council suppliers delivering their Social Value objectives. They are provided with support for the duration of the contract to monitor and evaluate the social impact delivered across the borough.

- **Responsible Business** – A 'Responsible Business' is one which uses its decision-making processes across all business activities to minimise negative impacts and deliver positive environmental, social, ethical and economic benefits to all stakeholders, in a transparent way. To ensure alignment with public and private sector responsible business practices in the UK and globally, the responsible business focus of this strategy is based on the United Nations Sustainable Development Goals (UN SDGs). Developed in 2015 by the UN General Assembly and intended to be achieved by 2030, the SDGs are a collection of global goals designed to be a blueprint to achieve a better and more sustainable future for all. The SDG sub goals Westminster will contribute to through responsible procurement and commissioning are available separately.

- Our **Responsible Procurement and Commissioning** approach is to build on existing work being carried out to deliver social value across the Council and broaden our focus to achieve more holistic responsible business objectives. This RPC strategy aims to minimise risks of harm to workers, public health and the environment and maximise opportunities for our residents, local organisations and wider community. It seeks to contribute towards sustainable development by embracing circular economy principles, helping to build a resilient and green economy and ensuring a fair and equitable society. By working in partnership with our suppliers, we will deliver more innovative, better value goods, services and works.

What is the Strategy hoping to achieve?

Westminster's Responsible Procurement and Commissioning Objectives

The RPC Strategy is based on four themes:

- **Environmental Sustainability**
- **Community & Business Partnerships**
- **Build Back Better**
- **Inclusive, High-Quality Work**

Each theme aligns with the soon to be published City for All Strategic Objectives and the established City for All pillars; 'Greener & Cleaner', 'Vibrant Communities', 'Smart City' and 'Thriving Economy', but do not directly correspond due to the incorporation of the UN Sustainable Development Goals and the nature of our global supply chains.

The RPC Strategy is designed to achieve 32 objectives, eight within each theme, set out in the graphic overleaf. The objectives depicted in the inner rectangle are local outcomes for our residents, commuters, students, visitors and direct supply chain workers. Those in the outer rectangle are wider societal, national or global goals. The objectives represent a high-level direction of travel that we want to achieve.

Our first focus

Our objectives will be replaced by more specific and quantified targets when baseline performance data is sufficiently gathered i.e. carbon footprints associated with our contracts, spend with minority-led firms etc. In the meantime, our first areas of focus will be to ensure that:

- **Prioritisation** - The most relevant contracts are identified so as to prioritise those posing the highest risk or best opportunities.

Relevant contracts to reduce the no. of people killed or injured on our roads will be those involving vehicle use, increasing skills and work opportunities requires a focus on contracts best placed to create new roles, such as facilities management and construction, combatting modern slavery will require a focus on higher risk sectors, such as harvesting or manufacturing etc.

- **Internal capability -** All relevant staff are trained and provided with guidance to help identify these risks and opportunities so they can be factored into planning stages and incorporated into the procurement or commissioning exercise accordingly.

- In-depth training tailored to departments/ spend categories
- A Directory of evaluation questions for 50+ spend categories, based on sector and our priorities, risks and opportunities
- Sample reporting requirements and KPIs
- A 3-tier supplier code of conduct used in supplier selection
- Website information and case studies

- **Market awareness raising & capacity building** – We make our current and future suppliers aware of our priorities, ambitions and new ways of working and we facilitate their progress

- Events to facilitate collaboration between large and small firms
- Responsible procurement incorporated into soft market testing
- Industry and sector engagement on key topics

- **Collaboration –** We work with external experts, peers and dedicated boards across the Council to co-develop and deliver action plans on the following priority areas:

- Climate Emergency
- Modern Slavery and Exploitation
- Diversity, Inclusion and Representation
- Social Value

16 objectives *have been selected for* ***Phase One of Strategy delivery****, which will take place during* ***2022****. These 16 objectives set out in more detail over the following four pages were chosen based on City for All priorities, national political priorities and emerging societal issues and the objectives we can most influence through our supply chains. and engagement with staff and suppliers.*

Environmental Sustainability

Local impact – Local Environment: Our local environment is where we live, work, learn and recreate so the quality of our natural surroundings, the air we breathe, our acoustic environment and the safety of our roads matters. By requiring suppliers to minimise air and noise pollution, mitigate road danger and enhance urban greening and biodiversity, we can help improve public health and wellbeing for Wetminster residents. Procurement activities and projects that impact on our public realm must also be designed in a way that offers resilience to the impacts of climate change.

Responsible Business – Global Sustainability: Many of our activites involve the transport of goods across global supply chains and the use of fuel and energy within vehicles and buildings, all of which cause carbon emissions that drive climate change. It is our responsibility to minimise these emissions to help meet our climate emergency targets of 'net zero' direct carbon emissions by 2030 and indirect carbon emissions by 2040 by improving the way that we require our contracts to be delivered. Other impacts such as waste generation, pollution and loss of biodiversity can also be minimised by enhancing supplier environmental performance.

City for All Strategic Outcomes the RPC Strategy will help deliver:

- Westminster is Net Zero by 2030 and a net zero carbon city by 2040
- Cleaner air supports our community's health & wellbeing
- Our streets, parks and open spaces are cleaner, more sociable places that improve mental and physical health

Our commitments:

RPC Objective	RPC Commitments	Competition and Cost Implications/ Benefits
Increase environmental performance	Set environmental management requirements and evaluate suppliers on commitments and procedures related to air and noise quality, energy, water & waste minimisation and sustainable procurement	We will establish relative levels of maturity in each sector to determine industry acceptable specifications. Clean tech pilots will help determine carbon savings so budget holders can make informed decisions on the most cost effective approach to meeting net zero targets
Reduce the carbon intensity of electricity	Purchase 100% renewable electricity and seek to increase proportion of 'additional' renewable energy by investing in offsite renewable supply. Encourage the sourcing of renewables by our suppliers	Decoupling the procurement of electricity from the volatile energy market is designed to reduce cost and increase budget certainty as well as providing environmental benefits
Reduce indirect carbon: supply chains	Set reporting requirements to help baseline our scope 3 emissions, agree on meaningful reduction targets and related actions for our organisation and our suppliers. Use low carbon pilots to explore reductions potential	Most firms have aligned carbon commitments to external targets; we will seek to request data already reported on. Additional workload will be shared between ourselves and the supplier. Advances made will help them demonstrate their commitment to new potential customers
Increase measures to aid climate resilience	Stipulate qualified project staff, up-to-date experience of using resilient materials & adaptation techniques and assess commitments to applying these to our projects	Initial premiums on future proofing for increasingly frequent and severe weather events helps to save costs and avoid risk and disruption in the longer term.

Community and Business Partnerships

Social Value - Enterprise and Community: Activities that derive community benefit, such as digital inclusion and outreach work can be delivered by contractors as part of their social value offer. Strategic suppliers can be part of delivering projects that will create a community regeneration legacy, such as communal gardens or play areas. Partnerships with our suppliers can be leveraged to create skills support and commercial opportunities for Westminster-based SMEs, minority-led organisations, social enterprises and community groups.

Sustainable Development - Smart Business: Understanding our supply markets and increasing the targeted pilots we undertake through our contracts improves our ability to be an intelligent and agile client able to exploit new, clean and smart technology and solutions. Partnership working with strategic contractors to understand and respond to industry contexts facilitates a cascading of requirements and increased awareness of our RPC objectives across supply chain tiers.

City for All Strategic Outcomes the RPC Strategy will help deliver:

- Our communities are actively involved in service design and decision making
- Digital inclusion and improved access for residents
- Technology enables people to live healthier and more independent lives
- Westminster supports jobs & businesses
- Residents share in the benefit of regeneration and can access opportunities that arise from it

Our commitments:

RPC Objective	RPC Commitments	Competition and Cost Implications/ Benefits
Increase trials and pilots of new tech and solutions	Use facilitated networking between tier one contractors & innovative firms, contractual requirements and supplier evaluation criteria to encourage trials and pilots of clean, efficient technology and solutions	Pilots will be undertaken with high performing strategic suppliers that have appropriate skills sets, capacity and networks. Outcomes will be used by each department to determine if rolling out the new approach represents best value for money
Increase projects for community benefit	Differentiate bidders on their offers of skills, time, resources and/or sponsorship of community projects by using a series of relevant social value options within evaluation criteria, requiring details on the nature of delivery and reporting	Bidders will only be evaluated on RPC aspects relevant to each sector. The approach will be flexible providing a range of social value options so a broad range of types and size of organisation can fulfil them. Financial donations will never be mandated.
Increase impact of legacy projects	Use supplier evaluation and partnership work with contractors and communities to deliver meaningful legacy projects as part of community regeneration, long-term and larger contracts	Market research will be used to guage the preferred types of offers from each sector, which can then be tailored to our community needs and a range of options offered to bidders
Increase skills support for smaller organisations	Incentivise larger, tier one contractors to provide business shadowing opportunities, mentoring, training and access to networks for target organisations (local entrepreneurs, micro small, minority-led businesses, social enterprises & VCSEs)	Some suppliers may prefer to offer social value in the form of pro-bono skills support and they may benefit from smaller, agile sub-contractors. Their work can also be used to evidence their commitment to responsible business to other potential customers

Build Back Better

Social Value – Focused Recovery: Recovery from the impact of COVID-19 on our local economy can be contributed to by channelling the employment, skills and training offered by contractors towards Westminster residents and by requiring suppliers to focus these opportunities to roles where skills gaps currently exist and/or which will form part of the green economy in the longer term.

Sustainable Development – Circular Economy: As a society through the pandemic, we have learned about the potential to think and work in radically new ways when it is required of us. We can harness this momentum to do things differently as we emerge from the crisis and use circular economy principles to drive resource and financial efficiencies through demand management, standardisation, flexible design and future proofing.

City for All Strategic Outcomes the RPC Strategy will help deliver:

- Residents are accessing the range of education, training and employment opportunities offered by the council
- Children and young people have the best start in life, are well cared for and attend excellent schools that promote achievement

Our commitments:

RPC Objective	RPC Commitments	Competition and Cost Implications/ Benefits
Increase careers inspiration and preparation	Encourage contractors to participate in careers events by including this option within supplier evaluation criteria and facilitating delivery through our internal connections with schools and employment centres.	Careers events are a good means of attracting new talent to help evolve the business and industry and to learn about the viewpoints and expectations of the next generation. Costs to contractor can be mitigated by inviting them to attend events already organised by the Council, education or employment institutions.
Increase no. of skills and work-related opportunities	Set thresholds of required employment and skills offers according to the nature and value of the contract and assess proposed delivery as part of supplier evaluation criteria.	Taking on new recruits is part of any firm's operational, business continuity and succession planning agenda. Incentivising the creation of new work related opportunities builds on government instruments such as the Apprenticeship Levy and tailors it to Westminster communities' needs.
Increase no. roles for Westminster residents	Require contractors to advertise roles through Westminster Employment Service (WES) before they are released more widely and assess the potential for ring-fencing roles for residents with disabilities	It is standard practice by local authorities to require advertising of new opportunities through borough channels first. Westminster Employment Service helps to idenitfy and prepare candidates, supporting contractors by reducing HR administrative burdens.
Increase implementation of the waste hierarchy	Set industry specific targets on recycling and waste to landfill/incineration and use supplier evaluation criteria to assess supplier approaches to waste management, resource efficiency and circular economy principles	Most businesses have waste reduction commitments and receive granular data on waste generation as standard. It is accepted that reducing waste saves money in the form of avoided costs of new materials, transportation costs, landfill and other disposal costs.

Inclusive, High-Quality Work

Local Impact - Job Motivation: Aspects of real importance to the working community include the pay, culture and conditions associated with their employment alongside professional development opportunities, and a diverse and inclusive workplace that is representative of its community. A living wage and the opportunity to learn and progress within the workplace is also key to social mobility.

Responsible Business – Human and Labour Rights: Responsible procurement and supply chain due diligence can be used to ensure legal and fair employment and to combat modern slavery and other labour rights abuses that occur not only within global supply chains but also in the UK. We can use our purchasing power to ensure that everyone has the right to proper pay and conditions and a safe working environment, free from bullying and harassment, with appropriate complaints procedures in place.

City for All Strategic Outcomes the RPC Strategy will help deliver:

- Levels of deprivation and inequality have fallen
- (Bi-Borough) Modern Slavery & Exploitation Strategy

Our Commitments:

RPC Objective	RPC Commitments	Competition and Cost Implications/Benefits
Increase professional development opportunities	Assess professional development offered to aid staff motivation and retention, or addressing imbalances in representation at different organisational tiers through supplier evaluation	Professional development opportunities serve as a mechanism for social mobility and help to upskill, motivate and retain staff, which is essential for quality and continuity of service, especially within health and social care. Staff retention saves on onboarding/ training costs.
Increase workforce diversity, inclusion and representation	Evaluate bidder approaches to ensuring diversity, inclusion and representation within selection criteria and within dedicated supplier evaluation criteria	We will collaborate with experts, industry, public authority peers and supplier focus groups to identify and address priority areas and use lessons learned to invest in what yields the most impactful results
Increase monitoring of legal and fair employment & treatment	Audit high-risk aspects such as agency workers, stipulate clear requirements for staffing of 'gig' economy contracts and use evaluation criteria to assess treatment of staff in terms of flexible working opportunities and staff benefits.	We would only wish to do business with suppliers who treat their workers fairly and legally within the letter and spirit of UK employment law. Flexible working opportunities and staff benefits over and above this would only ever be used as part of supplier evaluation criteria and not as set requirements.
Increase due diligence to combat modern slavery	Help deliver the Bi-Borough Modern Slavery Strategy, integrate modern slavery due diligence into contracts including supply chain mapping and the hot-spotting of risks relevant to our contract	Market testing will be used to establish sector maturity and tailor requirements. We will help set continuous improvement targets and support supplier progress. Undertaking supply chain mapping aids transparency and overall understanding of risk and supply continuity.

What will this strategy mean for me?

Westminster residents, workers, students and visitors	**Westminster's children**
• Improved air and noise quality, and safer roads • Increased urban greening and biodiversity • A public realm better prepared for the impacts of climate change • Increased support for social value initiatives and legacy projects that communities help to shape	• Safer roads and pavements • Cleaner air around schools and the wider borough • Future opportunities to enter careers within the green economy • Reassurance that they are living in a borough playing its part to reduce the likelihood and impacts of future climate change
Westminster's young people, job seekers and those in re-training • Exposure to a wider range of career options and opportunities • An increased number of job opportunities for Westminster residents • More sustainable job opportunities in sectors with skill shortages • An increasing number of green jobs and skills on offer	**Westminster SMEs, VCSEs, social enterprises and minority-led firms** • Skills support, mentoring and business shadowing opportunities offered by larger tier one contractors • Programmes to facilitate, support and target business opportunities within tier one supply chains • Ring-fenced opportunities to contract with the Council
SME bidders • More contracts divided into smaller lots to increase SME opportunities • Requirements for larger contractors to integrate SMEs into supply chains • Avoidance of costly and resource intensive tender requirements • Simplified evaluation criteria, tailored specifically to the nature of the contract and proportionate to the value of the contract	**Workers in our supply chains** • Transparent procedures in place to address workplace bullying • An improved culture of diversity and inclusion within supplier workforces and a closing of any existing pay gaps • Targeted mentoring, job shadowing and fast track schemes to address imbalances in representation within all workforce tiers • Modern slavery and exploitation due diligence requirements designed to protect workers up the supply chain
All future contractors • Alignment of supplier evaluation criteria with industry priorities • Increased likelihood of winning contracts for those organisations committed to sustainable development and responsible business • Facilitation of trials and pilots of new technology and solutions • Procurement team support and continuous improvement targets rather than pass/fail criteria for complex and emerging issues	**Westminster City Council staff** • Tailored RPC training delivered to Procurement & Commercial staff, service leads, commissioners, contracts managers and others involved in sourcing goods, services and works • Spend category specific written guidance on implementation of the RPC Strategy • A directory of supplier evaluation templates for 50+ categories

Measuring our success

1. **Procurement and Commercial Service –** This strategy is written and driven by the Procurement and Commercial Service. We will measure the number and proportion of relevant contracts that have responsible procurement and commissioning interventions. We will also collate the number of internal staff trained to support this strategy and number of case studies published on our website. The initial phase of the RPC Strategy implementation will involve supporting contract managers to monitor and evaluate suppliers on interventions that support each objective. At the same time, we will be building up performance data in each area in order to determine a baseline from which we can measure improvement, and set more specific targets going forward.

2. **Contract management** - Performance of suppliers will be monitored at a contractual level in terms of responsible procurement and commissioning targets, adherence to the relevant tier of the Supplier Code of Conduct and the delivery of their tendered offers. They will be assessed through relevant Key Performance Indicators, Annual Improvement Plans or other contract management method used on each contract.

3. **Wider measures -** Outcomes of the delivery of the RPC Strategy will contribute towards a wide range of City for All commitments and pledges, as well as GLA and national targets. These will be fed into the Council's City for All performance framework, which is currently being developed. RPC reporting will also allow the demonstration of how we are contributing to the UN SDGs if the City Council wishes to affiliate with these Goals in the future.

4. **Annual reporting –** A report measuring the impact of our actions plans against the strategy and the delivery of our 32 objectives will be published annually as part of the Procurement and Commercial Service report to Audit and Performance Committee.

5. **Other reporting -** We will publish case studies and interviews with suppliers that successfully deliver RPC on our website in order to give existing and prospective contractors ideas of how they can progress and contribute to achieving our objectives Westminster City Council is part of the London Responsible Procurement Network (LRPN) of public authority counterparts based in the capital. The Network meets regularly to share best practice and lessons learned, with focus areas across a broad range of responsible procurement topics including air quality, social value, carbon reduction, modern slavery etc. We intend to share useful RPC implementation materials with our counterparts in these boroughs, academic institutions and GLA family, and to collaborate with wider local authority and government counterparts to progress RPC in the UK.

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Appendix 2 - How will we be supporting the United Nations Sustainable Development Goals?

SDG	SDG Sub-Goal Westminster will strive to contribute to through the RPC Strategy	RPC policies and procedures
1 NO POVERTY	1.2 Reduce the proportion of people of all ages living in poverty	• Monitor payment of the Living Wage across all high risk contracts • Seek social value offers to support charitable and community initiatives to support members of our community most in need
2 ZERO HUNGER	2.1 End hunger and ensure access for the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.	• Seek contractor support via sponsorship, fundraising or volunteering as part of their social value offer including school meal holiday initiatives, community support e.g. food banks etc.
3 GOOD HEALTH AND WELL-BEING	3.6 Reduce deaths and injuries in road traffic collisions 3.9 Reduce hazardous chemicals and air, water and soil pollution & contamination.	• Stipulate road safety features and training for contractors operating fleets, especially heavy vehicles • Set environmental performance criteria and evaluate suppliers on approaches to minimise air, water and soil pollution.
4 QUALITY EDUCATION	4.3 Expand ICT and STEM programmes 4.4 Increase technical & vocational skills for employment, decent jobs & entrepreneurship 4.5 Eliminate disparities in education & training 4.7 Educate learners in sustainable development	• Evaluate suppliers on professional development opportunities related to staffing and resources or to addressing imbalances in representation at different organisational tiers. • Set thresholds of required employment and skills offers according to the nature and value of the contract and assess proposed delivery as part of supplier evaluation criteria. • Evaluate suppliers on participation in careers events and facilitate delivery through our internal connections with schools and employment centres. • Integrate educational engagement initiatives into all projects where sustainability can be showcased.
5 GENDER EQUALITY	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	
6 CLEAN WATER AND SANITATION	6.4 Increase water-use efficiency and ensure sustainable water use 6.5 Implement integrated water management	• Evaluate approaches to water conservation in construction, catering, horticulture etc. • Set procurement criteria for water efficient equipment and stipulate up-to-date knowledge and experience of implementing climate adaptation techniques including the use of integrated water management and Sustainable Urban Drainage Systems (SuDS) and assess commitments to applying these to Westminster projects.

	7.2 Increase the share of renewable energy in the energy mix 7.3 Improve energy efficiency	• Purchase 100% renewable electricity and seek to increase proportion of 'additional' renewable energy to help decarbonise the UK grid e.g. by investing in off-site installations. Test the market and maintain a watching brief on technological advances to enable specification of the most fuel or energy efficient equipment available. • Evaluate suppliers on previous experience of successful delivery of energy efficient buildings
	8.5 Achieve full, productive and decent work for all and equal pay for work of equal value 8.6 Reduce the proportion of youth not in employment, education or training 8.7 Eradicate forced labour, modern slavery, human trafficking & the worst forms of child labour 8.8 Protect labour rights, promote safe, secure working environments for all workers	• Audit high-risk aspects such as agency workers, stipulate clear requirements for staffing of 'gig' economy contracts and use evaluation criteria to assess treatment of staff in terms of flexible working opportunities and staff benefits. • Help deliver the Bi-Borough Modern Slavery Strategy, integrate modern slavery (MS) due diligence requirements into contracts including reporting on how MS statements are implemented in relation to our contract
	9.3 Increase the access of small-scale industrial and other enterprises to financial services and their integration into value chains and markets. 9.4 Make infrastructure and retrofit industries more sustainable, resource efficient and adopt, clean technologies and industrial processes	• Encourage larger contractors to offer skills, time and commercial opportunities to smaller organisations by including this option within supplier evaluation criteria • Use facilitated networking between tier one contractors & innovative firms, contractual requirements and supplier evaluation criteria to encourage trials and pilots of clean, efficient technology and solutions
	10.2 Empower the social, economic and political inclusion of all, irrespective of characteristics 10.4 Adopt policies to progressively achieve greater equality	• Use supplier evaluation and partnership working with contractors and communities to deliver meaningful legacy projects as part of community regeneration and other long-term and/or large-scale contracts • Evaluate bidder approaches to ensuring diversity, inclusion and representation within selection criteria and within dedicated supplier evaluation criteria
	11.B Adopt policies on inclusion, resource efficiency, mitigation & adaptation to climate change and resilience to disasters	• Stipulate up-to-date knowledge and experience of using climate resilient materials and implementing climate adaptation techniques and assess commitments to applying these to Westminster projects.

	11.6 Reduce environmental impacts of cities including air quality & waste management	• Work with teams across waste collection, recycling and facilities management as well as our waste contractor to transition to a zero-emission waste fleet, increase recycling rates and reduce residual waste and associated carbon.
	12.3 Reduce food waste in production, supply, retail and amongst consumers 12.5 Reduce waste generation through prevention, reduction, recycling and reuse 12.6 Encourage companies to adopt and report on sustainable business practices 12.7 Promote sustainable public procurement practices	• Set requirements in catering contracts to reduce food waste and distribute surplus food • Set industry specific targets on recycling, waste to landfill/incineration rates, use evaluation criteria to assess supplier approaches to waste management and resource efficiency • Use the Supplier Code of Conduct alongside other mechanisms to require reporting of relevant and proportionate data relating to carbon emissions, waste streams etc. • Use available guidance, industry and government best practice standards and market testing to develop and continuously improve sustainable procurement criteria, alongside 5% weighting within tenders on environmental management practices.
	13.1 Strengthen resilience and adaptive capacity to climate-related hazards. 13.2 Integrate climate change measures into policies, strategies and planning.	• Work with strategic supply chain partners involved in works on our public realm to explore improvements in surface permeability, drainage etc. • Set reporting requirements and work with the highest emitting suppliers to baseline scope 3 emissions, identifying hotspots and sources of carbon with the highest potential to reduce • Set meaningful scope 3 reduction targets and associated actions for our own organisation and supply chain partners
	14.1 Reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution. 14.4 End overfishing and destructive fishing practices.	• Introduce requirements to limit unecessary waste, including packaging, single use plastics and products containing microplastics • Use catering services and hospitality requirements that all fish products are demonstrably sustainable, contractors will be required to refer to up to date information on sustainable fish for caterers and no 'red list' or endangered fish shall be used under any circumstances
	15.5 Reduce degradation of natural habitats, halt biodiversity loss of and prevent species extinction.	• Use of sustainable procurement criteria for products associated with land use change e.g. timber, soy, palm oil and other agricultural commodities etc.

	16.6 Develop effective, accountable, transparent institutions at all levels 16.7 Ensure responsive, inclusive, participatory, representative decision-making at all levels 16.B Promote and enforce non-discriminatory policies for sustainable development	• Monitoring and reporting of RPC outcomes will be regular, transparent and multi-tiered. • Suppliers will be required to have appropriate whistleblowing procedures in place in order to tender for contracts with the Council. • Objectives to increase the number of projects providing community benefit and increase the impact of legacy projects will involve engagement and consultation with communities. • RPC criteria will be introduced in a way which does not create barriers to SME participation and active steps will be taken to increase spend with small, local, minority-led and mission led firms. More contracts will be divided into lots, larger contractors will be incentivised to integrate SMEs into supply chains and evaluation criteria will be simplified, tailored specifically to the nature of the contract and proportionate to the value of the contract
	17.14 Enhance policy coherence for sustainable development 17.16 Enhance multi-stakeholder partnerships to achieve sustainable development 17.17 Promote effective public, public-private and civil society partnerships.	• The RPC Strategy is aligned with all relevant sustainable development policy areas including UN SDGs, UN Guiding Principles and Human Rights, global and national targets on carbon reduction as well as City for All • Collaborate and share learning with the London Responsible Procurement Network • Form a Strategic Supplier Responsible Business Network with focus groups, alongside deeper public-private relationships with strategic suppliers to deliver effective community and legacy projects and innovative solutions to sustainable development goals • Use events, workshops and other initiatives on specific topics of RPC priority across sectors • Participate in multi-agency working groups such on Modern Slavery and Exploitation

Appendix 3 - Modern Slavery & Exploitation (MSE) Action Plan

This will be developed into WCC Modern Slavery Statement, which will be consulted on in January 2022.

	Actions	Current progress and plans	Timelines
Step 1: Align with internal and external frameworks - Ensuring harmonisation of the approach with internal strategies, initiatives and functions to maximise impact and ensure alignment with internal teams	a) Ensure plans are aligned with: i. Guiding principles on Business & Human Rights ii. Modern Slavery Act 2015 and enactment of Transparency in Supply Chains Bill iii. Bi-borough Modern Slavery Strategy: Theme 4 – Exploitation Prevented b) Review available guidance for each public procurement spend category c) Undertake departmental consultation, especially those delivering front line services d) Research peer initiatives and lessons learned	a) Actions taken to date are informed by the legislation and principles listed b) Spend category review being undertaken c) Procurement is part of the WCC and tri-borough MSE Group, with representatives from VCSE, Police, Academic Institutions, local authorities and other agencies d) Procurement is on the steering group of the London Responsible Procurement Network (LRPN), a group which shares progress and lessons learned	a) Ongoing b) Q3 2021/22 c) Ongoing d) Ongoing
Step 2: Knowledge gathering and industry context - Work to understand industry maturity and performance and enable prioritisation of high risk spend categories	a) Gauge levels of maturity in due diligence and supply chain transparency in each industry sector b) Receive train-the-trainer workshops from subject matter experts 'Action Sustainability' c) Roll out training on MSE in supply chains to procurement, service leads and contract managers d) Learn from subject matter experts including participation in focus groups and roundtables	a) Category approach being developed b) Train-the trainer workshops to be delivered to five WCC core MSE staff and procurement leads covering high risk categories (and five from RBKC) c) Training to be rolled out more widely d) Westminster is now part of a roundtable on human & labour rights associated with solar panel components	a) Q3 2021/22 b) Q4 2021/22 c) Q1 2022/23 d) Q3 2021/22 onwards
Step 3. Category standards - Creation of category specific standards, development of standardised frameworks and mechanisms for implementation and monitoring	a) Identify the highest risk (sub) categories in our domestic and global supply chain b) Identify front line services with the best opportunity to identify potential victims of modern slavery c) Establish sets of contractual measures by category d) Design Action Plan templates to assist contractors with fulfilling their reporting requirements e) Examine procurement frameworks used to understand MSE requirements set at the outset	a) Risk assessment being undertaken b) Category assessment being undertaken c) Framework being undertaken d) Templates to be written following framework development e) Framework assessment to be undertaken	a) Q3 2021/22 b) Q3 2021/22 c) Q3 2021/22 d) Q4 2021/22 e) Q4 2021/22 onwards

Step 4. Procurement & Commissioning - Development of targeted procurement and commissioning techniques and frameworks	a) Include modern slavery and human right due diligence requirements into all relevant contracts: i. Introduce tiered Supplier Code of Conduct requirements ii. Contractual requirements on supply chain mapping, action plans to minimise risk and reporting b) Hold quarterly meetings with each high-risk supplier to monitor progress, agree corrective actions if risks not appropriately managed, support where possible, audit/spot check where necessary, work with the business to resolve infringements where identified, refer potential victims in our direct supply chain to relevant National Referral Mechanism/WCC support	a) Procurement & Commissioning activities are now being risk assessed at CGRB i. Supplier Code of Conduct now being developed, which must be committed to in order to bid ii. Generic wording is being used; (category specific interventions to be developed) b) Meetings to be set up for each high-risk contractor	a) Q2 2021/23 i. Q3 2021/22 ii. Q3 2021/22 b) Q4 2021/22 onwards
Step 5. Supplier Relationship Management - Partnership working as part of supplier relationship management to identify and mitigate risks and leverage opportunities	a) Identify highest risk, highest spend current suppliers b) Review and assess their Modern Slavery Statements i. Identify relevant risks within our supply chain ii. Request reports on how they are applying the due diligence set out in their MS Statement to our contract c) Develop process to address risks where identified d) Support new suppliers with undertaking MS contractual requirements	a) Existing contracts are currently being assessed based on spend, nature of the contract in terms of goods & services provided b) MS Statements to be assessed c) Process to be developed d) Support will be provided to relevant contractor staff as part of WCC's contract management approach to RPC	a) Q3 2021/22 b) Q4 2021/22 c) Q4 2021/22 d) Q4 2021/22 onwards
Step 6. Continuous Improvement - Ongoing progression involving learning lessons, adapting approaches, celebrating success and then increasing and broadening ambitions.	a) Collate and evaluate lessons learned and data on due diligence, feed this into updates of MS Statement b) Collaborate with and feed back to Bi-borough Tackling Modern Slavery and Exploitation Group c) Undertake workshops and share resources with peers and industry/university/ subject matter experts d) Review affiliation with Ethical Trading Initiative (ETI), Electronics Watch, Sedex and other expert/ audit organisations to assess potential value adds	a) A framework/ template to capture lessons learned to be developed b) Procurement are in regular attendance c) This will happen through London Heads of Procurement (LHoP), LRPN, the Business, Human Rights & Environment multi-agency group led by Greenwich University and Action Sustainability d) Review still to be undertaken	a) Q1 2022/23 onwards b) Ongoing c) Q1 2022/23 onwards d) Q2 2022/23

City of Westminster

Decision Maker:	Cabinet
Date:	17 February 2022
Classification:	General Release
Title:	Integrated Investment Framework 2022/23
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently.
Cabinet Member	Cllr Paul Swaddle, Cabinet Member for Finance and Smart City
Financial Summary:	Implementation of an Integrated Investment Framework will influence investment decisions going forwards and deliver added value to Council services. This report identifies the potential for future improved returns.
Report of:	Gerald Almeroth, Executive Director of Finance and Resources

EXECUTIVE SUMMARY

1. On 3 March 2021, Full Council gave approval to its previous comprehensive strategic integrated investment framework for bringing together and managing its investments with the approval of an Integrated Investment Framework.

2. The Council holds £685.5m of short-term high grade, cash investments (as at 31 December 2021), managed under the Treasury Management Strategy, which passes through Cabinet and Full Council on an annual basis. The Council also owns a significant number of investment properties, currently valued at £467.4m. It also owns various equity shareholdings. The Council has investments in Westminster Housing investments Ltd of £58.2m and investments in a property fund partnership of £26.2m. In addition, the Council is responsible for managing the Pension Fund which has net assets of £1.96bn (31 December 2021 valuation) and operates under the Investment Strategy Statement (ISS) set by the Pension Fund Committee.

3. The treasury investment portfolio is currently generating a return of 0.23% in the current financial year 2021/22. The investment properties are currently generating around 4.33%, net of direct costs (based on the full 2021/22 return). The latest current inflation rate as measured by CPI is 5.1% (as at November 2021), which has increased significantly and rapidly this year, and this must be accounted for alongside the current total portfolio yield.

4. This report sets out:

   - the Council's strategic objectives in respect of risk management, and its attitude towards investment risk;
   - current levels of investment activity;
   - an updated Integrated Investment Framework for the Council going forward which seeks to diversify the risk and to be able to minimise impact of future economic downturns;
   - actions to be taken in connection with implementing this framework.

RECOMMENDATIONS

5. That the Council:

   a) approve and implement the Integrated Investment Framework set out in this report;

   b) approve that the target for the overall return on Council investments should aspire to at least match inflation over the medium term;

   c) approve that the benefits of investing in the Pension Fund should be used as a benchmark when evaluating other investments;

   d) adopt the asset allocation percentages set out in the framework and work towards achieving these;

   e) agree that the overarching objective of this framework is to achieve an overall return on Council investments, aspiring to match inflation and to reduce costs and liabilities, whilst maintaining adequate cash balances for operational purposes, and not exposing the capital value of investments to unnecessary risk;

f) approve that strategic investments allocated to out-of-borough property developments should be considered individually and should outweigh the benefits of investing in-borough (which can have a number of non-commercial benefits, e.g., place making) and in a diversified property portfolio acquisitions will be made out of borough only on an exceptional basis.

g) the Investment Executive to implement, monitor and report on the investment strategy.

INTEGRATED INVESTMENT FRAMEWORK

BACKGROUND

6. The Council is responsible for managing its total assets valued at around £3.2bn at 31 December 2021, comprising £1.96bn pension fund, £685.5m of short-term cash investments, £58.2m in Westminster Housing Investments Ltd, £26.4m in a property fund partnership and £467.4m of investment commercial property. It is important that the Council is able to take a holistic view of its investment and aligns them with its funding needs and goals. The scale of these figures makes their positive and proactive financial management very important. Investments held as part of the Council's pension fund are managed under a separate regulatory framework and are outside the scope of this report from the point of view of investment management.

7. In previous years, the Council's Investment Strategy formed part of the Treasury Management Strategy Statement (TMSS) which is developed and updated as part of the Council's Medium Term Financial Plan (MTFP). The TMSS has tended to focus on the policies for placing short-term cash investments, while decisions regarding other types of longer term investment have been considered on an individual basis as opportunities arose.

8. While the assets are distributed across a range of areas, the complexity of the Council and its funding requirements mean that there is a need for the assets to be considered collectively and holistically as, in the aggregate, they represent a very significant pool of resources. More specifically, in view of:

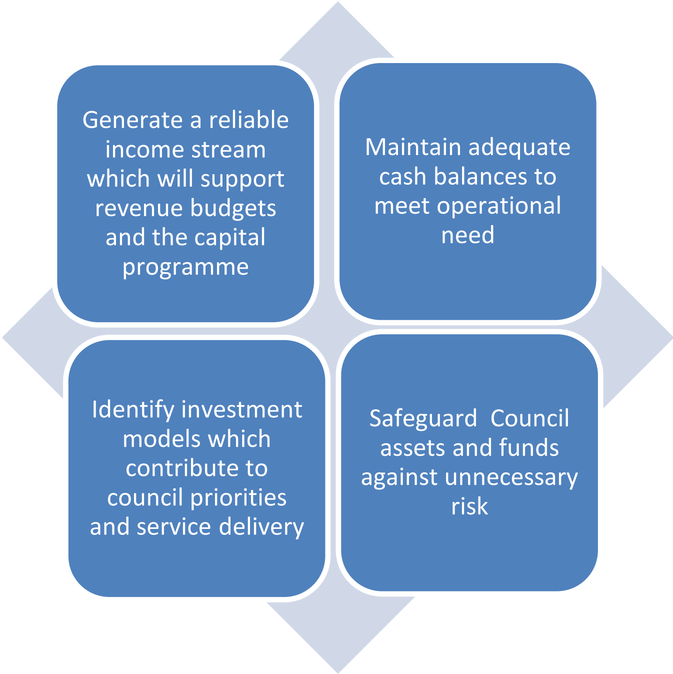
   - the significant value of investments held by the Council;
   - their increasing importance in terms of generating income which supports revenue budgets and capital investment;
   - their potential to add value and contribute towards corporate objectives in their own right,

   It was felt appropriate to give this aspect of financial management more detailed consideration and to develop a more integrated approach to investment decision making.

STRATEGIC CONTEXT

9. The Council's key focus is on delivering high quality services within the context of reduced government funding and increased demand for services due to demographic change. The Council also needs to have regard to the longer term, given its moral and legal responsibilities regarding sustainability and stewardship of public assets.

10. The role of investment management is to support service delivery by balancing four key strategic objectives as follows:



11. An appropriate investment strategy which balances the above objectives is therefore key.

12. The Council is exposed to possible future events, such as:

- The global recovery from the COVID-19 pandemic is likely to continue to pose various challenges.
- Supply issues in the short-term which will likely contribute to lower UK and global growth rates.
- Short term inflation pressures: the CPI inflation rate was 5.4% in December 2021 and will likely reach 6% in the near future. This is however expected to unwind over the short/medium term.
- Continuing pressures on local authority expenditure and service revenue streams.

13. Ideally, the investment strategy should be aimed at generating future income to address these longer term risks.

ACCEPTABLE RISK LEVELS

14. An appropriate investment strategy which balances the above objectives consists of one which:

- focuses on investments with a reasonable return based on reasonable risk;
- includes other Treasury opportunities not covered in the TMSS; and
- investigates commercial property investment opportunities.

15. The suggested policy going forward is that the Council will generally seek to obtain the maximum amount of income consistent with an optimum level of risk, and will be willing to accept a lower level of income in exchange for a lower risk product which does not expose the capital value of the investment to potential loss.

16. By more proactive and appropriate management of the Council's investment portfolio, an increased level of income can be achieved, but also ensuring that appropriate security is maintained over the Council's assets.

17. Such investments shall be separately identified in Council records and will be subject to the Council's detailed budget monitoring and review as a result.

18. Guidance from the Department (DLUHC) and CIPFA places a high priority on the management of risk. The Council has adopted a careful and prudent approach to the management of risk.

CURRENT INVESTMENT ACTIVITY

19. The Council is responsible for managing five investment portfolios:

- the Council treasury investment portfolio of circa £685.5m comprising of short-term cash-based investments generating a return of 0.23% as at 31 December 2021;
- Long-term investments in shareholdings, such as Westminster Housing Investments Ltd, portfolio value £58.2m, with an expected rate of return of 5%.
- A property fund partnership lettings fund £26.4m (book cost £29.5m) with a long-term expected rate of return of 6.0%.
- the investment property portfolio of £467.4m, currently generating a net of costs return of 4.33%.
- City of Westminster Pension Fund of £1.96bn (31 Dec 2021) with an assumed long-term investment return of 4.8%.

20. The Council investment portfolio (excluding the pension fund) is set out below.

Type of Investment	Expected rate of return	Value at 31 December 2021 £ million	Value at 31 March 2021 £ million
Short term investments (mostly overnight cash deposits, money market etc.)	Between 0.30% and 0.40% in financial year 2021/22	£685.5	£333.3
Long term investments in shareholdings and controlled companies	5% Average	£58.2	£42.2
Property Fund Partnership (Lettings Fund)	6% average over 7 years	£26.4	£26.4
Investment properties	4.33%	£467.4	£467.4
Total		**£1,237.5**	**£869.3**

21. The Pension Fund is a separate legal entity and, therefore, its assets cannot fit within the wider investment framework of the Council. However, despite this ring-fencing, the pension fund has a significant second-order impact on the Council's financial position and funding needs, because of the existing deficit in the scheme, and the contribution plan in place to close this deficit.

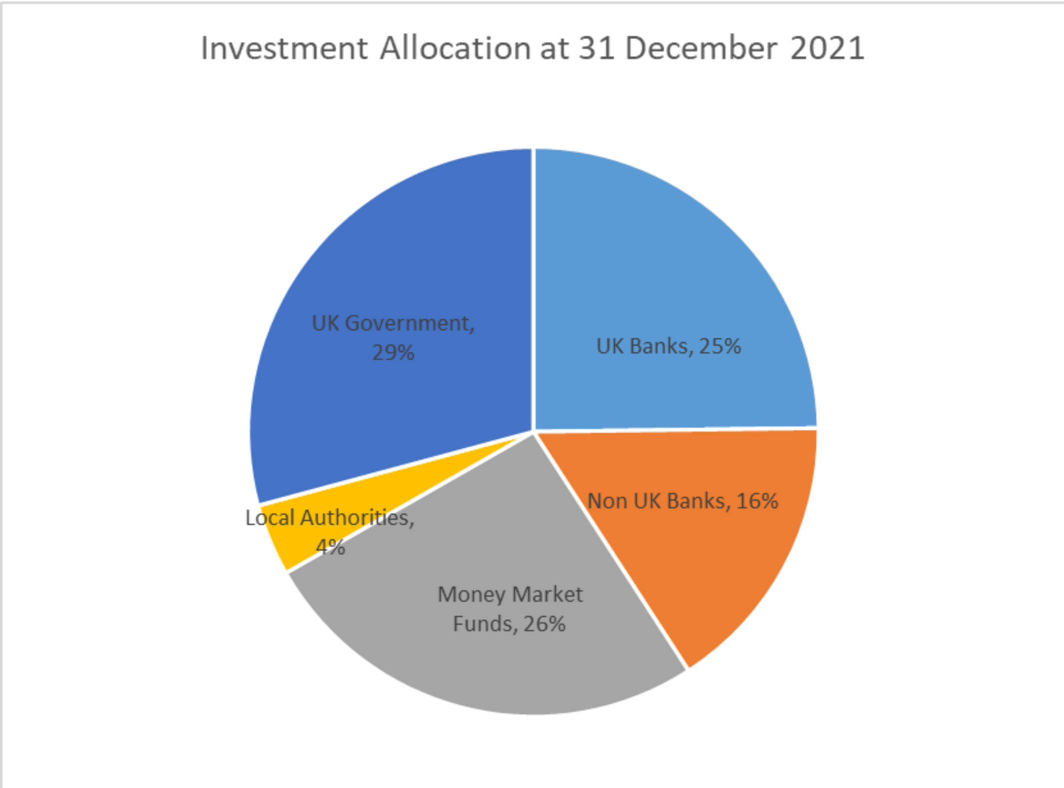
22. Following the 2019 triennial actuarial valuation, as performed by Barnett Waddingham, the estimated funding level for the City of Westminster Pension Fund rose to 100.0% (80.0% in 2016).

23. Hymans Robertson was appointed as the new Fund actuary during 2021, with the funding level update and assumptions as at 30 September 2021 appearing broadly in line with the Barnett Waddingham valuations. The estimated funding level for the Westminster Pension Fund has increased by 3.0% to 103.0% as at 30 September 2021.

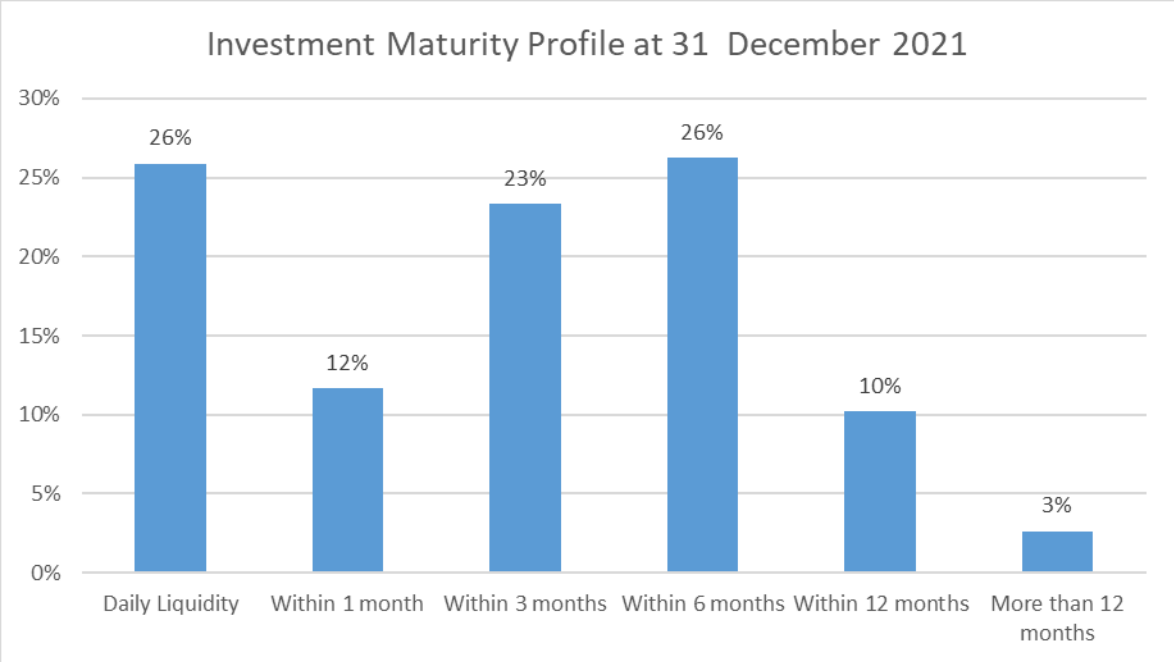
24. As per the 2019 valuation assumptions, the funding of the Pension Fund assumes a CPI inflation rate of 2.6% per annum and a long-term annualised rate of return of 4.8% represented in the discount rate used to value the pension fund liabilities. From the Council's perspective, as an employer paying into the Pension Fund, any deficit represents a form of borrowing with an interest rate set at the discount rate of 4.8%. The Council plans to pay off its deficit by 31 March 2022, with final payments of £80.0m due during the financial year 2021/22. It should be noted that, at the next valuation at 31 March 2022, future expected returns are anticipated to fall, with CPI inflation expectations to rise.

SHORT-TERM INVESTMENTS

25. In line with the current investment strategy, the treasury portfolio of short-term cash-based investments with 41% bank-based deposits, 4% in local authorities, 26% in money market funds and 29% in the Debt Management Office and Treasury Bills as shown below.



26. The majority of treasury managed investments currently mature within three months as set out below:



27. In line with the above, the portfolio is entirely investment grade and heavily biased toward the top end with 26% of investments rated AAA, 15% rated AA, 26% rated A and 33% being local authority and UK government. Local authority investment are subject to due diligence on recent financial statements, external audit reports, current expenditure forecasts and current/anticipated position with regard to useable reserves.

28. This approach provides flexibility for the Council at low levels of risk, but tends to result in lower returns, currently around 0.23%, and an approach to investment management which focuses on capital security and liquidity. The recent BoE bank rate increase in December 2021 will result in a slight improvement in the final figures for investment performance as at 31 March 2022.

INVESTMENT PROPERTY

29. Commercial property investment provides investors with:

- ➢ a higher income return than equities, bonds or cash;
- ➢ a secure, regular income with income growth prospects to hedge against inflation;
- ➢ capital value appreciation;
- ➢ asset management opportunities to further increase rental and capital growth;
- ➢ an underlying real asset with minimum capital value.

30. However, as with any investment, there are associated risks:

- ➢ illiquidity: property is a 'bricks and mortar' asset which takes time to sell/buy;
- ➢ threat to income security if the tenancy fails and the property cannot be re-let;
- ➢ capital depreciation: if the asset is not properly managed and kept in good repair;
- ➢ fallout from current economic downturn: resulting in rental default and lower market rentals.

31. Geographically, the investment property portfolio is inevitably concentrated within the city, which thus concentrates the economic risk in one area. Commercial property yields are currently ranging from 3.25% in central London to 7.50% in the regions (see Appendix C). In-house investment property generated 4.33% yield net of costs (excluding capital growth) in 2020/21.

32. Since the last revaluation date, certain sectors of the market have performed well despite the prevailing uncertainty, and vacancy rates on prime stock are now falling. The picture is less positive for, in particular, non-prime office space post-Covid in London (Savill's State of the market report December 2021) and most parts of the retail sector continue to be challenging. This forms part of a complex picture of effects on commercial properties' demand and value, for which it is too early to draw firm long-term conclusions.

33. Currently, the property investment portfolio is heavily fragmented due to its historical incremental build-up with a concentration in alternative assets (largely car parks) which generates 48% of total income, followed by offices generating 23%, retail generating 16%, industrial generating 8% and residential generating 5%. The car park assets, which provide a steady income stream, offer value added opportunities through potential change of use and redevelopment over time.

34. A budget of £120m is included in the Capital Programme for strategic investments and acquisitions that will support the Council's regeneration aims and generate additional revenue income. Schemes funded by this will go ahead only if they meet the Council's strategic aims and are considered a sound and prudent investment after full due diligence.

35. The Council is focused on delivering best returns from the portfolio and acquiring new assets and redeveloping existing assets will help to achieve this. The property investment strategy is focused around three elements:

- **Driving income from the current portfolio:** The aim is to increase the portfolio to match long term inflation expectations (excluding new acquisitions). This is however highly unlikely in the financial year 2022/23 given the recent spike in inflation experienced year to date in 2022. This objective will be achieved through a proactive asset strategy, enabling long-term deals to be agreed that benefit income outside regular lease events. This target will be reviewed in the short term, and in light of Covid impacts.

- **Streamline and future proof the current portfolio:** This will involve a plan to dispose of poor performing assets (where there is no broader justification for holding them) and a long-term strategy for car parks. In addition, there will be investment into the portfolio where there are opportunities to generate further income.

- **Invest in new commercial properties within Westminster:** General principles for investment are detailed below. The investment will be reviewed in the acquisition process, so not all of the principles will need to be achieved for an investment to be made.

    - investment should primarily be focused on strategic fit and focused on clusters linked to the Council's long-term regeneration and economic objectives;

- investments should consider possible diversification of the portfolio, with a meaningful and valid interpretation of what that means post-Covid for the market;
- all assets acquired must be within Borough unless good opportunities arise with regard to adjacent, out-of-borough holdings;
- new investments should consider yields of 4-5% over the short to medium term;
- investment assets should not be acquired primarily for the purpose of generating yield (see para 50).

LONG-TERM INVESTMENTS

36. Prior to 2004, Councils were only permitted to make loans to, or invest in, other local authorities, the Government, banks or building societies. The introduction of the Prudential Code relaxed these restrictions and gave local authorities the flexibility to invest in much more innovative methods of service delivery and income generation by:

    - establishing, controlling and participating in limited companies trading for profit; and
    - entering into loans and investments with "non-specified" counterparties, including limited companies and not-for-profit organisations.

37. These are classed as non-specified investments under the Department of Levelling Up, Housing and Communities (DLUHC) statutory guidance for local government investments.

38. No general legal restrictions are placed on the value, length or nature of such investments and the only proviso is that investments are placed in accordance with investment strategies formally approved by members. The Council's Treasury Management Strategy Statement (TMSS) expressly permits new investments in non-specified institutions. For any such investments, specific proposals will be considered by the Tri-Borough Director of Treasury and Pensions and approved by the S151 Officer subject to due diligence.

39. Non-specified investments include asset vehicles, such as infrastructure and housing, which offer additional possibilities. As well as generating additional income, they can, in and of themselves, make a contribution to corporate priorities and improve service delivery. They also diversify investment risk away from the banking sector and can offer more flexibility in terms of length of investment and timing of drawdowns.

40. This type of investment is becoming more common in local government with authorities investing in projects to increase low cost and affordable housing, improve transport infrastructure, and support sustainable energy programmes as well as pooled property or equity investments, venture capital funds to support new and growing businesses, bond issues and unit trusts.

41. Such investments typically offer a higher risk adjusted return. However, they also tend to carry more complex risk profiles and attract higher transaction/due diligence costs and are unlikely to have a published unit price or credit rating. The onus therefore falls on the Council to make its own evaluation (with consultant support) of the investment and whether or not to proceed.

42. The Council's current portfolio of non-specified investments is:

	Value at 31 December 2021 £ million	Value at 31 March 2021 £ million	Expected return
Loans and Equity Holdings set up to meet strategic service and policy initiatives	£57.7	£41.7	Average yield of 5%. Profits are expected to be reinvested.
Property Fund Partnership (Real Lettings Fund)	£26.4	£26.4	Annualised 6% over seven-year life of fund
LGA long term loan	£20.0	£20.0	3.13%
Total	**£104.1**	**£88.1**	

43. By increasing its holdings in this area, the Council would reduce its reliance on the banking sector and facilitate the move towards a more long-term investment profile, as discussed below.

44. Identifying and investigating individual investment opportunities across multiple markets can be both time consuming and expensive. Therefore, appointing a Fund Manager to manage a "bundle" of separate investments across a range of markets can be cost effective and spread risk by taking assurance on the fund manager's own due diligence processes.

LIABILITIES AND CASHFLOW NEEDS

45. In order to assess appropriate changes to the treasury portfolio, it is important to consider also the council's liabilities and cashflow needs over time. This is imperative as the purpose of investing the assets is to better match upcoming cashflow needs and also to minimise funding gaps.

46. The Council has a significant capital programme that totals £2.751bn to 2035/36. This will be funded from £1.260bn of income, leaving a net funding requirement of £1.491bn. Thus, the need to take liquidity into account is extremely important.

INVESTMENT ALLOCATION

47. The Council's investment portfolio is currently allocated between liquid cash based short-term investments, longer term cash investments for the intention of generating enhanced yield and commercial property, pension investments and equity shareholdings which tend to be held for perpetuity or at least 20 years or more.

48. Achieving liquidity and the necessary cashflow to manage revenue and capital commitments does require a reasonable allocation of short- term investments, with over 95% of the cash portfolio maturing within 12 months regarded as reasonable.

49. Therefore, the proposed approach going forward is to move investment allocations towards proposals in the table below, facilitating liquidity in an achievable manner:

INVESTING PRIMARILY FOR YIELD

50. Under the new Public Work Loans Board (PWLB) framework, the Council will need to submit its three-year capital plan to the PWLB and classify under different areas of spend, listed below, with classification the responsibility of the S151 officer. Any monies lent by the PWLB would also need to be classified under the following areas of spend:

- Service spending
- Housing
- Regeneration
- Preventative action
- Treasury Management: refinancing and externalisation of internal borrowing

51. Under the PWLB criteria, it is stipulated: "Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with a PWLB loan."

52. On transacting a PWLB loan, the S151 officer is required to confirm that the local authority is not borrowing in advance of need and does not intend to buy investment assets primarily for yield. When applying for a new PWLB loan, the Council will be asked to confirm that the latest plans submitted remain current and the assurance that they do not intend to buy investment assets primarily for yield remains valid.

53. The PWLB guidance defines investment assets bought primarily for yield as:

- buying land or existing buildings to let out at market rate;
- buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification;
- buying land or existing buildings, other than housing, which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger, such as the completion of land assembly.

INVESTMENT ALLOCATION TARGETS

54. The following investment allocation targets are in place.

Type of investment	Allocation
Short-term investments – under six months	35%
Short-term investments – over six months less than one year	5%
Short-term investments – less than two years	6%
Short-term investments – less than three years	2%
Short-term investments – less than four years	2%
Short-term investments – less than five years	2%
Property	45%
Alternative investments	3%
Total	**100%**

FACTORS IN INCREASING YIELD

55. This has been partially achieved with the following ambitions set out in the TMSS. However, the requirement for liquidity will remain paramount and a revised maturity profile is set out above.

Change	Current situation	Risk	Progress made in 2021/22
Treasury Management			
Recent CPI inflationary pressures have led to a bank rate increase to 0.25% in December 2021, with a further rise to 0.50% predicted in late Spring 2022.	Financial institutions are now offering favourable rates versus recent pricing. However, a number of existing deals must mature before the excess performance can be captured.	There must be a balance struck which leaves adequate liquidity for the Council and an optimal amount of cash placed on deposit: too much cash invested early may not enable officers to take early advantage of future interest rate rises in 2022.	Since the interest rise in December 2021, the Treasury operation is now improving the portfolio with better deposit rates as deals mature.
Investment property			
Adopt a more focused property investment strategy by reducing the number of properties and increasing the lot size in order to increase efficiency and reduce the cost of management and maintenance. A key objective is the acquisition of suitable properties which will assist in the unlocking or enhancement of regeneration schemes, or the achievement of other strategic benefits (not necessarily financial) for the Council. Given the added illiquidity of property investment, this makes sense only if properties meet the strategic aims of the Council and can achieve higher yields than the Treasury portfolio and meet other objectives, such as reducing risk (e.g., CPI inflation) or helping meet statutory duties. Therefore, new acquisitions should be driven by strategic objectives and target a return of around 4-5%.	Increased net return target of 4-5%	Adverse property markets may result in a fall in sale values.	There have been no significant purchases which have completed so far in the year to date. However, the Council is currently under offer on two opportunities which will incur a total outlay of circa £40m, including costs and should complete by the end of the financial year. There are also various other investment plans following the implementation of the latest revised property investment strategy.

Change	Current situation	Risk	Progress made in 2021/22
Expanding the use of fund structures to deliver specialist functions such as supported living housing, homeless shelters, asylum housing, etc. This would meet statutory duties and generate a return.	Yields from public social housing real estate investment trusts (REITs), such as the Real Lettings Fund, in which the Council is currently invested, are generating returns of 6%. CCLA is an established provider of a property fund for local authority treasury investment.	By using a pooled fund structure, this arms length approach distances the Council from the costs of directly managing such property and investment is secured on the underlying properties within the pooled structure.	During implementation, consideration will be given to additional transaction costs (which may be bid/offer on entry and exit), as well as high management fees and/or the underlying costs of such investments.
Alternative assets			
These fall outside traditional investments, such as listed equities and bonds, and include renewable energy pooled funds, infrastructure and commodities.	The TMSS includes various non-cash options in the schedule of investments that are permissible.	Permanent loss of capital and/or poor investment performance.	These transactions have traditionally been considered too high risk for the treasury portfolio. However, allowable options open to the Council in the TMSS include various fixed income funds. There is also a recent addition in the 2022/23 TMSS to allow pooled property funds as a potential investable asset.
Pension Fund			
Pension Fund deficit: pay off entire deficit post 2019 actuarial valuation	This eliminates the interest payable on the pension fund deficit in its entirety, providing contribution and interest savings	Adverse markets in UK and abroad increase pensions deficit notwithstanding the payment made	The Council is proposing to pay all of its pension fund deficit identified in the 2019 triennial actuarial valuation by 31 March 2022, with £80m in deficit recovery payments to be made to the Pension Fund during 2021/22.

SCRUTINY

56. An investment task force was set up to ensure that the Council made best use of its resources and ensure value for money was being achieved in its investment strategy. The task force contains both Council Members and Officers and meets biannually.

OVERALL INVESTMENT TARGET

57. The overarching objective of this Framework is to move towards increasing income generated from Council investments aspiring to match inflation in a full year, while maintaining adequate liquid cash balances for operational purposes and not exposing the capital value of investments to unnecessary risk.

GOVERNANCE

58. Innovation within the financial services industry leads to a constantly changing market and the availability of new asset classes, products and financial instruments. The Council needs to be able to operate more flexibly, and make decisions more quickly, in order to benefit from the opportunities presented by this environment and to successfully implement the changes outlined above. As highlighted in the table at point 55 there are non-cash investments options as an alternative investment for the Council's treasury cash, subject to further due diligence and final approval.

59. The implementation, management and reporting of this Integrated Investments Framework operates, being approved by Full Council with specific investment decisions that require such action being delegated to the Cabinet Member for Finance and Smart City after due diligence and advice from the Executive Director of Finance and Resources and Tri-Borough Director of Treasury and Pensions.

60. Day-to-day aspects of treasury management function will continue to be delegated to officers in the same way that they are at present, but the Integrated Investment Framework will:

- ➢ enhance the effectiveness of decision making;
- ➢ embed a good risk culture that encompasses appropriate due diligence, option appraisal and an atmosphere of open debate;
- ➢ ensure that a holistic approach is taken towards managing the Council's portfolio.

61. The implementation, monitoring and reporting will continue to be delegated to the Investment Executive. The Investment Executive will comprise:

- ➢ the Cabinet Member for Finance and Smart City and the Chairman of the Audit and Performance Committee;
- ➢ the Executive Director of Finance and Resources, Tri-Borough Director of Treasury and Pensions, and the Director Property and Strategic Asset Management;
- ➢ the Chief Executive and the Executive Director GPH as necessary.

62. The Investment Executive will meet quarterly, supplemented with ad hoc calls and meetings in times of need of change.

63. Key information will be reported to Members on a quarterly basis through the investment reports. There is also a weekly treasury monitoring report sent to the Section 151 officer and other senior finance officers.

64. Given the complexity of this important area, the Council will need to rely on independent experts and advisors. The Council currently engages two investment advisors who:

- ➢ provide advice on the current investment market and recommend new products in which to invest;
- ➢ benchmark the Council's performance and identify any areas where there is scope for improvement.

DUE DILIGENCE

65. Due diligence is any process undertaken to:

- investigate a business or person prior to signing a contract;
- record the reasons behind an investment decision;
- demonstrate that the Council is acting responsibly and has adequately assessed the balance between risk and reward.

66. Due diligence should be undertaken on all investments in a consistent manner, albeit proportionate, in terms of the value and complexity of the financial instruments being considered, and their relative impact on the Council's finances as a whole.

67. For a simple instrument such as a corporate bond, for example, a few paragraphs summarising risks and expected rewards, together with analysis from an advisor would suffice. A more complex product might require specialist assistance, comprehensive risk analysis and work undertaken to monitor and re-assess risks and performance regularly.

68. The Council has developed a framework for undertaking due diligence which promotes consistency and rigour whilst, at the same time, allowing for flexibility and a proportionate approach. It is based around the "6 Ps" principle as set out in Appendix A.

69. Whilst this framework does not rule out in principle any specific type of investment, all proposals will be considered in terms of:

    - reputational risk to the Council;
    - environmental, social. ethical and sustainability considerations.

OPTION APPRAISAL

70. An important aspect of due diligence is assessing the value for money offered by a new investment. Option appraisal will be undertaken for all new investments as part of the due diligence process, on a proportionate basis that reflects investment value, expected duration, and anticipated level of risk. It will be:

    - Strategic outcome focused;
    - structured around the key questions set out in Appendix B;
    - take non-financial benefits into consideration where relevant.

71. Option appraisal should focus on the opportunity costs of the investment and a comparison against returns offered by other products or opportunities realistically available, rather than achievement of a "theoretical" rate of return.

FINANCIAL AND LEGAL IMPLICATIONS

72. This report identifies the potential for improved returns, aspiring to match inflation in a full year. Approval and implementation will result in an integrated framework for managing the Council's investment portfolio which supports improved returns and a more effective contribution to Council priorities and services.

BACKGROUND PAPERS

Council

2022/23 Treasury Management Strategy

2020/21 Statement of Accounts

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

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APPENDIX A – DUE DILIGENCE FRAMEWORK

1. The Council has developed a framework for undertaking due diligence which promotes consistency and rigour whilst at the same time allowing for flexibility and a proportionate approach. It is based around the "6 Ps" principle as set out below:

Powers

a) What legal powers is the Council relying on to make the investment being proposed;

b) Has legality been considered in terms of the underlying nature of the activity, as well as the instrument or vehicle itself?

c) Have capital financing and MRP requirements been considered?

Permission

2. Does the Council need permission from the Secretary of State or anyone else before progressing this investment e.g.,

a) Members – and if so who (committee with delegated authority, cabinet or full Council)

b) Chief Officer if delegated decision making powers apply

c) Consultation with the public or staff may be a legal requirement

d) Does the proposal involve legal negotiations with a contractor or 3rd party?

Policy

a) Does the proposal fit within the Council's policy objectives in terms of what it is trying to achieve?

b) If not does the proposal need to go to Full Council for approval?

Payment

a) How is the proposal to be funded both in terms of initial and ongoing costs (i.e. is there a budget – revenue and capital)

Procurement

a) Has the proposal been subject to the Council's procurement procedures?

b) Does it need to go through formal tendering or does it need a waiver?

c) Are there any State Aid or EU implications?

Press

a) Might the Council be exposing itself to criticism?

3. Whilst not all of the above considerations will apply to every investment scenario, this framework will be applied in principle to every investment proposal, with results reported to Members for consideration.

APPENDIX B – OPTION APPRAISAL

1. Option appraisal should be structured around the following questions:

Key questions	Issues to consider
How is the proposal to be funded in terms of initial and ongoing costs?	Is there an existing budget or is virement required? Does the proposal provide any added value to the Council in terms of improved efficiency, budget savings or reduced costs?
What is the opportunity cost of using up these cash resources?	What is the expected length of the investment period? What additional costs are there (transaction costs, due diligence etc.) in addition to the capital investment itself? Does the expenditure count as a capital transaction under capital accounting regulations? If so what are MRP/CFR implications?* Is there an exit strategy? Will this involve additional costs? Is there a risk of permanent impairment in the capital value of the investment?
Does the proposal link to corporate objectives and statutory services?	If so how does it compare to the cost of achieving similar outcomes? Will this delivery option increase or decrease outcome or cost risk?
Is the proposal solely to generate income?	What key assumptions and sensitivities are contained in the financial model? * What are best, worst and medium case scenarios? How do these compare to other investment opportunities within the same investment allocation?
What transaction, professional and management costs need to be considered?	Consider for example: Independent advice and “experts” Legal fees/stamp duty Tax, audit, accountancy, secretarial Officer time in attending meetings etc.

* To promote consistency when evaluating potential investments, any MRP set aside requirements for property or alternative investments will be calculated using the annuity method rather than on a straight line basis.

APPENDIX C - Prime yields for commercial property

	Nov 2020	Nov 2021
West End offices	3.50%	3.25%
City Offices	4.00%	3.75%
Offices M25	5.50%	5.50%
Provincial Offices	5.00%	4.75%
High Street Retail	6.50%	6.50%
Shopping Centres	7.00%	7.50%
Retail warehouse (open A1)	6.50%	5.50%
Retail warehouse (restricted)	6.50%	5.75%
Food stores	4.50%	4.50%
Industrial distribution	3.75%	3.25%
Industrial multi-lets	3.75%	3.25%
Leisure Parks	7.25%	7.50%
Hotels	4.00%	3.50%

Source: Savills

APPENDIX 1

City of Westminster

Cabinet Report

Meeting or Decision Maker:	Cabinet
Date:	17 February 2022
Classification:	General Release
Title:	Responsible Procurement & Commissioning Strategy
Wards Affected:	All
City for All/Policy Context:	This Strategy seeks to deliver the City for All Strategic Outcomes by providing a framework for supply chain activities.
Cabinet Member/Lead Member:	Cllr Paul Swaddle
Key Decision:	No
Financial Summary:	This Strategy is not associated with any specific financial outlay
Report of:	Gerald Almeroth, Executive Director – Finance & Resources

1. Executive Summary

1.1 This report presents the new Responsible Procurement and Commissioning (RPC) Strategy for approval.

1.2 The strategy is based on four themes, which include areas of local impact and social value, as well as wider aspects related to sustainable development and responsible business:

a) Environmental Sustainability
b) Community and Business Partnerships
c) Build Back Better
d) Inclusive, High-Quality Work

1.3 Under each of the RPC themes, objectives have been set based on City for All and broader United Nations Sustainable Development Goals. There are 32 objectives in total, eight for each of the four themes. These objectives are underpinned by 32 corresponding policy commitments, which help to communicate our level of ambition clearly both within our organisation, to our communities and to our supply chain. 16 commitments have been prioritised for phase one of the RPC Strategy delivery.

1.4 Within the strategy it is proposed that tender scoring for responsible procurement or commissioning is increased from a 5% minimum weighting in supplier evaluation criteria to a minimum of between 10% - 20% weighting depending on the nature of contract. It is proposed that the following themes be specifically addressed wherever relevant:

- Sustainability & innovation (focus on climate emergency, environmental performance, air quality, waste, clean technology)
- Diversity, inclusion & representation (covering workforce culture as well as spend with minority-led, local SMEs)
- Social Value in community benefit (sponsorship, resources, volunteering and legacy projects and sharing of skills with small organisations)
- Social Value in Employment & skills (focus on new jobs and skills for Westminster residents, professional development for and existing supply chain workers, plugging skills gaps and green economy roles)

1.5 This report provides the background to the strategy, outlines the approach to deliver the strategy and the strategy governance. This strategy will guide a collaborative effort between the Procurement and Commercial Service, our commissioners, service leads and contract managers, our leadership and our supply chain to deliver more responsible business in Westminster.

2. Recommendations

That Cabinet:

i. Approves the Responsible Procurement & Commissioning Strategy and the 16 commitments contained in phase 1 of the strategy

ii. That is adopted as core cross-cutting Council strategy

iii. That the minimum (overall) percentage weighting for elements of Responsible Procurement and Commissioning is raised from 5% to between 10 and 20%, depending on the nature and the value of the contract.

3. Reasons for Decision

3.1 The council spends over £500million each year on third party services and contracts. We have potential to drive positive action on increasingly important issues such as tackling the climate emergency, contributing to local and national recovery, ensuring human and labour rights and greater diversity and inclusion in our supply chain. It is imperative that we update this strategy now to work with our supply chain to address the climate emergency, improve worker rights and have diverse and inclusive services for Westminster's residents.

3.2 This is a cross-council strategy and is designed to provide a framework to support the delivery of:

- City for All, including the new pillar 'Thriving Economy'.
- Our Climate Emergency carbon reduction targets
- Our new Diversity and Inclusion Strategy (being developed in parallel)
- The new bi-borough Modern Slavery Strategy (summarised in appendix 3)
- Our new Social Value Framework
- Other Council-wide and departmental strategies, policies and projects

4. Background, including Policy Context

Developing the strategy

4.1 In April 2020, a new target operating model for the Procurement & Commercial Service was launched with the intention of transforming the Procurement function and driving improvement. This transformation included the recruitment of a Responsible Procurement Lead to:

- Develop a new framework to deliver City for All and wider goals through our procurement and commissioning activities
- Deliver maximum value for Westminster's community and wider stakeholders.

4.2 Since March of this year, the Procurement and Commercial Service has been working with colleagues across the Council to develop a new Responsible Procurement & Commissioning Strategy. The team collaborates regularly with counterparts across London boroughs, particularly the Royal Borough of Kensington & Chelsea to work towards an alignment of our approach and with external subject matter experts on areas of national and global significance to ensure that our ambitions are set within the context of the United Nations Sustainable Development Goals (UN SDGs).

The strategy

4.3 The RPC Strategy, found in appendix 1, aims to deliver a focused and impactful approach to delivering responsible business goals, relevant to departmental service leads and suppliers alike. It seeks to set a clear vision and direction of travel. However, the approach taken will be, in each procurement or commissioning exercise, tailored to the nature and value of the contract, the associated risks and opportunities presented by the project and the particular industry or sector.

4.4 The RPC Strategy is based on four themes, which include areas of local impact and social value, as well as wider aspects related to sustainable development and responsible business: The themes aligned to City for All, though they do not match-up directly:

- **Environmental sustainability** – Includes climate change resilience, air and noise quality, road safety, urban greening and biodiversity. Wider issues tackled will include supplier environmental performance and the reduction of direct and indirect carbon emissions associated with our goods, services and works contracts.
- **Community and business partnerships** – Covers aspects of local interest such as community benefit, legacy projects and spend with diverse supply chains and SMEs, alongside industry collaboration and pilots helping deliver our Smart City agenda.
- **Build back better** – Priority areas for our local community and the UK's economy include recovery from the impacts of the COVID-19 pandemic and employment and training that will help plug skills gaps and promote the green economy.
- **Inclusive, high-quality work** – Includes the pay and conditions associated with employment alongside professional development opportunities, a diverse workplace that is representative of its community, ensuring legal and fair employment and combatting modern slavery and labour rights abuses.

4.5 Under each of the RPC themes, clear objectives have been set based on City for All and broader United Nations SDGs. These Responsible Procurement and Commissioning (RPC) objectives are underpinned by 32 corresponding policy commitments, which help to communicate our level of ambition clearly both within our organisation, to our communities and wider stakeholder and to our supply chain. 16 of these commitments have been prioritised for phase one of the RPC Strategy delivery. Each set of policy commitments is accompanied by a commentary on competition and cost implications in terms of how potential unnecessary cost increases will be mitigated and how levels of competition will be maintained. Where cost premiums for delivery of City for All outcomes are possible, these will be made transparent for decision-makers. How we will deliver against the SDGs is included in appendices of the strategy (see Appendix 2).

Supplier Evaluation

4.6 UK local authorities recognised as leading on this agenda are now attributing 20-30% of total supplier evaluation weighting to responsible procurement and a 10% attribution is now considered standard. The Responsible Procurement and Commissioning Strategy recommends that the minimum (overall) percentage weighting for elements of Responsible Procurement and Commissioning is raised from 5% to between 10 and 20%, depending on the nature and the value of the contract.

4.7 This increase represents the shift deemed necessary to amplify the delivery of our City for All vision, meet pressing carbon reduction targets, respond robustly to societal inequality, set us on the path to Covid recovery and a green economy through increased provision of employment and skills, improve conditions and opportunities for supply chain workers and increase the benefits offered to our resident and business communities.

4.8 It is recommended that suppliers are evaluated on the following four themes, with theme weightings and the overall RPC weighting dependant on the nature and value of the contract:

- **Sustainability & innovation** – Suppliers' approach to environmental management including air & noise quality, carbon reduction, waste reduction & circular economy, innovation & clean technology, supply chain sustainability and climate resilience & urban greening where relevant. These aspects are currently not assessed as standard.
- **Diversity, inclusion & representation –** Suppliers' approach to creating a diverse and inclusive workforce, professional development to address pay gaps and drive social mobility, addressing pay gaps and imbalances in representation of people with protected characteristics (as listed under the Equality Act 2010), teams and frontline staff delivering services representative of our community and supplier spend with SMEs, local and minority-led businesses and social enterprises. These aspects are currently not assessed as standard.
- **Social value in Employment & skills -** Focused on local and national recovery, suppliers' approach to professional development, motivation and retention of existing staff, and new training and recruitment opportunities to address skills gaps and the green economy. This is included in the 'social value' options set out in our current approach but is such an important element of Covid recovery, addressing skills shortages and unemployment, that officers recommend it should be evaluated separately to community benefit.
- **Social value in Community benefit** – Suppliers' offers of skilled volunteering and pro bono work, contributions of resources and sponsorship and/or involvement in community projects and legacy projects, the latter being particularly relevant to regeneration programmes. These aspects are currently the main focus of responsible procurement in terms of supplier evaluation. The new approach would include evaluation of offers of mentoring, training or Skills support for local entrepreneurs, micro, small & minority-led businesses and social enterprises

4.9 Each procurement strategy for tenders over £100,000, is considered by Commercial Gateway Review Board before going to the relevant Executive Director for approval. For higher risk / value contracts this approval will be in consultation with the linked Cabinet member. The board considers the selection and award criteria, including the split between Quality (including Responsible Procurement) and Price. Considerations will include budget requirements, the size of the market, market capability and what can realistically be achieved. The procurement strategy will justify the elements of Responsible Procurement that have been included and how the market has or will be engaged. Scoring criteria will be created to reduce the risk of subjectivity in tender scoring, evaluating suppliers on the active steps they propose to take during the contract, when and how these will be achieved and reported on.

4.10 Weightings will be decided upon as part of a collaborative exercise between commissioners/ service leads/ contract managers and P&CS and will be determined by the following principles:

- **Contract Value:** Higher value contracts (over £1m) will be eligible for higher weightings of up to 20%.
- **Risk:** contracts which could pose significant risks will have higher weightings (e.g. high carbon intensity, sectors known for poor treatment of workers).
- **Nature of the service:** contracts where a high proportion of the spend is on workers as opposed to materials/ intangibles will have a higher weighting.
- **Links to City for All:** contracts which present the most opportunities relevant to City for All, or of key importance to our communities, will have higher weightings.
- **Maturity of supply market:** contracts within relatively mature markets where differentiation on RPC elements is possible will have a higher weighting.
- **Leverage:** contracts where we have high leverage to influence and the potential to form ongoing strategic relationships will have a higher weighting.

4.11 Examples: regeneration schemes, highways, parking, waste collection, construction, building repairs and maintenance, soft FM (cleaning, catering, security etc.), IT managed services, other corporate services and a range of larger FPS contracts.

4.12 A lower weighting of 10% would be used within procurement exercises where:

- there is little involvement of labour i.e. goods contracts or intangibles such as software, advertising space, licences etc.
- there is inherent social value (and RPC principles were included in the spec i.e. D&I, staff development etc.) i.e. community outreach/ other health & social care contracts
- there are inherent environmental benefits (and RPC principles were included in the spec/ contract conditions including environmental and human rights due diligence requirements) e.g. solar panels or electric vehicle charge points
- that need to be undertaken at pace (which limits the opportunities for ongoing employment & skills or other social value delivery)
- there is little leverage due to:
    - low competition in the market (e.g. very specialist providers or nationally significant charities)
    - our relative lack of significance as a client i.e. markets with predominantly global players
    - lower value one-off contracts with relatively low market interest
- The overall % weighting for price is significantly higher than quality

4.13 When a provider has been selected, the contract award report will detail what the recommended bidder has committed to in terms of delivery of Responsible Procurement. This section of the report will outline how the elements will be monitored during the contract and whether any specific KPIs have been included in the contract.

Implementing the strategy

4.14 Four stand-alone action plans underpin the RPC Strategy, providing detail on the implementation of areas of key political importance and urgency:

- **Climate Emergency** – This action plan was endorsed by the Climate Emergency Delivery Board in May 2021 and progress is reported to the Board monthly as a flagship project. The overarching aim is to reduce the carbon emissions associated with our third party spend. Current work, which will form the basis of our future approach, is focused on baselining our ten highest spend, most carbon intensive contracts, identifying carbon hotspots and working with contractors in partnership to reduce emissions in line with Council targets.
- **Diversity, Inclusion and Representation** – This plan is comprised of a series of workstreams including the diversification of enterprises that we and our contractors with and work with suppliers on closing pay gaps and improving representation of their workforce at each tier of the organisation.
- **Social Value** – Our approach to leveraging community benefit and creating impactful legacy projects through social value offers of financial and resource contributions, pro bono and community volunteering and to increasing employment, skills and training opportunities for Westminster residents. It will be delivered through collaboration between Procurement, Legal and Finance teams and GPH's Responsible Economy and Regeneration teams.
- **Modern Slavery** – The Modern Slavery Action Plan (see Appendix 3), will be developed into the Council's new Modern Slavery Statement after due consultation in January 2022. Work to deliver this action plan is supported by the tri-Borough Modern Slavery and Exploitation Group and underpinned by the bi-Borough Modern Slavery Strategy.

4.15 The main activities taking place to implement the RPC Strategy over the next 12 months (phase 1) are summarised below:

- Strategy designed ready for launch [Feb 2022]
- Supplier event engaging on the Strategy with large and small suppliers [24 Feb 2022]
- Supplier Code of Conduct - a set of commitments suppliers wishing to bid for opportunities will be asked to sign to tender, tiered according to contract value to ensure proportionality [Mar 2022]
- RPC Directory - a set of sample supplier evaluation questions, evaluation guidance and associated KPIs based on 50 categories [Mar 2022]
- RPC website content (internal and external) and update procurement documents [Mar 2022]

- Gather data requirements to enable baseline to be set and assess RPC performance going forward [Mar 2022]
- Complete first phase of internal training to support strategy [Mar 2022]
- Official Strategy Launch [28 March 2022]
- Supplier performance monitored collectively e.g. % spend with SMEs, % Living Wage compliance, % contracts with due diligence integrated included in Contract Management system [Apr 2022]
- First check on delivery of Action Plans [Jun 2022]
- Audit and Performance Committee report on delivery of strategy and highlighting case studies [Autumn 2022]
- Detailed engagement and planning of Phase 2 implementation including involvement from internal leads across departments, external subject matter experts and available guidance [Dec 2022]

4.16 Our success in achieving the RPC policy commitments set out in the RPC Strategy will be measured at three different levels to gain detailed insight, apportion appropriate responsibility, and ensure relevant buy in. This will include:

- **Contract management** – Performance of suppliers at a contractual level in terms of RPC contractual requirements and tender offers e.g., Reduction in CO2 emissions/£ spent
- **Procurement and Commercial Service** – Looking at how well the team leading this strategy is fulfilling its function e.g., % relevant contracts with CO2 emissions reduction criteria integrated, by spend.
- **Wider measures** - Contributions to City for All commitments and pledges, GLA and national targets, will allow demonstration of how we are contributing to the UN SDGs e.g. Scope 3 emissions reduction in FY 2021/22.

4.17 Alongside annual reporting to Audit and Performance Committee, it is proposed that existing working groups/ boards govern and scrutinise our approach and progress on delivering the RPC Strategy:

- Climate Emergency Delivery Board (cross-departmental)
- Bi-borough Modern Slavery & Exploitation Group (multi-agency)
- Diversity & Inclusion Strategic Board (cross-departmental)
- Social Value Board (Jointly-led by P&CS and Responsible Economy)

5. Financial Implications

5.1 There are no direct financial implications arising from this report or the recommendations. However, increases in the percentage weighting for responsible procurement could be offset with the commercial assessment. Each tender will be reviewed case by case, with the final weighting for quality, commercials and responsible procurement approved by the Commercial Gateway Review Board, ensuring the Council are receiving the right balance of quality and value for money.

6. Legal Implications

6.1 The Council has the power to set the proposed strategy. The Council has express and implied duties to act to the letter of and in the spirit of:

- The Public Services (Social Value) Act 2012 when procuring for the provision of services together with the purchase or hire of goods or the carrying out of works how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area.
- Modern Day Slavery Act 2015 in terms reporting functions and making sure the supply chain is free of modern slavery
- Equality Act 2010 to tackle socio-economic inequalities

6.2 The proposed strategy seeks to facilitate the Council in meeting these duties and requirements. The Council has undertaken consultation with relevant stakeholders prior to and as part of the setting the proposed strategy.

6.3 Legal will work with the procurement team where necessary to update the council's standard service contract terms and conditions, procurement documents and any strategy documents as they pertain to the proposed strategy.

7. Consultation

7.1 A comprehensive engagement programme involving staff across the council has taken place to inform and shape the strategy. Procurement Boards across all Directorates have been consulted, as well as some management teams. It featured on Loop Live with follow up information on six 2-hour workshops, which were attended by over 170 staff, tailored for different directorates and categories of spend. These sessions have helped shape the strategy by prioritising key issues and by ensuring the standards we set for suppliers are specific to the service area.

7.2 We have engaged wider stakeholders including:

- A presentation to Westminster's Responsible Business Network in August
- A green construction / 'Meet the Cities' event held jointly with the City of London on 30 September
- A Responsible Economy led supplier engagement event on 18 November

8. Carbon Impact

8.1 This Strategy provides a framework for improvement in the environmental performance of Westminster City Council's supply chain. The four Phase 1 objectives to be delivered under the 'Environmental Sustainability' theme of the Strategy include:

- Increase environmental performance of our suppliers

- Reduce carbon emissions associated with our electricity
- Reduce carbon emissions associated with our purchased goods and services
- Increase interventions to aid climate resilience

8.2 To accelerate the delivery of the third objective, a specific action plan has been developed to reduce the carbon emissions associated with our third party spend. Work is focused on calculating a carbon footprint for each of our ten highest spend, most carbon intensive contracts. This forms the basis of identifying carbon hotspots and working with contractors to reduce emissions in line with Council targets.

9. Human Rights Implications

9.1 This Strategy is designed to improve the Council's approach to mitigating human and labour rights risks in our domestic and global supply chains. Objectives relevant to human rights, which will be delivered under the 'Inclusive, High-Quality Work' theme of the Strategy include:

- Increase monitoring of fair employment & treatment
- Increase due diligence to combat modern slavery
- Increase interventions on ethical global sourcing

9.2 To accelerate the delivery of the second objective, a Modern Slavery Action Plan (see Appendix 3) has been developed. This will turn into the Council's new Modern Slavery Statement after due consultation in January 2022. Work to deliver this action plan is supported by the tri-Borough Modern Slavery and Exploitation Group, underpinned by the bi-Borough Modern Slavery Strategy.

10. Energy Measure Implications

10.1 The implementation of this strategy will include the requirement for contractors to report carbon emissions associated with our contracts to baseline and evidence a continuous reduction of carbon emissions

If you have any queries about this Report please contact:

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APPENDICES

Appendix 1 – Responsible Procurement and Commissioning Strategy

Appendix 2 – UN Sustainable Development Goals

Appendix 3 – Modern Slavery Action Plan

BACKGROUND PAPERS: None