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City of Westminster

Committee Agenda

Title:	**Cabinet**
Meeting Date:	**Monday 19th February, 2024**
Time:	**6.30 pm**
Venue:	**Rooms 18.01 & 18.02 - 18th Floor, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:**

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

This will be an in-person meeting and members of the public and press are welcome to follow the meeting and listen to discussion to Part 1 of the Agenda. This meeting will be live streamed and recorded. To access the recording after the meeting please revisit the link.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Amy Just, Cabinet Manager (Interim).

Email: ajust@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 Head of Committee and Governance Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1.	**WELCOME**	
2.	**DECLARATIONS OF INTEREST** To receive declarations by Members and Officers of the existence and nature of any pecuniary interests or any other significant interest in matters on this agenda.	
3.	**MINUTES** To approve the minutes of the meeting held on 29 January 2024.	**(Pages 5 - 8)**
4.	**BUSINESS AND FINANCIAL PLANNING 2024/25 TO 2026/27** To approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024: approve the Council's medium-term plan for the next four years and the budget for the 2024/25 financial year.	**(Pages 9 - 118)**
5.	**CAPITAL STRATEGY 2024/25 TO 2028/29, FORECAST POSITION FOR 2023/24 AND FUTURE YEARS FORECAST TO 2037/38** To approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024: approve the Capital Strategy; and capital expenditure for the General Fund as set out in Appendix A for 2024/25 to 2028/29 and future years to 2037/38.	**(Pages 119 - 162)**
6.	**INTEGRATED INVESTMENT FRAMEWORK 2024/25** To approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024: approve and implement the Integrated Investment Framework; approve that the target for the overall return on Council investments should aspire to at least meet forecasts for inflation over the medium term; and approve that the benefits of investing in the Pension Fund should be used as a benchmark when evaluating other investments.	**(Pages 163 - 184)**

7.	**TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2024/25 TO 2028/29** To approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024: the Treasury Management Strategy Statement; the borrowing strategy and borrowing limits for 2024/25 to 2028/29; the Prudential Indicators; the Annual Investment Strategy and approved investments; the Minimum Revenue Provision Policy; and the delegation of authority to the Executive Director of Finance and Resources to proceed with the obtaining of a credit rating and to appoint Link Group, a Treasury consultant, for the purposes of obtaining that rating.	**(Pages 185 - 220)**
8.	**HOUSING REVENUE ACCOUNT 30-YEAR BUSINESS PLAN AND HOUSING INVESTMENT PLAN 2024/25** To approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024: approve the HRA Revenue Budget 2024/25 and Five Year Capital Programme; approve the inclusion of all Fairer Westminster investments, including the extension of the HRA Rent Support Fund by £1.050m for 2024/25; and approve a rent increase of 7.7% from 1st April 2024.	**(Pages 221 - 266)**
9.	**WCC PAY POLICY 2024-25** To approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024: approve the Councils' Pay Policy for 2024/25.	**(Pages 267 - 278)**

Stuart Love
Chief Executive
9 February 2024

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CITY OF WESTMINSTER

MINUTES

Cabinet

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Cabinet** held on **Monday 29th January, 2024**, Rooms 18.01 & 18.02 - 18th Floor, 64 Victoria Street, London, SW1E 6QP.

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

Also Present: Stuart Love, Bernie Flaherty, Sarah Newman, Debbie Jackson, Pedro Wrobel, Frances Martin, Sarah Warman, Gerald Almeroth, Parveen Akhtar

Apologies for Absence: Councillor Cara Sanquest

1 WELCOME

Cllr Hug welcomed everyone to the meeting, noting that it would be livestreamed with a recording to be made available online.

2 DECLARATIONS OF INTEREST

There were no declarations of interest received.

Cllr Butler-Thalassis noted that the Safeguarding Adults Executive Board Annual report referenced the work of BME Health Forum, the charity which she is employed by.

Parveen Akhtar confirmed that was for transparency only and did not represent a conflict of interest.

3 MINUTES

Cllr Hug, with the consent of the Members present, agreed that the minutes of the meeting held on 11 December 2023 were a true and correct record of the proceedings.

4 SAFEGUARDING EXECUTIVE BOARD ANNUAL REPORT 22/23

Cllr Hug invited Cllr Butler-Thalassis to speak to the report and noted his congratulations on her recent election as Deputy Leader.

Cllr Butler-Thalassis noted her thanks to the team for the hard work that had gone into the report and highlighted its focus on working with communities.

Aileen Buckton, Safeguarding Adults Executive Board (SAEB) Chair, noted that the real focus for the year was working in the community and with a number of VCS organisations including BME Health Forum.

Aileen Buckton noted that this enabled safeguarding ambassadors to work with different communities that SAEB hadn't had contact with before, and in different languages.

Aileen Buckton highlighted that a high percentage of people in Westminster who have been subjected to a safeguarding concern felt that it was handled well and that they were listened to, which is above London average.

Aiken Buckton noted that the report provided a detailed record from individual organisations and the partnership on learnings from reviews and the way that those learnings are being embedded across the partnership.

Louise Butler noted that it was important to recognise outcomes for service users are high and above the London average, which is to the credit of frontline practitioners.

RESOLVED: Cabinet approved the following recommendations:

- Consider the Annual Report 2022/23 of the Safeguarding Adults Executive Board (SAEB), with particular regard to the arrangements that have been put in place to meet the requirements of the Care Act 2014.

5 THE FUTURE OF REGENT STREET AND HAYMARKET

Cllr Hug invited Cllr Dimoldenberg to introduce the report.

Cllr Dimoldenberg welcomed the report and noted his thanks to officers and the Crown Estate who were involved in the extensive engagement and public consultation.

Cllr Dimoldenberg noted the report also looks at further work in the coming year, in relation to bringing Haymarket and Piccadilly Circus into the scheme, as well as north of Oxford Street.

Debbie Jackson presented an overview of the scheme and the work undertaken, including emerging and key priorities, design and delivery phasing options, and indicative milestones for delivery.

Debbie Jackson noted the vision for the scheme – Everyone's Regent Street – will be the foundation to inform the upcoming public realm designs for Regent Street.

Frances Martin noted that on the points around pedestrian experience and expanding into Haymarket, heritage has come through as something that needs preserving but also utilising it as an asset to attract people.

Frances Martin noted that all possibilities are being looked at around nature, greening and carbon offsetting for works in these areas.

Cllr Barraclough welcomed the report and noted that it was ambitious yet deliverable, and is working closely with the Oxford Street programme, especially where the two intersect at Oxford Circus.

Cllr Hug thanked the team and noted that and having greater positivity from stakeholders who feel engaged in the process was crucial in moving forward with plans.

RESOLVED: Cabinet approved the following recommendations:

- Note the findings from the 'Future of Regent Street' ("Regent Street") engagement, and approve the vision and project priorities to guide the development of the public realm design from All Souls to Regent's Crescent.
- Approve the partner requirements for Regent Street to make financial contributions totalling £1,786,000 (£893K each) to continue to progress the first phase ("Phase 1") of the project.
- Note the work to date by The Crown Estate on the vision and priorities for Haymarket District Plan and the planned development investment for this part of the West End, and agree to extend the scope of the Regent Street project to include Haymarket, Charles II Street, Jermyn Street East and Pall Mall East public realm ("Haymarket"), and to consider proposals for Piccadilly Circus and Pall Mall East as part of a second phase ("Phase 2") of the project.
- Approve the partner requirements for Haymarket and Piccadilly Circus to secure financial contributions totalling £2,200,000 (£1.1m each) to continue to progress Haymarket and Piccadilly Circus ("Phase 2b") of the project, and agree that the £4m capital funding approved by Full Council on 8 March 2023 for Regent Street can also be utilised for this Phase.
- Approve the concept of piloting and testing of ideas for the Regent Street and Haymarket projects to support the evidence-based approach for the public realm and highways design. The implementation of any pilots will be delegated to the Director of City Highways in conversation with the Cabinet Member for City Management and Air Quality.
- Delegate any decisions relating to the above scope to the Cabinet Member for City Management and Air Quality leading up to the public consultation in 2025 on the final public realm proposals for Phases 1 and 2.

6 CAPITAL BUDGET RE-PROFILING & BUDGET CHANGES 2023/24

Cllr Hug invited Cllr Boothroyd to speak to the report.

Cllr Boothroyd noted that the report takes account of the fact that some capital projects are delayed into the next financial year, and others are brought forward and delivered early.

Gerald Almeroth noted that this is a routine report to Cabinet to recognise re-profiling and that some of the schemes are to bring forward some capital budget to spend, including the Temporary Accommodation acquisitions programme.

Cllr Hug noted the importance of bringing forward the Temporary Acquisitions programme as fast as possible.

RESOLVED: Cabinet approved the following recommendations:

- Approve net changes of £67.181m for individual projects as part of the 2023/24 GF capital budget
- Approve re-profiling of £36.875m for individual projects as part of the 2023/24 HRA capital budget.
- Approve the Place Shaping Virement of £3.064m.

7 AOB

Cllr Hug noted Cllr Butler-Thalassis' recent election as Deputy Leader, welcomed Cllr Ryan Jude to his first Cabinet meeting, and thanked Cllr Tim Roca for his service as Cabinet Member.

The meeting ended at 6.49 pm.

CHAIRMAN: ______________________ **DATE** ___________________

City of Westminster

Cabinet

Decision Maker:	Cabinet
Date:	19 February 2024
Classification:	General Release
Title:	Business and Financial Planning 2024/25 to 2026/27
Wards Affected:	All
Cabinet Member:	Councillor David Boothroyd
Key Decision:	Yes
Financial Summary:	This report sets out the Council's medium-term plan for the next four years and proposes the budget for the 2024/25 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 support the Council's objectives under the Fairer Westminster strategy, supported by a medium-term financial plan and balanced budget for 2024/25. Cabinet is asked to consider the report and recommend its adoption to Full Council on 6 March 2024.

1.2. On 22 November 2023 the Government set out its Autumn Statement. The aspects relating to local government funding were a continuation of the Government's 2022 Autumn Statement in that no new funding was announced beyond the known increases that government had previously advised such as the increases in Adults Social Care funding.

1.3. This was followed by the Local Government provisional Finance Settlement on 18 December 2023. The settlement represented an increase in Core Spending Power for local government of almost £4bn or 6.5% in cash terms which includes Government assumption that authorities will take the maximum 5.0% council tax increase for 2024/25.

1.4. After pressure from local government through responses to the settlement consultation, government announced a further £600m support package to help with the unprecedented challenges which the sector is facing. Details of how this additional funding would be allocated was announced as part of the final settlement on 5th February 2024. Overall, this additional funding increases the Core Spending Power across local authorities for 2024/25 to 7.5%.

1.5. This report outlines a balanced budget for 2024/25, but still forecasts a gap of £48m over the following two years. The budget includes a 2.99% increase in the general element of council tax and an increase of 2% for the Adult Social Care precept element. At Band D this will result in an annual increase of £23.85 or an equivalent weekly amount of 46p per week. When combined, the general element of council tax and adult social care precept, for Westminster, will rise from £477.91 to £501.76 at Band D.

1.6. The recommended General Fund budget of £205.545m is a net increase of £11.934m against last year. In broad terms this includes Fairer Westminster investments of £8.5m, service cost and income pressures of £52.5m, additional resources for adult social care of £5.4m, increased capital financing costs of £3m and other changes of £1.5m; offset by net increased government funding of £20m, savings proposals of £20.1m and additional interest earnings of £15.2m. The balance is funded from the increase in council tax income of £3.9m and £11.7m from earmarked reserves.

1.7. Local government is under significant financial pressure with demand for services rising alongside cost pressures caused by persistently high inflation. Whilst funding for the sector has increased for 24/25 as part of the financial settlement, this follows a decade whereby funding has been reduced in real terms, creating sustained financial pressure on local authorities. The cost of living crisis continues to have a significant impact on Westminster residents and businesses and the Council. High prevailing inflation has resulted in ongoing and rising cost pressures for key service areas.

2. Recommendations

2.1. That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024:

Council Tax

1. That the Council Tax for a Band D be agreed at £501.76 for 2024/25

2. That subject to the consideration of the previous recommendation, the council tax for the City of Westminster, excluding the Montpelier Square area and Queen's Park Community Council, for the year ending 31 March 2025, be as specified in the Council Tax Resolution in Appendix 1

3. That the Precepts and Special Expenses be as also specified in Appendix 1 for properties in Montpelier Square and the Queen's Park Community Council

4. That the formal resolution for 2024/25 attached at Appendix 1 including the council tax requirement of £68.889m be agreed

5. Note the proposed Greater London Authority precept (Band D) of £471.40, an increase of £37.26 in the adjusted Band D precept

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

Revenue Budget

7. To note the views of the Scrutiny Budget Task Group set out in Appendix 2

8. That the proposed General Fund net budget requirement of £205.545m summarised in Appendix 3 is approved

9. That the savings, pressures and investments for 2024/25 to 2026/27 set out in Appendix 4, 5 and 6, are approved

10. That the Equality Impact Assessments included in Appendix 7 are noted to inform the consideration of the budget

11. Note the Housing Revenue Account (HRA) Business Plan 2024/25 and 30 Year Housing Investment Plan presented concurrently to Cabinet on 19 February 2024 that recommends the HRA budget and rent levels for 2024/25

Capital Programme

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

Reserves, Balances and Budget Estimates

13. Agree the reserves policy as set out in section 9

14. Note the opinion of the Section 151 Officer with regards to the robustness of the budget process, the estimates underpinning the budget and the adequacy of the reserves as set out in Appendix 8 as required by S25 of the Local Government Act 2003

Treasury Management and Investment Framework

15. Note the Treasury Management Strategy for 2024/25 including the annual investment strategy, borrowing limits and prudential indicators summarised in this report and set out detail in a concurrent report on this agenda.

16. Note the 2024/25 Integrated Investment Framework report also concurrently on this agenda, which sets out the policies and framework for future investment decisions for the Council.

Fairer Westminster Delivery Plan

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

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 for 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. Delivering the Fairer Westminster Strategy

4.1. The Council continues to deliver its four-year Fairer Westminster strategy across the City through the annual Fairer Westminster Delivery Plan process, which is spread across five Fairer Westminster pillars: Fairer Communities, Fairer Environment, Fairer Housing, Fairer Economy and Fairer Council.

4.2. The Fairer Westminster strategy also sets out the values that will be embedded in the Council's ways of working to achieve them: openness and transparency, partnership and collaboration, and diversity and inclusion.

The Fairer Westminster Delivery Plan

Year 1: 2023/24 Delivery Plan

4.3. The Council published its first delivery plan in March 2023 which set out the key delivery actions in 2023/24 to achieve the Fairer Westminster outcomes, in alignment with the medium-term finance plan.

4.4. Progress against the delivery plan for 2023/24 is monitored and measured regularly with externally published key measures and updates to support the Council's transparency with its residents and communities. Some of the key achievements have included:

- launching a cost of living strategy in July 2022, with an initial £14m commitment;
- being the first local authority to launch an award-winning interactive environmental justice measurement data tool that allows residents to better understand how climate change affects their neighbourhood;
- adding more 300 social rent homes to the Council's house-building programme, as part the commitment to building of low-cost social rent homes across Westminster;
- freezing the Westminster City Council part of council tax until 2024, which meant that Westminster had the lowest band D rate in the country;
- launching a Westminster Against Dirty Money Charter, taking action against candy stores and souvenir shops in Oxford Street and tackling London's international reputation as a money laundering centre.

Year 2: 2024/25 Delivery Plan

4.5. The Delivery Plan for Year 2: 2024/2025 will build upon the successes of the first year's 2023/24 Plan while recognising the need to do more in light of the challenges continuing to face the City, such as the climate emergency, housing pressures and inequality. The delivery plan for 2024/25 will set out the key actions that will contribute most to the Fairer Westminster outcomes during challenging times, but also consider the financial sustainability and environmental impact.

4.6. Work is currently underway to agree the final set of delivery actions for the 2024/25 Delivery Plan with Cabinet and Officers, supported by the medium-term financial planning process to ensure resources are applied in the most effective and efficient way to achieve the Council's Fairer Westminster ambitions. This work will conclude in late February with an approved 2024/25 Fairer Westminster Delivery Plan scheduled for publication by mid-March on the Council's website.

4.7. Building on the successful work from last year, some of the key deliverables to be highlighted in the Delivery Plan for the year ahead 2024/25 are:

Fairer Communities

- Tackle inequalities, including health inequalities, through the Health and Wellbeing Strategy, #2035 programme, North Paddington, Changing Futures Programme, and Active Westminster Strategy, which includes the commencement of the Seymour Leisure Centre re-development
- Help families access services that tackle inequalities and strengthen the multi-agency support provided by our Family Hubs sites
- As part of the delivery of the VCS Investment Strategy, increase community fundraising capacity and deliver the three- year core funding programme of Council Investment and Communities Priorities Programme
- Provide timely, responsive, good-quality and strengths-based social care and launch the updated Healthy Lifestyles Service to ensure better outcomes for our residents
- Create more opportunities and strengthen the support provided to children in care and care leavers when transitioning to adulthood

Fairer Housing

- Deliver on the Council's ongoing commitment to providing affordable housing options for Westminster residents
- Deliver high quality services to all residents and widen the opportunities for collaboration and engagement with residents to ensure that services respond to the needs of all
- Provide greater transparency on how social housing is allocated through revision of the current policy
- Improve the quality, efficiency and delivery of the housing repairs service, with a focus on customer experience so that residents are informed of the progress of their repair from start to finish
- As part of the partial City Plan review, revise the affordable housing policy which will provide a stronger policy to deliver more genuinely affordable housing

Fairer Economy

- Work with communities and partners to deliver an enhanced public realm programme for Oxford Street, North Paddington and Regents Street
- Support vibrant high streets by developing and delivering our action plans for Harrow Road, Praed Street and Queensway
- Create an inclusive Evening and Night-time Plan through the Westminster After Dark Programme

- Develop skills and employment programmes as part of the North Paddington Programme, and expand sector-based skills programmes such as the Green and Sustainability skills work
- Launch dedicated support to the borough's existing scale-up business community and start ups with high growth potential to take their business to the next stage

Fairer Environment

- Enhance climate resilience to Westminster business, community and service through flood risk management, climate adaptation & resilience planning, and sustainable drainage systems.
- Support emissions reductions via electric vehicles, active transport, building retrofits, and sustainable business practices
- Implement greening and sustainability initiatives through updated planning policies and strategies
- Improve air quality and support active travel through school streets and cycling/walking initiatives.
- Help community groups improve their local green spaces through more funding and project support through the Greening Westminster programme.

Fairer Council

- Increased council spend with local organisations, SMEs and voluntary and community sector
- Enhance the Council's contact centre and user experiences across the website and digital platforms to deliver smarter, more personalised and empathetic services to customers.
- Ensure the Council's procurement, investment activity and work with contractors supports Westminster's sustainability ambitions and ethical treatment of people.
- Make it easier for communities to stay informed and engaged with the Council by increasing transparency with performance reporting of services
- Launch the Charter of Community Participation which will clearly set out the Council's commitments and standards for engagement, inclusivity, and accessibility with public participation.

Key areas of consideration

Macro-Economic Outlook

4.8. Despite being poised to experience the full impact of global challenges such as higher energy prices, inflation, and interest rates, the UK economy has displayed signs of resilience, albeit under a slow-growth auspice. The Office for National Statistics (ONS) reports zero growth in the third quarter of 2023 (July to September), following a 0.2% expansion the previous quarter.[1] Furthermore, projections from the Bank of England and the Office for Budget Responsibility

[1] Office for National Statistics, 'GDP first quarterly estimate, UK: July to September 2023', 10 November 2023

(OBR) suggest continued weak growth in the coming year. In the medium-term other challenges persist due to the UK's low investment compared to other major economies, a lingering increase in economic inactivity after the pandemic and slow trade growth after Brexit.[2] Continued conflict in Europe and the Middle East will add to the global economic uncertainty.

4.9. The Consumer Prices Index (CPI) rose by 3.9% in the 12 months to November 2023, down from 4.6% in October and its 41-year high of 11.1% in October 2022.[3] Inflation is expected to continue falling in 2024, albeit more gradually than in 2023. The latest report published in early November 2023 by the Bank of England forecasts the CPI inflation rate to average at 3.1% in Q4 2024.[4] The OBR estimates a return to the 2% target by the second quarter of 2025.

4.10. Linked to rising inflation the Bank of England have raised base interest rates at fourteen consecutive policy meetings from 0.1% in December 2021 to 5.25% in August 2023. However, at its November and December 2023 meetings, the Bank of England's Monetary Policy Committee left interest rates unchanged at 5.25%. Interest rates are expected to remain higher for longer to support bringing inflation under control. Past rises in interest rates are still to have their full effect on the economy, with the increased share of fixed rate mortgages in recent years slowing the pass-through of higher mortgage rates to household incomes. The Bank of England estimates that over half the impact from nearly two years of interest rate rises is still to be felt.[5]

4.11. Labour demand has weakened recently, with vacancies falling from a peak of 1.3 million in May 2022, to around 960,000 in October 2023. As such, unemployment is expected to rise to 1.6 million people, or 4.6% of the labour force, in the second quarter of 2025, before falling back to its "assumed structural rate" of 4.1% by the end of the forecast period.[6]

Cost of Living Support

4.12. Over this period of historically high inflation, the impact on resident households has been challenging. An estimated 31,000 households in Westminster are especially impacted as they spend greater shares of their income on fuel and food. Data analysis suggests that the cohorts of residents most affected are:

- single people on low incomes (on benefits or in work)
- families with children

[2] https://www.london.gov.uk/sites/default/files/2023-12/LEO-Autumn-2023-final.pdf
[3] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/november2023
[4] Bank of England, November 2023 Monetary Policy Report, 2 November 2023.
[5] Bank of England, November 2023 Monetary Policy Report, 2 November 2023.
[6] https://obr.uk/efo/economic-and-fiscal-outlook-november-2023/

- pensioners
- those with disabilities
- residents in the most deprived wards in Church Street, Queens Park and Harrow Road, although residents in all wards are affected.

4.13. In July 2022 the Council launched a Cost-of-Living Strategy (https://www.westminster.gov.uk/cost-of-living-support) setting out a plan to help residents through the crisis. This was followed by the Council declaring the cost-of-living crisis an emergency in September 2022.

4.14. In response a total package of £19m of support has been made available to date and a further £1m proposed in 2024/25 giving a total of £20m. This support is funded from a variety of sources; both from Government and the Council. The additional £1m one-off cost of living support in 2024/25, is to be funded from earmarked reserves. The Household Support Fund is included in the government funding, and this is picked up in more detail later in this report.

Autumn Statement – 22 November 2023

4.15. On 22 November the Chancellor announced the Autumn Statement 2023. There was very little new information for local government in this statement with no new funding announced for local authorities.

4.16. The key announcements made in relation to local government were:

- social care grant allocation increases for 2024/25 that were announced in the 2022 Autumn Statement have been confirmed.
- prospects for local government finance settlements in the next spending review period look very tight. There is no change in the overall planned public sector expenditure of 1% in real terms. This would mean real terms cuts for unprotected services, including most of local government.
- The core council tax referendum principles remain the same i.e. that local authorities are given the option to raise core council tax by up to 2.99% without a referendum. Additionally, there is the ability to increase the Adult Social Care (ASC) precept element of council tax by 2%. For context, a 1% council tax increase in Westminster would raise £0.656m per annum.
- Local Housing Allowances (LHAs) rates in central London are capped below the 30th percentile, but the cap amount is increasing from April. LHA rates had been frozen for several years and this decision will increase the housing benefits that tenants can claim for their rent. There is no direct impact on local government, but indirectly it should partially reduce the significant demand pressure on temporary accommodation and homelessness.

- The small business rating multiplier and the standard multiplier will be decoupled following the implementation of the Non-Domestic Rating Act 2023. In addition, the indexation factor applied will change from RPI to CPI. The Chancellor has used these new powers and taken the opportunity to freeze the small business rating multiplier whilst the standard multiplier is fully indexed. This allows the Chancellor to minimise revenue losses whilst supporting small business. Local authorities will be fully compensated for any loss of income from freezing the small business multiplier through a section 31 grant.

Provisional Local Government Finance Settlement 2024/25

4.17. After the Policy Statement was issued by the Minister on 5 December 2023, the provisional 2024/25 Local Government Finance Settlement was published the on 18 December 2023, in a Written Ministerial Statement to the House of Commons by the Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities (DLUHC). It outlined provisional funding allocations for local authorities for 2024/25, effectively the second year of a two year overall Local Government settlement.

Final Local Government Settlement 2024/25

4.18. On 24 January 2024 government announced an additional £600m support package for local government to help with the financial challenges that the sector is facing. This additional funding increases overall proposed funding for next year to £64.7bn or a 7.5% increase in cash terms. This followed concerns raised by local authorities through the provisional settlement consultation process.

4.19. The allocation of this additional funding was announced as part of the final Local Government Finance Settlement on 5 February 2024. The £600m additional funding includes £500m additional social care grant, £15m rural services grant, £3m for ‘the islands’, an increase in the funding guarantee from 3% to 4% and an increase in the services grant of £11m.

Government Funding

Core Spending Power (CSP)

4.20. 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 (but only 26% in Westminster)

4.21. The Department of Levelling Up, Housing and Communities (DLUHC) measure for 2024/25 is that CSP will increase in cash terms by 7.5% across England.

Westminster's equivalent indicative CSP as calculated by government is an 8.7% increase on 2023/24.

4.22. A summary of the Council's funding settlement in comparison to 2023/24 is provided below:

	CSP 2023/24 £m	CSP 2024/25 £m	Change £m	Change %
SFA-Revenue Support Grant	34.9	37.2	2.3	6.6
SFA-Baseline Funding – redistributed NNDR	93.8	99.5	5.7	6.1
Improved Better Care Fund	17.6	17.6	0.0	0.0
Social Care Grant	26.5	34.8	8.3	31.3
Service Grant	3.7	0.6	(3.1)	(83.8)
New Homes Bonus	0.2	2.4	2.2	1,100.0
Market Sustainability and Improvement Fund	3.1	5.8	2.7	87.1
Discharge Fund	2.5	4.1	1.6	64.0
Consolidated Grants	2.0	0.0	(2.0)	(100.0)
Sub-Total	184.2	202.1	17.9	9.7
Council Tax max rise govt assumption 5%	65.0	69.0	4.0	6.2
Compensation for Business Rates Relief	16.0	17.2	1.2	7.5
Total Core Spending Power	**265.2**	**288.3**	**23.1**	**8.7**

Settlement Funding Assessment (SFA) - £8.0m increase for Westminster

4.23. 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 £892m from £15.671bn to £16.563bn. The Council's SFA has increased from £128.6m to £136.7m, representing an increase of 6.2%. This is slightly higher than the national increase of 5.7%.

Improved Better Care Fund (iBCF) – No increase for Westminster

4.24. The grant will continue to be required to be pooled as part of the Better Care Fund. For Westminster this is £17.6m.

Adult Social Care Funding

4.25. The government announced increases in social care funding in the Autumn Statement 2022 which included a maximum increase of 2% in the Adult Social

Care precept. Government fully expects Local Authorities to take the precept to assist in paying for adult social care pressures. Four separate grants have been given for social care alongside the precept:

- Social Care Grant – this grant can be used to meet both adults and children's social care needs. The allocation for Westminster is due to increase from £26.5m to £34.8m (31%)

- Market Sustainability and Improvement Fund – increased from £3.1m to £5.8m which now includes the ASC Workforce Fund of which Westminster received £2.012m during 2023/24. The rolling in of this grant increases the chances of that funding continuing in 2025/26.

- Improved Better Care Fund – this has remained cash flat in 2024/25 and remains at £17.6m which is the local authority element which will be received by Westminster. Each Integrated Care Board (ICB) will receive separate discharge funding, the amount of which is currently unknown. The board will then decide on how that funding is distributed including whether Westminster will receive an allocation.

- Discharge Grant – this has increased from £2.5m to £4.1m. The additional funding for social care is intended to support improvements to adult social care and to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector.

<u>Services Grant - £3.1m decrease for Westminster</u>

4.26. The services grant was first introduced in 2022/23 with £822m of funding nationally and was noted to be a one-off grant 'to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government'. In 2023/24 this was reduced to £483m and in 2024/25 this will now be £87m. Although this has been reduced substantially it has likely been used to fund the increases in funding in other parts of the system, e.g. RSG and Social Care grant. For Westminster this results in a reduction in this core grant from 2023/24 to 2024/25 of £3.1m to £0.6m.

<u>New Homes Bonus (NHB) - £2.29m increase for Westminster</u>

4.27. The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. The national amount allocated remains at £291m. As part of this the Council will receive £2.44m in 2024/25 which is an increase from 2023/24 of £2.29m. Part of the payment is an enhanced sum for each new affordable unit delivered between October 22 and October 23 which was 911 compared to 442 in the previous year. Since Government has previously made clear its intention that NHB would be phased out since 2021/22 the Council had not budgeted for further grant increases from 2024/25 onwards so the allocation of this grant improves the budgeted position.

Local Taxation

Council Tax

4.28. Westminster City Council's council tax charge, in 2023/24, is the lowest in the country at £477.91 per annum for a Band D property. Any increases to council tax are capped at the following levels (as announced in the Autumn Statement 2023):

- Up to 2.99% maximum "core" increase, the general element of council tax for all services

- 2.00% adult social care precept

4.29. The purpose of this cap is to ensure that 'excessive' council tax increases occur only where authorities have a clear mandate from local people through a referendum.

4.30. For every 1% increase to Band D council tax, the Council generates approximately £0.656m funding. For 2024/25, the Council proposes an increase on the core element of council tax of 2.99% which equates to £14.29 per annum or 27p per week; and an increase on the Adult Social Care Precept of 2.0% on a Band D property which equates to a £9.56 per annum increase or 18p per week. Cumulatively this is £23.85 per annum or 45p per week.

4.31. Additionally, the Council has retained the council tax support scheme at a maximum 100% funded for working age residents. Further details of this scheme are set out later in this report.

Other Funding

Household Support Fund (HSF)

4.32. In 2021, the government announced the vulnerable households across the country would be able to access a new support fund to help them with essentials over the winter. Initially expected to run to 31 March 2022, HSF has since been extended annually to run until 31 March 2024. The total HSF allocated to Westminster during 2023/24 was £3.9m which must be spent by March 2024. This is being used locally to support the wider cost of living strategy locally. In 2023/24 it has been utilised on the following key support mechanisms:

- £2.1m - food for free school meals eligible pupils during school holidays

- £1.3m – supermarket food vouchers for residents in difficulty but not qualifying for the government's £900 support

- £0.5m – other support through a hardship fund, food charities and advice.

4.33. As at the time of writing this report the government had not announced any extension to this funding, which is due to end in 2023/24. There has been significant lobbying of government to extend the support and an announcement may still be forthcoming. When the position is clear the Council will review the available resources and potentially reshape the wider cost of living support package to ensure that the most affected continue to be assisted.

4.34. HSF has been allocated according to the Cabinet Member Report published in April 2023 (Household Support Fund CMR) and is expected to be fully spent by March 2024.

GLA Funding for Free School Meals

4.35. The Mayor of London has announced the continuation of funding for free school meals for primary school pupils up to Year 2 in 2024/25. In 2023/24 a total of £130m was allocated across London and this will rise to £140m for this second year. In 2023/24 academic year Westminster received funding totalling £1.390m

Dedicated Schools Grant (DSG)

4.36. The table below shows the 2024/25 DSG and teachers pay additional grant funding allocations for Westminster. The provisional 2024/25 allocation (before the deductions for payments to academies) has increased by £5.045m (2.7%) from 2023/24 to £191.671m including funding for the new early years entitlements for working families in receipt of benefits.

4.37. Overall the schools block has reduced by 0.39% to £129.279m as a result of pupil numbers reducing by 612.5 to 16,745 and the increase in per pupil funding is 2.7%. Once the Teachers Pay Additional Grant is taken account of the increase is 3.5% per pupil. Schools with falling rolls continue to be in a challenging budget position and the number and size of schools in a deficit position is increasing. Schools in deficit are required to set a deficit recovery plan over 3 years and of the 14 schools currently in deficit, 7 are still working on their deficit recovery plans.

Block	2024/25	2023/24	Change	Change
	£m	£m	£m	%
Schools – including mainstream schools additional grant (MSAG) added to 2023/24 baseline *	129.279	129.764	-0.503	-0.39%
Estimated Teachers' Pay ** Additional Grant (TPAG)	2.251	1.320	0.931	70.53%
Sub total Mainstream Schools	***131.530***	***131.084***	***0.428***	***0.33%***

High Needs ***	43.471	41.977	1.518	3.62%
Central School Services	0.943	0.954	-0.011	-1.15%
Early Years ****	15.727	12.617	3.110	24.65%
Total	**191.671**	**186.632**	**5.045**	**2.70%**

*Allocation before deduction for academies and including the mainstream schools additional grant in 2023/24, which is included in the Schools Block from 2024/25.
** The 2023/24 allocation is from September 2023 and for 2024/25 is the full financial year
*** Allocation before deduction for academies high needs places. The provisional High Needs allocation will be updated by March 2024.
**** Early Years allocation is provisional at this time for both years and includes funding for new entitlements in 2024.

4.38. The **high needs** block has increased by 3.62%. Nationally high needs funding has increased by 4.3% since 2023/24 and Westminster is seeing a lower increase as pupil numbers are decreasing. The allocation reflects the funding floor minimum increase of 3% compared to 2023/24 as well as the number of pupils in special schools and proxy factors such as free school meal numbers and general school pupil numbers. Funding is not based on the number of pupils with High Needs other than those in special schools.

4.39. The net increase in **early years** block funding mainly relates to the new entitlements for working families in receipt of benefits, partly offset by a reduction in the maintained nursery school (MNS) supplement rate of approximately 8% (including TPPG). The funding for 2023/24 and 2024/25 will be updated to reflect later early years census data. The majority of the funding is passed to providers both in maintained schools and private, voluntary and independent settings. The DfE have increased the hourly rate for 3 and 4 year olds and the pass-through rate will increase from £7.08 to £7.29 (+3% hourly rate) per hour for providers. The hourly funding rates for eligible 2 year olds has reduced from £11.11 to £10.39 (-6.5%) as the calculation has changed since 2023/24 as the 2023/24 rate did not attract the usual retention and allow for separate deprivation and contingency funding. Currently Children's Services retains a 5% element of early years funding to support the coordination of central services which will reduce to 3% once the entitlements are sufficiently embedded.

4.40. In addition to the DSG, mainstream and special schools will be allocated additional funding through the teachers pay additional grant (TPAG) from September 2023 and in 2024/25. The indicative allocation of the TPAG for Westminster in 2024/25 is £2.251m. Final allocations for the MSAG will be confirmed in spring 2024. The

2023/24 allocation in the table above is from September 2023 and for 2024/25 is the full financial year.

Homelessness Prevention Grant (HPG)

4.41. In 2023/24 Westminster received an allocation of £6.9m through the Homelessness Prevention Grant (HPG) and a further £1.9m via the Ukraine Homelessness Prevention Grant top-up. The HPG allocation for 24/25 has been confirmed at £7.0m, (1.4% increase). Any additional grant top-ups are yet to be confirmed.

Public Health Grant

4.42. The government has announced the Public Health grant for 2024/25. Westminster will receive £35.125m which is an increase of £700k (2.0%) on 2023/24.

5. Budget Gap

5.1. The estimated budget gap in the Medium Term Financial Plan as reported to Cabinet in July 2023 was £48.5m from 2024/25 to 2026/27. The 2024/25 gap was reported as £6.1m.

5.2. Work has continued through this financial year to prepare savings proposals, manage the various cost pressures including the ongoing impact from inflation, and to prepare investment proposals to inform the medium-term financial plans. In November the government's Autumn Statement was published and then the announcement of the local government finance settlement followed on 18 December 2023. This report proposes a balanced budget for 2024/25 and shows a remaining forecast gap of £48m over the following two years. The overall changes in the budget are summarised below:

5.3.

Changes Since July 2023	2024/25 over 2023/24	2025/26 over 2024/25	2026/27 over 2025/26	Total
	£m	£m	£m	£m
Budget Gap - July 2023	**6.141**	**25.003**	**17.317**	**48.461**
Service Specific Items:				
New Savings	-10.726	-8.110	-5.730	**-24.566**
New Pressures	36.013	-5.095	-0.770	**30.148**
Fairer Westminster Investments	7.079	-2.110	-1.404	**3.565**
Changes to Existing Savings	0.500	0.000	-0.500	**0.000**
Subtotal	**32.866**	**-15.315**	**-8.404**	**9.147**

Funding:				
Changes since the provisional LG settlement - December 2023	-5.182	0.007	0.791	**-4.384**
Corporate Changes:				
Interest Earnings	-18.200	9.000	2.000	**-7.200**
Inflation & LLW	3.978	0.000	0.000	**3.978**
Business Rates Safety Net	7.500	-7.500	0.000	**0.000**
Council Tax Increase	-3.275	0.000	0.000	**-3.275**
Other	-1.006	0.119	2.205	**1.318**
Subtotal	**-11.003**	**1.619**	**4.205**	**-5.179**
Budget Gap Before Use of reserves	**22.821**	**11.314**	**13.909**	**48.044**
Use of Reserves	-15.321	8.897	6.424	**0.000**
Business Rates Reserve	-7.500	7.500	0.000	**0.000**
Budget Gap	**0.000**	**27.711**	**20.333**	**48.044**

5.4. New **savings** of £24.566m are proposed over the planning period to 2026/27. Each proposal is listed in Appendix 4. Most of the new savings proposals fall in 2024/25 and further savings will require identification as the medium term planning period progresses.

5.5. Savings from cost reductions have been identified and come from a variety of sources, for example:

- procurement efficiencies as contracts come up for renewal
- efficiency savings through service model reviews and demand prevention
- reduced revenue costs through asset renewal, for example, new electric waste vehicles and electrification of cleansing service
- energy savings through reduced carbon footprint of operational properties.

5.6. Fees and charges have been reviewed and have largely increased in line with the Consumer Price Index to ensure that cost recovery is maintained on the delivery of those services. Some examples on where income will support the 2024/25 budget position are:

- income arising from corporate property portfolio
- improved, post-pandemic activity on commercial waste
- improved use of grant income to support social care services

- fees and charges review (approved at Cabinet in December 2023).

5.7. In 2023 the Council set out its Fairer Westminster vision and identified several **investment** priorities. For 24/25 it is proposed to implement previously agreed investments totalling £1.393m to be funded from reserves. Further investments of £7.079m are now proposed, of which £4.304m will be met by earmarked reserves in 2024/25 and the remaining £2.775m will be funded from the general fund revenue base budget. Details of those investments can be seen at Appendix 5. The key areas are outlined below:

- Cost of Living Support (£1m in 24/25) - To continue the support of the of cost of living support scheme started in 2023

- Temporary Accommodation & Homelessness (£1.476m in 24/25) – a range of items providing increased support for Westminster residents in tackling homelessness, including investment in front-line capacity for the Homelessness Solutions Service, transformation funding for the homelessness elements of the Housing Improvement Programme, and increased capacity within the Temporary Accommodation acquisition team.

- Adult Social Care Pay (£1.2m in 24/25) – investment to tackle low pay and inequality in the care sector. This is funded from the Market Sustainability and Improvement Fund grant

- Ecological Emergency (£450k in 24/25 and 25/26 and £150k ongoing thereafter) – investment to tackle declaration of ecological emergency and implementation of recommendations from Climate Assembly, this includes data analysis and delivering ecological projects.

5.8. New **service pressures** total £30.1m over the next three years. Service pressures arise from a combination of increased demand, reduced income levels in certain commercial income streams and external factors affecting costs. Pressures are set out in full in Appendix 5. The key pressures are:

- Temporary Accommodation (TA) (further £38m in 24/25 in which reduces to £32m in 25/26) – remains the most significant pressure to Westminster and 2023/24 has seen continued cost pressures in TA both nationally and across London. This increase has been driven by four main factors:

    - increased demand, the number of households in TA has risen by 22% since 2022/23 and is projected to be 38% higher by the end of 2024/25. Demand levels have outstripped the original MTFP projections over the second half of 2023/24 which has resulted in a further increase to the required budget growth for 2024/25;

    - Inflation continues to impact the average weekly rent;

- Supply shortages, the availability of suitable TA supply is limited due to a significant number of landlords exiting the market. The reasons for this are a combination of several issues including reduced tax incentives, a higher level of regulatory responsibilities and increasing costs / interest rates. This has driven an increase in the use of expensive nightly-paid accommodation solutions;

- with the rents that Westminster can charge for this accommodation effectively capped at historic local housing allowance rates, the net cost of TA is increasing. This compounds the impact of cost increases as income from rents has effectively been frozen for 12 years.

The 2024/25 budget assumptions for TA assume the following:

- additional TA demand of 500 households (which is lower than the c.700 growth for 2023/24)
- new demand will be accommodated using a combination of WCC owned stock (300) and cost-effective private-sector provision (200)
- existing high-cost nightly paid placements will be reduced to zero by the 31 March 2025 (which equates to 11% of current supply)

Part of the additional budgeted cost for temporary accommodation will be met by reserves (£11m in 24/25 and £4.4m in 25/26).

- Adult Social Care (£550k ongoing from 24/25 above inflation)– increased demand for client and care packages in respect of learning difficulties, acute needs, and mental health. The average increase in demand over the last two financial years is 5.2%.

- Planning Fee Income Shortfall (£1.6m ongoing from 24/25) – a further reduction in the volume of planning applications over successive financial years since the pandemic, particularly for Major developments (which generate the most revenue), is driving an on-going budget pressure of £1.6m. Planning income has reduced from £2.9m in 18/19 to £1.5m in 23/24 with average annual major applications reducing from 39 to 19. The government is set to increase centrally set fees, but this will only reduce the income shortfall by an estimated £380k.

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

- Inflation: Provision for estimated contract and pay inflation of £10.9m. Unprecedented inflation levels have been seen over the recent year and whilst current OBR forecasts suggest this will fall, provision has been made following a review of the Council's key service contracts. The Council will continue to review different indices and negotiate appropriate inflationary increases in contracts rather than just apply the appropriate inflationary index across the board. The London Living Wage has increased by 10% and will be applied to all contracts appropriately from April 2024. Provision for next year's Local Government pay award has been made at 3%. Updated forecasts anticipate inflation taking longer to reduce back to the Bank of England's Monetary Policy Committee target of 2%.

- Interest Earnings: interest rates have continued to increase in 2023/24 starting from 4.25% in April 2023 and rising to its current position of 5.25%. This means that the Council's investment earnings are expected to remain higher than originally budgeted for in the short-term, increasing income by £15.2m on average cash balances of £0.8bn in 2024/25. This additional income is expected to reduce after 2024/25 as cash balances reduce from expenditure related to the capital programme and expected reductions in interest rates.

- Business Rates Safety Net: The Council forecasts that its business rates collection position in 2024/25 will be at safety net as a result generating less business rate income than expected by government. The maximum loss that the Council can incur is 7.5% of the baseline position which is £7.5m in 2024/25. The government underwrite any losses beyond that so is not a financial risk for the authority. This £7.5m loss will be funded from the business rates risk reserve. The reserve will be boosted by the release of provisions held to offset the impact of appeals against the 2017 rating list. Appeals against the 2017 list are now closed, and the financial loss from the outcome of outstanding appeals will be less than the estimate. Due to this one-off event, a surplus will be generated in 2023/24, which will be realised in 2024/25. This was also the rationale for using this reserve to help fund the pension fund deficit repayment.

6. 2023/24 Forecast Outturn Position

6.1. The budget monitoring position at the end of December 2023 is forecasting an overspend of £3.0m against the approved net budget. This is largely the impact of significant temporary accommodation pressures offset by increased income from interest earnings due to higher than expected interest rates. There are further pressures due to continuing income challenges from Planning and pressures within Childrens Services.

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

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

7. Pension Fund

7.1. 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.

7.2. The valuation of the Westminster City Council Pension Fund as of 30 September 2023 was £1.795bn. The Fund returned 7.49% in the year to 30 September 2023, largely due to positive returns within the equity and fixed income mandates.

7.3. The triennial valuation of the Westminster Pension Fund was completed by the Council's actuary, Hymans Robertson, valued as at 31 March 2022. The actuarial report values the future liabilities of the Pension Fund and sets the employer's contribution rate for the three years from 2023/24 to 2025/26. The whole Fund's funding level rose to 128% from the 99% level in 2019, which is broadly due to the excellent investment returns over the period, as well as the Council's additional deficit recovery payments.

7.4. The funding level for Westminster City Council (as a single employer) increased to 111%, improving from 86% previously. Specifically, the effect of strong asset returns, and the significant secondary contributions helped to improve the funding position, with the Council paying off its deficit during 2021/22. The actuary reported that the employer's contribution rate for the Council was to remain stable at 16.8%.

7.5. The estimated funding level for the Westminster Pension Fund has increased by 32% to 160% as at 30 September 2023 (128% at 31 March 2022). The funding level for Westminster City Council as an employer has also increased, with an estimated funding level of 138% as at 30 September 2023 (111% at 31 March 2022). The improvement is largely because of an increase in the expected discount rate, which is linked to UK gilt yields.

Pension Fund Governance

7.6. 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 overseeing and 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.

7.7. 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 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.

7.8. As at 30 September 2023, the London CIV had £27.4bn of assets under management of which £14.8bn are directly managed by the London CIV. Westminster is one of the biggest London borough supporters of the London CIV LGPS pool, with over £1.209bn of pension fund investments procured through this vehicle, including £423m invested passively in the Legal & General (LGIM) passive equities fund.

7.9. As part of the 2023 investment strategy review, the Fund's investment consultant, Isio, advised that it would be appropriate for the Pension Fund to take steps to de-risk following the significant improvement in the funding level. The largest contributor to funding risk is the Fund's large allocation to equities, with exposures to interest rate and inflation sensitivity also a significant contributor to risk. Therefore, at the meeting in June 2023, the Committee agreed to reduce the active equity allocation by 5% and to transition these funds into renewable infrastructure.

7.10. As agreed at the Pension Fund committee meeting in June 2023, the Committee allocated 2.5% (£45m) to the London CIV UK Housing fund. The fund targets a 5-7% net return and will focus on three key areas including general needs social and affordable housing, specialist housing and transitional supported housing. Affordable housing is aimed at low-income workers who are not in the financial position to buy their own properties.

7.11. In addition to this, a decision was taken by the Committee during October 2023 to top up the CVC Credit private debt mandate, to ensure the allocation remains in line with the 6% strategic asset allocation. Investing within a Private Debt mandate provides diversification from mainstream asset classes, access to higher yields and stable performance throughout market cycles.

7.12. The Westminster Pension Fund was accepted as a signatory to the UK Stewardship Code in February 2023, with the Fund among only a handful of LGPS funds in London to achieve signatory status. To become a signatory of the Code, applicants must submit a Stewardship Report to the Financial Reporting Council (FRC), demonstrating how the principles of the Code have been applied during the previous 12 months.

7.13. During July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) released a consultation seeking views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covered the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The Fund submitted a response on 29 September 2023, with formal guidance expected from the government during 2024.

8. Other Budget Reports

8.1. 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

8.2. The Capital Strategy sets out the Council's long term capital investment plans over the next 15 years. The Capital Strategy is being reported separately on the agenda for this committee meeting.

8.3. The Council's long-term capital investment is underpinned by the objectives of Fairer Westminster. 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 its medium and longer term planning. The affordability of these plans will be kept under annual review.

Housing Revenue Account Business Plan

8.4. The HRA 30-year Business Plan is set out separately on this agenda. The proposed rent increase is at the maximum cap of 7.7%, which reflects the national rent policy that sets a ceiling of CPI+1% (based on September CPI). The current rent policy expires at the end of 2024/25 and authorities await consultation on the rent regime that will be implemented from 2025/26 onwards.

8.5. The Council is proposing to extend the Rent Support Fund for a further 12 months to continue to provide support for households in 2024/25. An additional £1.050m has been earmarked within the plan.

8.6. The business plan includes a series of revenue growth items that reflect statutory requirements and Fairer Westminster policy objectives. It also presents a balanced capital programme that delivers additional social rented homes, investment for improving the condition of existing stock and capital headroom for the proposed renewal of the Pimlico District Heating Network (PDHU).

Treasury Management Strategy

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

8.8. As anticipated in the 2023/24 TMSS, the Council took no additional long-term borrowing for the financial year due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow in future years if a requirement is identified for either the General Fund or Housing Revenue Account (HRA).

8.9. 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 loans have now been received. The average rate achieved for the forward loans is 2.579%. The use of forward loans has assisted with certainty of cash flow planning, particularly on the Council’s housing development schemes. While borrowing rates are expected to remain high in the short term, the forecast is that these will reduce over the planning period and the Council will be able to finance its capital plans within its existing cash and this forward borrowing already secured.

8.10. The current 2023/24 annual investment strategy was set in an environment of rising interest rates, with expectations of modest interest rate rises remaining as a peak had almost been reached. CPI inflation began to fall throughout the year from 8.7% in April to 6.7% in September 2023, its lowest rate since February 2022. The Bank of England continued to increase interest rates throughout the year until September where interest rates were left unchanged at 5.25%. With CPI inflation past its peak and expected to decline further, the UK economy has got through the cost of living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly.

8.11. The overall longer term trend is for gilt yields to fall back over the coming years as inflation falls throughout 2024. Investment yields for the year have been significantly high and this is expected to continue into next year and then start to reduce as the Bank of England reduces the base rate as inflation comes under control.

8.12. 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.

9. Financial Resilience – Risks and Reserves

9.1. The UK’s economic outlook remains uncertain over the medium-term with several risks and uncertainties over inflation, interest rates and economic growth. Future government spending is tight, however with a general election likely to happen this year any new government will need work through a new Comprehensive Spending Review to set out its plans for taxation and spending. The Council will continue to monitor these issues alongside other risks and pressures and retaining reserves is a key mechanism to help mitigate against those risks impacting on the Council’s front-line services.

<u>Risks and Uncertainties</u>

9.2. The key risks in the medium-term financial plan have been identified and assessed as:

- Future of government funding –There are indications that Westminster's funding levels will reduce from 2025/26 assuming the Fair Funding Review is implemented. Additionally, the 2021 Census presents a significant risk to future funding as the data collected at that date indicates that the population is 65k lower (c25%) than the preceding 2020 mid-year estimates. The ONS have accepted that this doesn't reflect a 'normal' position as it was during the pandemic. The Council is leading Pan-London work to respond to the ONS to capture a more realistic position for the next mid-year population estimate position.

- Business rates reforms – business rates reform also remains on the government's agenda with a future "reset" of the system being planned for several years. Government confirmed in December 2022 that the reset would be delayed for at least another two years. A reset means that any business rates growth generated in Westminster may be redistributed away from the City.

- 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.

- Adult social care reform – On 7 September 2021, government set out its new plan for adult social care reform in England. This included a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside a more generous means-test for local authority financial support. Part of the reform is the intention to equalise the cost of council-funded care and the median paid by those arranging their own care. However, as part of the Autumn Statement the Government announced that this reform would be postponed until at least October 2025. Until further guidance is given, future funding of Adult Social Care remains uncertain.

- Housing and homelessness – cost pressures in temporary accommodation (TA) are largely driven by external factors outside of the Council's control. This year has seen an unusually sharp increase in the cost of private rented accommodation (over 21%). There remains a risk that this trend continues with lease renewals due in the future. Compounding market supply issues are exacerbating the pressure in addition to the impact of the cost of living crisis, and the end of the Government supported scheme for Ukrainian refugees. There is no indication that Government is considering any changes to the rent and benefits regime so income levels will remain relatively static, meaning the net cost of TA will continue to increase. Government consultation on changes to the formula for calculating Homelessness Prevention Grant have been postponed, although there is certainty of funding for 23/24 and 24/25 with Westminster seeing small increases of c£0.1m per annum. The Council has allowed £85m to purchase an additional 270 properties for TA to partly relieve the pressure on the revenue budget and to improve the Councils support for homeless residents.

- Inflation and interest rates – inflation remains one on the key risks on the 2024/25 budget and beyond with September CPI at 6.7%, before falling to 3.9% in November 2023. This was the lowest inflation rate since September 2021. The OBR predict this to fall, but there is still significant uncertainty given continuing global events. Staff pay, which is negotiated nationally has increase by 5% in the current year, and a further 3% is assumed in 2024/25.

- Interest rates – interest rates have been continued to be increased by the Bank of England to try and combat inflation. The Council sees a significant benefit from treasury management interest earnings on its cash deposits, however as rates fall over the medium term then these earnings will fall. Higher rates will impact on the Council's borrowing for capital purposes; however, this is largely mitigated over the next couple of years by the forward borrowing deals that have secured £400m at an average rate of 2.6%.

- Capital programme - risk in terms of slippage, capital receipts and other external factors affecting delivery and these are set out in more detail in the concurrent Capital Strategy report

- Other service demand - pressures can arise from additional service demand in areas of higher volatility in addition to temporary accommodation mentioned above, including children's and adults social care. These services are monitored carefully during the year to be able to respond with management actions and / or additional capacity where required

- Income – the Council continues to be affected by the impact of economic activity after the pandemic and now into a cost of living crisis. Several income streams have seen further reductions in the current year and a prudent view has been taken of future income expectations.

Reserves Policy

9.3. Reserves are an important part of financial planning. They are held for two overarching purposes; to mitigate risks such as those outlined in the section above, or to invest in the Council's priorities.

9.4. 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.

9.5. 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 investments, 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.

9.6. 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 to allow time for proper consideration of any structural adjustments to the base budget that are needed.

General Reserves

9.7. 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 2023 was £60.4m. 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.

Section Statement and General Reserves Level

9.8. As part of S25 of the Local Government Act 2003 the S151 officer is required to report on the adequacy of reserves as well as the robustness of the estimates used to compile the budget. This formal statement is included at appendix 6.

9.9. 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.

10. Council Tax, Business Rates, Levies and Precepts

Council Tax

10.1. The council tax base (the number of Band D equivalent properties estimated to be billable for the year 2024/25) was considered by Cabinet in December 2023 and approved by Full Council on 24 January 2024. 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 135,955 to 137,295, raising an additional income of £0.640m due to increase in council tax base only.

10.2. 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.

10.3. The table below summarises the Council Tax Base position for Westminster in 2024/25. 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
2023/24	3,637.83	91.68	132,225.95	135,955.46
Change	62.57	5.28	1,272.33	1,340.18
2024/25	3,700.40	96.96	133,498.28	137,295.64

10.4. 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£0.656m of council tax income.

10.5. 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 2.99% (excluding the Social Care precept) would constitute to an excessive increase for 2024/25 and would be subject to a referendum.

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

Modelled Changes to Band D	1%	1.50%	2.50%	2.99%	3.99%	4.99%
Band D 2023/24 (£)	477.91	477.91	477.91	477.91	477.91	477.91
Increase	4.78	7.17	11.95	14.29	19.07	23.85
Modelled Band D 2023/24 £	**482.69**	**485.08**	**489.86**	**492.20**	**496.98**	**501.76**
Additional Income £m	**0.656**	**0.984**	**1.640**	**1.962**	**2.618**	**3.274**

10.7. The schedules accompanying this report sets out the financial implications on the Council's overall budget of following the government assumption of a 2.99% increase for core services with 2% adult social care precept, totalling 4.99% for 2024/25. Cabinet is asked to recommend the proposed increase in the social care precept and general element of 2023/24 Band D council tax to Full Council.

10.8. The London Assembly is due to meet to consider the Mayor's proposed budget for the GLA for final approval on Thursday 22 February 2024. Currently, the Mayor's proposed budget recommends an increase to the 2024/25 Band D equivalent charge from £434.14 to £471.40, an increase of £37.26 rise in the adjusted Band D Precept (8.6%). The proposed precept for council taxpayers in the City of London is £166.27 (an increase of £24.26 which excludes the £13 element for the Met Police). The precept proposal assumes that the government accedes to the Mayor's request to adjust the 28 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.

10.9. Queen's Park Community Council notified the Council that their precept for 2024/25 will increase from £47.31 to £52.31 (Band D equivalent) an increase of £5.00 or 10.6%.

10.10. The Montpelier Square Garden Committee has notified the Council that their special expense for 2024/25 will not change. The Band D equivalent for 2023/25 will reduce from £680.63 to £643.56 due to an increase in the council tax base.

10.11. Local authorities have been granted additional powers from the Department for Levelling Up, Housing and Communities (DLUHC) to raise additional funding via an additional precept to support spending on Adults and Children's Social Care activities, which would otherwise have been unaffordable.

10.12. 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 2.00% per annum, the maximum allowed. It should be noted that the proposed budget includes additional spending on social care which exceeds precept increase.

10.13. The collective impact of the proposed changes discussed above to the Westminster Band D amount from an increase of 2.00% for Social Care and

2.99% general increase for 2024/25 is additional income of £3.274m as set out below:

Approved Band D 2023/24	477.91
4.99% Increase	23.85
Approved Band D 2024/25	501.76
Council Tax Base 2024/25	137,295
Increased rate (£)	23.85
Additional Income (£)	3,274,486

10.14. 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
Precept	477.91	477.91	477.91
WCC: General Element @2.99% Increase (£)	14.29	14.29	14.29
WCC: ASC Precept @2.00% Increase (£)	9.56	9.56	9.56
Sub-Total	501.76	501.76	501.76
Greater London Authority Precept (£)	471.40	471.40	471.40
Queen's Park Community Council (£)	52.31	0.00	0.00
Montpelier Square Special Expense (£)	0.00	643.56	0.00
Total Band D Amount (£)	1,025.47	1,616,72	973.16

Band D Breakdown Yield	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
2024/25 Council Tax Base (No. of Band D Equivalents)	3,700.40	96.96	133,498.28	137,295.64
Westminster City Council (£)	1,856,713	48,651	66,984,097	68,889,460
Greater London Authority Precept (£)	1,744,369	45,707	62,931,089	64,721,165
Queen's Park Community Council (£)	193,568	0	0	193,568
Montpelier Square Special Expense (£)	0	62,400	0	62,400
Total Band D Amount (£)	3,794,649	156,757	129,915,186	133,866,593

Council Tax Reduction Scheme

10.15. 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 2013.

10.16. 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.

10.17. 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) despite resources from government being reduced by 10% at the time of transfer. 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.

10.18. The Council recently approved the retention of the "100%" Council Tax Reduction scheme for the 2024/25 financial year. Whilst many other local authorities have reduced the level of their Council Tax Support (which means their CTS claimants must 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 2024/25.

The Collection Fund

10.19. Statutory regulations require local authorities to account for annual council tax / business rates income in a different way 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 2024/25 the above estimates will represent the amount of income credited to the revenue account for that year regardless of the actual achieved.

10.20. The Council has reported a surplus in its business rates account since 2016/17. However, following the pandemic, the Council has been reporting a deficit since 2020/21. However, for 2023/24, the Council is estimating a surplus on its business rate account which has come about due to the anticipated release of funds held to finance the cost of business rate appeals on the 2017 rating list. This list has now closed and therefore further appeals cannot be lodged (except for exceptional circumstances). The current estimate of the cost of appeals yet to be decided upon by the Valuation Office Agency (VoA) is below that which we had set aside. This release will create a one-off injection of funds which will bring the Council just above the baseline level of income set by Government. Looking forward to 2024/25, the Council expects to revert to a below baseline position, in which it will lose 7.5% of its baseline funding, which amounts to £7.5m, before the Government safety net activates and funds any further shortfalls. The expected surplus generated in 2023/24 will be used to support this funding gap.

10.21. The Council has reported a surplus in its council tax account since 2015/16. However, following the pandemic the council reported a deficit in 2020/21, 2021/22 and 2022/23. The forecast for 2023/24 shows a return to a surplus position, but due to these historic deficits, the account is likely to remain in an overall deficit, which has been estimated at £1.5m. This deficit position as been realised in the 2024/25 budget but offset with a use of reserves to mitigate the impact, due to the one-off nature of this position. Looking forward, the Council expects to be in a surplus again for 2024/25.

Business Rates

10.22. The government confirmed that the Expanded Retail Discount for businesses would continue to apply in 2023/24 at 75% up to a maximum of £110,000 per business.

10.23. 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' reserves are used to smooth this.

Business Rates: The Collection Fund and Pooling

10.24. 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 London-wide pool for 2021/22 due to the volatility in business rates following the pandemic and expected reduction in business rates income. Therefore, Councils returned to the previous business rates share regime that allocated income based on the following proportions: WCC 30%, GLA 37% and central government 33%. In 2023/24 a smaller group of boroughs agreed to pool and this is likely to continue in 2024/25, but it is not beneficial for the pool for Westminster to be included because of the deficit the Council has.

10.25. Based on latest estimates it is forecast that the Council will go into the business rates safety net for 2024/25, in the same way it did in 2022/23. 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 £7.5m per year. This can be covered by the anticipate one-off surplus position forecast for 2023/24, or the business rates risk reserve set aside in previous years of growth. This will therefore not impact on the general fund revenue budget.

Levies and Special Charges

10.26. 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

10.27. At the time of writing this report, the Council is awaiting notifications from these three bodies to confirm the 2024/25 levies. Therefore, the 2023/24 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 items budget.

11. Stakeholder Engagement

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

11.2. In future years, the administration intends to introduce forms of participatory budgeting to give residents control over allocation of budgeted spending.

12. Financial Implications

12.1. The financial implications are set out in the body of this report.

13. Legal Implications

13.1. 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.

13.2. 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.

13.3. 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 considered.

13.4. 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.

13.5. 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 because of the responses to a consultation, and further reports to Cabinet or cabinet member (as appropriate) may be required.

13.6. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 16. 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.

13.7. 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.

13.8. 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.

13.9. 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.

13.10. Under powers contained in the Localism Act 2011, the Government can require compulsory referendums on Council Tax increases above limits it sets. For 2024/25, the referendum threshold is 2.99%. The proposal is within the threshold change: the Council will therefore not be required to hold a referendum.

13.11. In addition to the referendum threshold, the Government has also announced a threshold of an additional 2% for authorities with Social Care responsibilities. The borough needs to raise funding on this account for 2024/25 and is therefore proposing to implement the precept.

14. Climate Implications

14.1. The Council is delivering an ambitious programme of climate action in line with meeting our dual 2030 (council operations) and 2040 (citywide) net zero targets. This ongoing commitment is supported by funding in the council budget for projects that - directly or indirectly - deliver climate benefits.

14.2. As part of this process, the Council is working with the GLA and a cohort of London boroughs to explore the concept of climate budgeting. This process helps link organisational spend to the delivery of climate outcomes. For the Council, the initial aim is to better understand the costs of achieving net zero and determine how far the Council’s identified actions move us towards our net zero 2030 target.

14.3. A high-level assessment has been undertaken as a first step at climate budgeting. This exercise has provided first order estimates for the costs of delivering climate-related projects and their associated carbon saving contributions. This is based on key projects and measures that are identified through the climate emergency action plan. The assessment includes:

- Scenario 1: Planned projects and measures scheduled for delivery with funding already approved. Approximately £70m of projects are included within capital budgets up to the 2025/26 budget period.

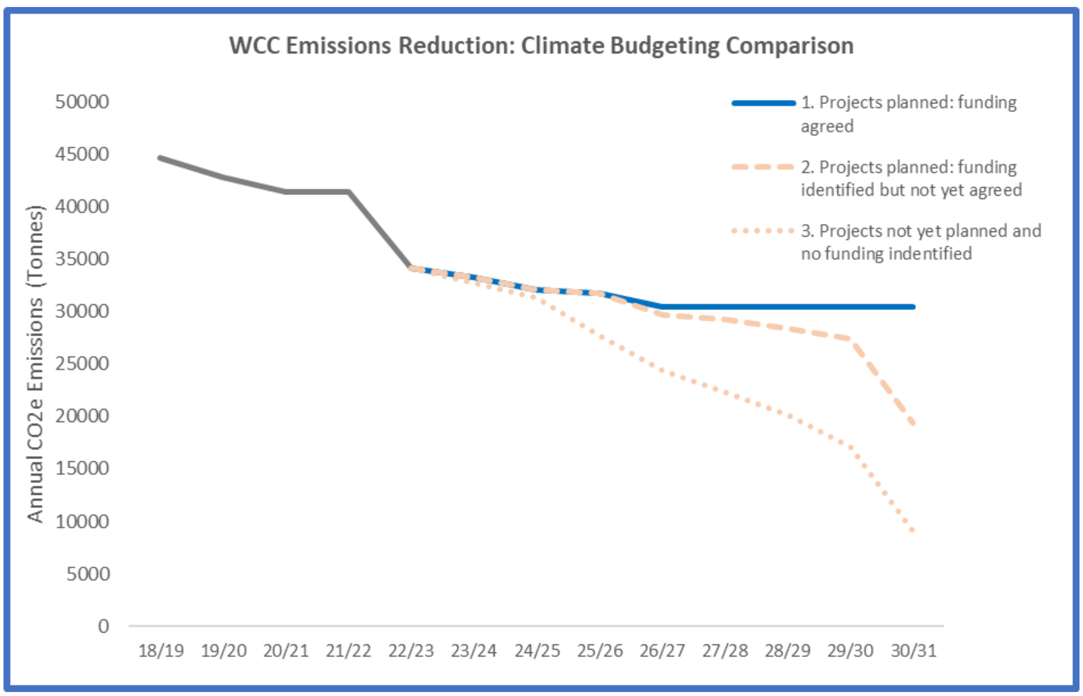
- Scenario 2: Key projects and measures that are planned, with funding needs identified but not yet agreed. Delivery is dependent on funding being secured.

- Scenario 3: Projects not yet planned and with no funding identified. Projects that could reduce emissions subject to further assessment and if additional funding can be found to unlock and accelerate delivery (e.g. proactive replacement of heating systems rather than at end of life).

14.4. The Council continues to track emissions across its corporate estate and activities on an annual basis. In 2018-19, the Council produced 44,619 tonnes of carbon dioxide equivalent (CO_2e). As of 2022/23 reporting period, this has reduced by 23.5% to 34,161 tCO_2e.

14.5. The carbon reduction measures with funding already agreed (Scenario 1) are estimated to reduce the Council's emissions to 30,420 tCO_2e by 2030, a reduction of 32% from the 2018/19 baseline. If resources can be found to implement additional identified measures (Scenario 2), it is estimated the Council's overall emissions could be reduced to around 19,365 tCO_2e per year by 2030-31, a reduction of 57%. Taking a highly ambitious approach to accelerate the feasibility and delivery of unplanned measures (Scenario 3) could potentially reduce total emissions to around 9,029 tCO_2e, an 80% reduction on the baseline.

The calculations do not factor in wider national action (e.g. decarbonisation of the national grid) that will further reduce our emissions and support our progress to net zero.



14.6. The Council is supporting officers across the organisation to improve assessment of the carbon impact of our activities. This includes the development of a bespoke carbon impact evaluation tool to help determine the carbon implications of capital projects seeking funding. Further work is being delivered across the organisation to better embed climate considerations and decision-making across all levels of the Council. Climate budgeting is an important tool to support and supplement this work and should be prioritised to help to inform all key decisions moving forward.

14.7. In preparation for the 2025/26 budget review, the Council will continue to build on the climate budgeting exercise to increase the robustness of the data and outputs. Further work is being planned to:

a) Progress the climate budgeting process to improve the accuracy of our projected emissions savings

b) Fully understand the true cost of delivery and better capture the associated benefits (including carbon and cost savings) derived from the identified projects and measures.

c) Identify more projects that can contribute to the delivery of the net zero 2030 ambition across the Council's estate and activities. This includes both capital funded measures and revenue funded 'enabling' activities (i.e. actions that may not deliver direct emission reductions but enable further actions that support our net zero ambitions).

d) Identify wider external sources of funding that can contribute to delivery, building on the £17.3m of external grant funding secured to support climate delivery in 2023/24.

e) Determine the preferred offsetting approach and associated costs for addressing any residual emissions by 2030.

15. Equalities Impact Assessment

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

15.2. 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.

15.3. 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 7. 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.

16. Consultations

16.1. As part of the financial planning process the Council consulted with businesses and the responses have been considered as part of the proposed 2024/25 budget.

16.2. An assessment of whether individual saving proposals require consultations is set out in the papers presented to the Scrutiny Budget Task Group in November 2023.

Appendices

Appendix 1 – Council Tax Resolution

Appendix 2 – Budget Scrutiny Task Group Papers

Appendix 3 – Summary of Gross, Income and Net budgets

Appendix 4 – List of new savings

Appendix 5 – Service Pressures and Investments

Appendix 6 – Previously agreed savings

Appendix 7 – EIA Summary

Appendix 8 – S25 Report

Appendix 9 – CIPFA Financial Management Code 2024-25

Appendix 10 – Net Budget Trail

If you have any queries about this report or wish to inspect any of the background papers please contact:

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For any queries on Appendix 7 and Individual EQIAs please contact Serena Simon (ssimon@westminster.gov.uk) or Andre Johnsen (ajohnsen@westminster.gov.uk)

Appendix 1 - Council Tax Resolution

The Council is recommended to resolve as follows:

1. It should be noted that on the 24 January 2024, the Council calculated the Council Tax Base for 2024/25:

   a) For the whole Council area as 137,295.64 [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 96.96

2. For dwellings in the Queen's Park Community Council area as 3,700.40

3. Calculate that the Council Tax Requirement for the Council's own purposes for 2024/25 (excluding Special Expenses) is £68,889,460

4. That the following amounts be calculated for the year 2024/25 in accordance with Sections 31 to 36 of the Act:

   a) £959,690,500 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) £890,738,640 being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act.

   c) £68,951,860 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) £502.21 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) £62,400 being the amount of the Montpelier Square Garden Committee special item referred to in Section 34(1) of the Act.

   f) £501.76 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	2023-24 (£)	2024-25 (£)	Change (£)
A	£289.43	£314.27	£24.84
B	£337.66	£366.64	£28.98
C	£385.90	£419.02	£33.12
D	£434.14	£471.40	£37.26
E	£530.62	£576.16	£45.54
F	£627.09	£680.91	£53.82
G	£723.57	£785.67	£62.10
H	£868.28	£942.80	£74.52

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	34.87
7	B	40.69
8	C	46.50
9	D	52.31
11	E	63.93
13	F	75.56
15	G	87.18
18	H	104.62

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	429.04
7	B	500.55
8	C	572.05
9	D	643.56
11	E	786.57
13	F	929.59
15	G	1,072.60
18	H	1,287.12

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 2024/25 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	369.38
7	B	430.95
8	C	492.51
9	D	554.07
11	E	677.19
13	F	800.32
15	G	923.45
18	H	1,108.14

Ratio	Band	Montpelier Square Garden Committee Rate (£)
6	A	763.55
7	B	890.81
8	C	1,018.06
9	D	1,145.32
11	E	1,399.83
13	F	1,654.35
15	G	1,908.87
18	H	2,290.64

Ratio	Band	Rest of the City of Westminster rate (£)
6	A	334.51
7	B	390.26
8	C	446.01
9	D	501.76
11	E	613.26
13	F	724.76
15	G	836.27
18	H	1,003.52

Including Westminster City Council and GLA element

Ratio	Band	Queen's Park Community Council Rate (£)
6	A	683.65
7	B	797.59
8	C	911.53
9	D	1,025.47
11	E	1,253.35
13	F	1,481.23
15	G	1,709.12
18	H	2,050.94

Ratio	Band	Montpelier Square Garden Committee Rate (£)
6	A	1,077.82
7	B	1,257.45
8	C	1,437.08
9	D	1,616.72
11	E	1,975.99
13	F	2,335.26
15	G	2,694.54
18	H	3,233.44

Ratio	Band	Rest of the City of Westminster rate (£)
6	A	648.78
7	B	756.90
8	C	865.03
9	D	973.16
11	E	1,189.42
13	F	1,405.67
15	G	1,621.94
18	H	1,946.32

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.

Budget Scrutiny Task Group

Date:	19 February 2024
Classification:	General Release
Title:	Budget Scrutiny Task Group Summary Report
Report of:	Councillor Paul Fisher, Chair of the Budget Scrutiny Task Group
Wards Involved:	All
Policy Context:	Fairer Westminster and the 2024/25 draft Budget
Report Author:	Clare O'Keefe, Lead Policy and Scrutiny Advisor and Statutory Scrutiny Officer, cokeefe@westminster.gov.uk

1. **Foreword from the Chair**

1.1. In my capacity as the Chair of the Budget Scrutiny Task Group ("BSTG"), I would like to express my appreciation to every Member and officer who participated in this round of draft Budget scrutiny. The BSTG memberships' comprehensive array of professional skills and experience in local government lends itself to varied cross-party inquiries and an effective examination of some of the key principles and decision-making behind the draft Budget.

1.2. I would also like to put my thanks on record to the Cabinet Members who have, for the first time in recent years, accepted the invitation to attend the BSTG sessions to answer questions in relation to their respective portfolios. This was a recommendation at the end of the last budget cycle, which I am glad to see implemented.

1.3. During the last cycle of draft Budget scrutiny, Members noted opportunities for the future of the BSTG to ensure it is as effective a tool as it can be. The opportunities which were raised were reinforced by the Scrutiny Improvement Review undertaken by the Centre for Governance and Scrutiny (CfGS) in spring 2023 which referred to strengthening finance scrutiny through Member development and rigorous and early involvement of budget scrutiny activity. Taking into account the observations from the BSTG as well as the recommendation of CfGS, the BSTG:

- Increased the number of sessions;
- Brought the first three sessions of scrutiny earlier from January to November;
- Held a briefing session on the Medium-Term Financial Plan;
- Undertook budget scrutiny training; and
- Worked with the Communications team to ensure the meetings were transparent and accessible.

A significant amount of time has been invested in a short in-year period to achieve the changes to the process.

1.4. This report demonstrates that the draft Budget is financially robust and has the capacity to fulfil the strategic goals of the administration. The BSTG has identified areas of risk, opportunities and positive observations regarding the draft Budget that Cabinet Members may wish to take into consideration before the draft Budget is submitted to Cabinet and then Full Council. It might be prudent for the risk areas to be subject to ongoing monitoring. In certain cases, it might be essential for Cabinet Members and officers to carefully consider concerns raised by Members throughout the next financial year as well as provide updates to the relevant Policy and Scrutiny committees in the coming year.

2. **Background**

2.1. Established in 2007, the BSTG is a standing task group of the Overview and Scrutiny Committee (formerly the Westminster Scrutiny Commission) and leads Policy and Scrutiny activity relating to the draft Budget assumptions and options, draft business plans, and estimates at the appropriate stages in the business planning cycle.

2.2. The BSTG publishes a summary of its findings after each round of scrutiny activity and provides a copy of this to the Executive for their consideration when drawing up firm Budget proposals for submission to the Council. The BSTG should expect to receive a response from the Executive within two months of the publishing date.

2.3. The BSTG is chaired by Councillor Fisher, and the membership of each meeting is made up of four Majority Group representatives and three Opposition Group representatives, chosen by the Group Whips. The following Members participated in at least one meeting in this round:

- Cllr Fisher (Chair)
- Cllr Dean
- Cllr Hassan
- Cllr Mendoza
- Cllr Mitchell
- Cllr Ormsby
- Cllr Piddock
- Cllr Pitt Ford
- Cllr Robathan
- Cllr Rowley
- Cllr Swaddle
- Cllr Williams

2.4. Scrutiny of the draft Budget was held over the following four meetings and the minutes of the meetings are attached to this report which include the topics of discussion.

21 November 2023
- Adult Social Care and Public Health
- Children's Services

23 November 2023
- Environment, Climate and Public Protection
- Housing Services

27 November 2023
- Innovation and Change
- Regeneration, Economy and Planning
- Finance and Resources

25 January 2024
- Financial Planning 2024/25
- Proposed Capital Programme 2024/25
- Housing Revenue Account 2024/25

3. **Risks**

3.1. There are a number of risk areas in the draft Budget that the BSTG wishes to highlight for consideration by the Cabinet. Some of these risks may also be issues the relevant Policy and Scrutiny Committees wish to consider in greater depth in due course.

3.2. **Temporary Accommodation (TA)**

The BSTG noted that TA is a long-term issue which has been compounded by the cost-of-living crisis and the complexity of housing needs rising. TA places a £28.1m pressure on the Council, which reflects a 15 percent increase on placements since the beginning of 2022/23 and an existing trajectory of 44 percent across four years (33 percent by the end of 2024/25). While the Council has implemented various mitigation measures, and is positioned more favourably than other local authorities, the overall TA climate remains challenging both in the City and across the local government sector.

The BSTG was pleased to note that recent TA acquisitions have provided additional capacity yet wishes to emphasise that the Council should ensure this expansion is both cost-effective and sufficiently staffed to be impactful. The BSTG also notes however that planned investments will be funded as one-offs from reserves and considered whether this should be built into the base budget. Additionally, a critical focus should remain on averting the necessity for TA in the first place. TA will be presented to the Housing and Regeneration Policy and Scrutiny and Committee on 4 March 2024, and Members can consider establishing a task group to delve into the specific issues of TA in greater detail.

3.3. Parking

The most significant area of income in the Environment, Climate and Public Protection directorate is Fees and Charges, with parking contributing to 67 percent of the total Fees and Charges income of £108.524m. BSTG is aware of the work undertaken in the Council to try to balance the environmental agenda and modal shifts in transportation without critically impacting the revenue the Council receives from parking fees. Parking therefore remains a risk the BSTG would like to raise and place importance on identifying alternative ways of managing and compensating the loss of income. The BSTG noted that the Climate Action, Environment and Highways Policy and Scrutiny and Committee called-in the recent decision on the Parking Charges Review on 6 December 2023 for greater scrutiny; the Committee voted for no further action to be taken and so the decision stood.

3.4. Planning income stream

The BSTG notes that the Regeneration, Economy and Planning directorate is projecting a £2.200m budget pressure, primarily driven by a reduction in fee income for Planning and attributed to reduced activity for Major developments in particular. The Planning fee income shortfall represents a pressure of £1.600m and the existence of this pressure has been the case for several successive financial years. Although central government is set to increase the centrally set fees, this will only reduce the income shortfall by an estimated £380k. The BSTG was pleased to note that this sustained pressure has been built into the base budget but is keen that mitigations for the loss of income, and fall in demand for Major Planning applications, are pursued by the Council.

3.5. Digital and Innovation

The BSTG notes that Digital and Innovation is a key issue within the Finance and Resources directorate as the digital agenda will enable the delivery of savings which will be essential for the future. The BSTG however stated that across the Council there is an absence of urgency surrounding the digital and innovation agenda and it is not seen as being treated as a priority; the BSTG noted that the timeline of three years to see savings from digital and innovation materialise is a long time. The BSTG welcomed the creation of Adult Social Care's Digital Account but raised concern about the mitigations in place if it malfunctions and how the expectations of the consumer are addressed in general if Council digital systems fail. The BSTG recommended that the digitisation and innovation agenda should be investigated as part of a task group.

3.6. Home care workers' pay

The BSTG welcomed the £1.200m investment into home care workers' pay and lauded its inclusion. The BSTG noted however that this will be funded from the Market Sustainability Improvement Fund for 2023/24 and 2024/25 but that the grant's continuity has not been confirmed beyond 2024/25. If the administration decides that the investment into home care workers' pay should continue, the BSTG noted this will need to be built into the base budget in future years if there is no access to grant funding.

3.7. **Pimlico District Heating Undertaking (PDHU) and decarbonisation**

The BSTG was pleased to note the inclusion of PHDU in the draft Budget as this was a major topic of discussion when scrutinising the 2023/24 draft Budget. The BSTG noted that the PHDU supplies heat to 3,300 homes and 50 commercial buildings and operating the PDHU network accounts for 39 percent of the Council's annual carbon emissions. If the Council is to achieve its net zero 2030 target, it needs to reduce the carbon emissions from PDHU and renew the energy supply provided by PDHU. The BSTG noted that the allocation of funds to enable the delivery of the renewal project is significant and that the Climate Action, Environment and Highways Policy and Scrutiny Committee will be scrutinising the Outline Business Case on 29 February 2024. The BSTG is also aware that decarbonising through the retrofitting programme requires the commitment of significant levels of capital investment and faces challenges where there could be access issues and potential business interruption claims especially relating to the decarbonisation of the commercial estate.

3.8. **Falling school rolls**

The BSTG noted that the provisional Dedicated Schools Grant (DSG) increased by 2.7 percent but that overall the schools block has reduced by 0.39 percent as a result of pupil numbers reducing. The BSTG remains concerned that the DSG is significantly below current inflation and schools in Westminster continue to face financial challenges. The BSTG noted that whilst Children's Services is doing the best job it can, schools with falling rolls continue to be in a challenging budget position.

3.9. **Capital Programme**

The BSTG noted that the potential slippage in budgets and delays to projects in the Capital Programme should be noted as a risk. The Capital Programme is a large and ambitious programme of work with significant spending and borrowing requirements totalling £57m. Projects must run to budget and to timetable and, if they do not, this poses a risk to the Budget. The BSTG noted the importance of adequately managing and monitoring projects.

3.10. **Building Control**

The BSTG notes that a key challenge in the future outlook for the Regeneration, Economy and Planning and Housing Services directorates is the anticipated uplift in demand in relation to the Building Safety Act. Whilst the work allocated to the Regeneration, Economy and Planning directorate's Building Control team is likely to create income opportunities, both directorates will see a financial pressure to scale up operations and enhance inspectors' certification requirements. The BSTG was pleased to note that that teams are undertaking work to consider how this can best be met.

3.11. **Inflation, procurement, and interest**

The BSTG was pleased to see that there are contingencies built into the draft Budget but noted that inflation and interest rates still remain uncertain. The BSTG emphasised the importance of minimising the long-term inflationary effects on procuring contracts, building in interest rates forecasts into the MTFP and mitigating against pressures such as rent inflation which is driving up the average weekly cost of private rented sector supply.

4. Opportunities

4.1. The BSTG has identified the following opportunities that it would like to raise with the Cabinet.

4.2. **City Promotions, Events and Filming:** the overall proposals for the City Promotions, Events and Filming, and potentially including the long-term business plan, exhibit a deficiency of ambition as the BSTG is of the opinion that it could be a larger source of revenue.

4.3. **Digital and automation:** the application of AI should be explored across the Council to maximise the use of digital solutions. The BSTG noted that AI should be used in areas where there is the greatest potential for maximising efficiency.

5. Positive Observations

5.1. There are a number of positive observations which the BSTG wish to highlight in this summary report.

5.2. **Children's Services savings:** the savings relating to Children's Services do not impact Special Educational Needs and Disability (SEND) provisions. The BSTG was pleased to receive assurance that the services provided for SEND children, as well as vulnerable children and family hubs are not facing cuts and that the areas are been given adequate focus.

5.3. **Service efficiencies:** the BSTG welcomed the move towards service efficiencies, particularly when it relates to the Council paying less for the same service, seen by a number of the savings proposed by the Environment, Climate and Public Protection directorate. The BSTG also noted that the savings proposed in Adult Social Care focused on efficiency rather than impacting on residents.

5.4. **Equality Impact Assessments:** the BSTG noted the usefulness of receiving the Equality Impact Assessments when examining savings proposals as they set out the local impact of the savings.

5.5. **Mitigations:** the BSTG was pleased to be informed of the long-term relationships cultivated by the Council which has helped to mitigate the pressures of inflation on procurement and contracts.

5.6. **Tracking:** the BSTG noted that the tracking of deliverability and progress of projects is submitted quarterly to the Audit and Performance Committee.

6. The Future of the Budget Scrutiny Task Group

6.1. Whilst there have been many changes to the draft Budget scrutiny process this year, it is important to recognise that the process is malleable to ensure it is as effective as possible in providing effective scrutiny of the draft Budget. There are a number of considerations which can be examined as a part of this, which include:

6.2. **Transparency:** increasing the reach of the communications campaign to ensure that a wide cross-section of stakeholders is aware of the process and when the meetings are being held.

6.3. **Presentation of material:** addressing the information imbalance between officers and Members is vital for effective scrutiny. The material presented to the BSTG at present has been high level and Members would benefit from receiving the detail behind some of the figures and decisions, including Red-Amber-Green ratings, to ensure effective scrutiny. It would therefore be of value for officers to improve the presentations in the agendas by submitting written commentary, employing clear language, and incorporating understandable diagrams and tables. Given the inherent complexity within the draft Budget and Medium-Term Financial Plan, it would be useful to include detailed defined terms and glossaries for clarification; this explanatory effort need not be duplicated, as it would be relevant to subsequent budget scrutiny rounds.

6.4. **Medium-Term Financial Plan briefing:** refine how this briefing is undertaken by considering the different needs of Members, the timing of the briefings and consider opening the briefing to all backbench members who may find it useful.

6.5. **Timetabling:** ensure that the budget scrutiny timetable is drawn up well in advance to give advance notice of all sessions, for Cabinet Members and officers to have enough time to gather the requested detail of budget proposals and ensure that papers are published in good time before the sessions to allow enough time for the BSTG to digest the content.

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

Clare O'Keefe, Lead Policy and Scrutiny Advisor and Statutory Scrutiny Officer, cokeefe@westminster.gov.uk.

APPENDICES:

A. Budget Scrutiny Task Group Terms of Reference.
B. Minutes from the meeting of the BSTG on 21 November 2023.
C. Minutes from the meeting of the BSTG on 23 November 2023.
D. Minutes from the meeting of the BSTG on 27 November 2023.
E. Minutes from the meeting of the BSTG on 25 January 2024.

BACKGROUND PAPERS:

- Budget Scrutiny Task Group 2023/24 report, Overview and Scrutiny, 5 October 2023.

Appendix 3 - Budget Schedules

2024/25 Gross Expenditure Budget

Executive Leadership Team	2023/24 Budget £'m	Corporate Adjustments £'m	Service Specific Pressures £'m	Fairer Westminster Investments £'m	Savings Proposed £'m	Proposed 2024/25 Budget £'m
Adults Social Care	113.061	1.130	0.550	1.275	(2.270)	113.746
Children's Services	164.516	2.316	0.687	0.411	(0.980)	166.950
Environment, Climate & Public Protection	141.994	(0.285)	0.061	3.455	(2.600)	142.625
Finance and Resources	95.085	(14.316)	(0.015)	0.250	(3.800)	77.204
Corporate Items	45.834	1.139	0.000	0.000	0.000	46.973
Democracy, Law and People	9.514	0.000	0.000	0.000	0.000	9.514
Housing and Commercial Partnerships	278.899	0.000	38.230	1.476	(0.625)	317.980
Innovation and Change	22.475	0.471	0.170	0.651	(0.842)	22.925
Public Health	34.921	0.000	0.000	0.000	0.000	34.921
Regeneration, Economy & Planning	24.408	0.120	0.000	(0.047)	(0.615)	23.867
Other Corporate Directorates	1.986	0.000	0.000	1.000	0.000	2.986
Sub-Total Gross Expenditure	**932.694**	**(9.425)**	**39.683**	**8.472**	**(11.732)**	**959.691**

2024/25 Gross Income Budget

Executive Leadership Team	2023/24 Budget £'m	Corporate Adjustments £'m	Service Specific Pressures £'m	Fairer Westminster Investments £'m	Savings Proposed £'m	Proposed 2024/25 Budget £'m
Adults Social Care	(53.887)	0.000	0.000	0.000	(0.080)	(53.967)
Children's Services	(121.355)	0.000	0.000	0.000	(0.243)	(121.598)
Environment, Climate & Public Protection	(136.420)	0.000	0.830	0.000	(6.600)	(142.190)
Finance and Resources	(76.205)	0.000	0.085	0.000	(0.400)	(76.520)
Corporate Items	(36.477)	(9.174)	0.000	0.000	0.000	(45.651)
Democracy, Law and People	(3.489)	0.000	0.000	0.000	0.000	(3.489)
Housing and Commercial Partnerships	(249.412)	0.000	0.000	0.000	0.000	(249.412)
Innovation and Change	(6.854)	0.000	0.000	0.000	(0.376)	(7.230)
Public Health	(36.062)	0.000	0.000	0.000	0.000	(36.062)
Regeneration, Economy & Planning	(18.923)	0.000	1.600	0.000	(0.705)	(18.028)
Other Corporate Directorates	0.000	0.000	0.000	0.000	0.000	0.000
Sub-Total Gross Service Income	**(739.083)**	**(9.174)**	**2.515**	**0.000**	**(8.404)**	**(754.146)**

2024/25 Net Budget

Executive Leadership Team	2023/24 Budget £'m	Corporate Adjustments £'m	Service Specific Pressures £'m	Fairer Westminster Investments £'m	Savings Proposed £'m	Proposed 2024/25 Budget £'m
Adults Social Care	59.174	1.130	0.550	1.275	(2.350)	59.779
Children's Services	43.162	2.316	0.687	0.411	(1.223)	45.353
Environment, Climate & Public Protection	5.575	(0.285)	0.891	3.455	(9.200)	0.436
Finance and Resources	18.880	(14.316)	0.070	0.250	(4.200)	0.683
Corporate Items	9.358	(8.035)	0.000	0.000	0.000	1.321
Democracy, Law and People	6.025	0.000	0.000	0.000	0.000	6.025
Housing and Commercial Partnerships	29.487	0.000	38.230	1.476	(0.625)	68.568
Innovation and Change	15.621	0.471	0.170	0.651	(1.218)	15.695
Public Health	(1.141)	0.000	0.000	0.000	0.000	(1.141)
Regeneration, Economy & Planning	5.486	0.120	1.600	(0.047)	(1.320)	5.839
Other Corporate Directorates	1.986	0.000	0.000	1.000	0.000	2.986
Sub-Total Net Service Budget	**193.611**	**(18.599)**	**42.198**	**8.472**	**(20.136)**	**205.544**

Funded By:						
Settlement Funding Assessment	(128.637)	(8.019)	0.000	0.000	0.000	(136.656)
Council Tax Income	(64.974)	(3.915)	0.000	0.000	0.000	(68.889)
Sub-Total Core Funding	**(193.611)**	**(11.934)**	**0.000**	**0.000**	**0.000**	**(205.545)**
General Fund Balance Budget	**0.000**	**(30.533)**	**42.198**	**8.472**	**(20.136)**	**(0.000)**

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Appendix 4 - List of New Savings

Saving Ref.	Saving Title	2024/25 £000	2025/26 £000	2026/27 £000	Total Saving over the 3 year MTFP £000
ADULTS					
1.1	Remodelling supported living services	100	150	150	**400**
1.2	Short breaks efficiency	100			**100**
1.3	Learning Disability contract efficiency	100	150	150	**400**
1.4	Enhanced integration with Housing	200	300	300	**800**
1.5	Prevention initiatives	250	300	630	**1,180**
1.6	Efficient use of Disabled Facilities Grant	80			**80**
1.7	Model efficiencies in retender of the Occupational Therapy Contract	60	60	60	**180**
1.8	Review Block and Spot arrangements for placements and consider most effective use of resources	75	100	150	**325**
1.9	Review Adult Social Care Public Health contracts register and consider applying efficiency target	50	250	350	**650**
1.10	Digital Account	325	400	400	**1,125**
1.11	Review Tri Borough Recharge Arrangements for hospital services and Emergency Duty Team		50	50	**100**
1.12	Review Procurement Pipeline	150	200	200	**550**
ADULTS TOTALS		**1,490**	**1,960**	**2,440**	**5,890**
CHILDREN'S					
2.1	Repurposing accommodation to best support care leavers		300	300	**600**
2.2	Special Educational Needs Transport - Personal Transport Budget and independent travel training.	50	50	50	**150**
2.3	Reconfiguring Fostering			300	**300**
2.4	Registrars	143			**143**
CHILDREN'S TOTALS		**193**	**350**	**650**	**1,193**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION					
3.1	Street Cleansing Efficiency (Winter Change) - Targeted reduction in the provision of weekend street sweepers according to seasonal requirements (Quieter Winter months)	110			**110**
3.2	Street Cleansing Efficiency (Summer Change) - Targeted reduction in the provision of additional street sweepers to cover seasonal requirements (Summer months)	170			**170**
3.3	Electrification of the second set of Waste and Recycling vehicles			1,000	**1,000**
3.4	Improved income for Commercial Waste due to increased activity in line with covid recovery (net of additional disposal costs)	280	280		**560**
3.5	Traffic Sensitive Streets - Designation of streets for Parking Suspension Charges	500	100		**600**
3.6	Parking Environmental Charging Strategy	2,900			**2,900**
3.7	Footway/Carriageway – Contract Efficiencies	100			**100**
3.8	Lighting – Contract Efficiencies	100			**100**
3.9	Drainage – Contract Efficiencies	60			**60**

Saving Ref.	Saving Title	2024/25 £000	2025/26 £000	2026/27 £000	Total Saving over the 3 year MTFP £000
3.10	Asset Management and Programme Coordination Service Efficiencies		100		**100**
3.11	Energy savings from Adaptive Lighting system		125		**125**
3.12	Trees - Contract efficiencies.	70			**70**
3.13	Reactive and Routine Service checks -Revised focus on high risk revenue areas.		40		**40**
3.14	Third party lamp column attachment licence income		20		**20**
3.15	Fees & Charges Review - 2024/25 - Estimated Uplifts	1,800			**1,800**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION TOTALS		**6,090**	**665**	**1,000**	**7,755**
REGENERATION, ECONOMY & PLANNING					
4.1	Economy: Service Restructure		400		**400**
4.2	Economy: Review of Place Shaping Capitalisation	200			**200**
4.3	Economy: Market Storage at Tachbrook St		100		**100**
4.4	Planning: Digital/Automation Opportunities			300	**300**
4.5	Regen & Development: Post Restructure Adjustment			80	**80**
4.6	Town Planning: Centrally set Fees and Charges	380			**380**
4.7	Planning	200			**200**
REGENERATION, ECONOMY & PLANNING TOTALS		**780**	**500**	**380**	**1,660**
FINANCE AND RESOURCES					
5.1	Capital Financing Review. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years, called the Minimum Revenue Provision (MRP).		3,000		**3,000**
5.2	Bad Debt Provision - review of sundry bad debt provision following recent audit	600	600		**1,200**
5.3	Enterprise Resource Planning system efficiency savings			50	**50**
5.4	Staffing efficiencies from replacement of agency staff in vacant positions with permanent staff		100		**100**
5.5	Assessing operational buildings for being fit-for-the-future		250	550	**800**
5.6	Improved electronic mail, post processes, consolidation and streamlining of the printing contracts		100		**100**
5.7	Acquisition of two supportive living flats, capital investment and saving on revenue contract (ongoing) with the NHS		86		**86**
5.8	Saving from lowered energy bills due to the capital investment in decarbonisation measures	114			**114**
5.9	Tri-borough Treasury and Pensions - staff reorganisation and deletion of one post	46			**46**
5.10	Service Efficiencies	230	280	290	**800**
5.11	Capita Contract savings on extension	400			**400**
FINANCE AND RESOURCES TOTALS		**1,390**	**4,416**	**890**	**6,696**
INNOVATION & CHANGE					
6.1	Strategy & Intelligence - insourcing	90			**90**
6.2	Strategy & Intelligence - review of staff funding	69		20	**89**
6.3	City Promotions, Events & Filming - Income	45	45	45	**135**
6.4	Communications - service review	45	65	135	**245**
6.5	Governance & Councillor Liaison - Review of Pay Budgets	76			**76**

Saving Ref.	Saving Title	2024/25 £000	2025/26 £000	2026/27 £000	Total Saving over the 3 year MTFP £000
6.6	Governance & Councillor Liaison - subscription review	15			**15**
6.7	Corporate Programme Management Office - business partner model review	77			**77**
6.8	Communities - leisure centre income opportunities			170	**170**
6.9	Communities - review of staff funding		109		**109**
6.10	Policy - review of staff funding to Community Infrastructure Levy	120			**120**
6.11	City Promotions	120			**120**
6.12	Land Charges	126			**126**
INNOVATION & CHANGE TOTALS		**783**	**219**	**370**	**1,372**
GENERAL FUND TOTAL		**10,726**	**8,110**	**5,730**	**24,566**

Appendix 5 - List of Pressures and Fairer Westminster Investments

New Pressures

Pressure Ref.	Pressure Title	2024/25 £000	2025/26 £000	2026/27 £000	Total Pressure over the 3 year MTFP £000
ADULTS					
1.1	Learning Disability Transition	300			**300**
1.2	Mental Health demand	250			**250**
ADULTS TOTAL		**550**	**-**	**-**	**550**
CHILDREN'S					
2.1	Placements	400			**400**
2.2	Child Protection	27			**27**
2.3	Virtual School	110			**110**
2.4	Special Educational Needs Transport	150			**150**
CHILDREN'S TOTAL		**687**	**-**	**-**	**687**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION					
3.1	Fall in recycling rebate income due to economic changes impacting material prices	360			**360**
3.2	Rephasing of Houses in Multiple Occupations income budget increase	270		(270)	**-**
3.3	Street trading - post covid reduction in stalls	100			**100**
3.4	Massage, Special Treatments and Sex Shops reduction in vendor sites post covid	100			**100**
3.5	Additional funding for relet of Highways Contract		500	(500)	**-**
3.6	Taxi Card	61			**61**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION TOTAL		**891**	**500**	**(770)**	**621**
REGENERATION, ECONOMY & PLANNING					
4.1	Planning: Income shortfall	1,600			**1,600**
REGENERATION, ECONOMY & PLANNING TOTAL		**1,600**	**-**	**-**	**1,600**

FINANCE AND RESOURCES					
5.1	Legal - reduction of income from land charges	85	165		**250**
5.2	Procurement	100			**100**
FINANCE AND RESOURCES TOTAL		**185**	**165**	**-**	**350**
INNOVATION & CHANGE					
6.1	Sports, Leisure & Active Communities (SLAC) - contract saving risk	70			**70**
INNOVATION & CHANGE TOTAL		**70**	**-**	**-**	**70**
HOUSING AND COMMERCIAL PARTNERSHIPS					
7.1	Temporary Accommodation	37,030	(5,760)		**31,270**
HOUSING AND COMMERCIAL PARTNERSHIPS TOTAL		**37,030**	**(5,760)**	**-**	**31,270**
NEW GENERAL FUND PRESSURES TOTAL		**41,013**	**(5,095)**	**(770)**	**35,148**

Existing Pressures

Pressure Ref.	Pressure Title	2024/25 £000	2025/26 £000	2026/27 £000	Total Pressure over the 3 year MTFP £000
FINANCE AND RESOURCES					
5.3	Digital & Innovation Bi-Borough review saving	250			250
5.4	IT contract pressure	(365)			(365)
FINANCE AND RESOURCES TOTAL		**(115)**	**-**	**-**	**(115)**
INNOVATION & CHANGE					
6.2	Advice Contract Provision	100			**100**
INNOVATION & CHANGE TOTAL		**100**	**-**	**-**	**100**
HOUSING AND COMMERCIAL PARTNERSHIPS					
7.2	Temporary Accommodation	1,200			**1,200**
HOUSING AND COMMERCIAL PARTNERSHIPS TOTAL		**1,200**	**-**	**-**	**1,200**
EXISTING GENERAL FUND PRESSURES TOTAL		**1,185**	**-**	**-**	**1,185**
NEW & EXISTING GENERAL FUND PRESSURES TOTAL		**42,198**	**(5,095)**	**(770)**	**36,333**

New Fairer Westminster Investments (Built into Base Budget)

Fairer Westminster Investment Ref.	Investment Title	2024/25 £000	2025/26 £000	2026/27 £000	Total Investment over the 3 year MTFP £000
ADULTS					
FW1.1	Meal provision to defined eligible cohort over the winter period	75			**75**
FW1.2	Adults Social Carers pay	1,200			**1,200**
ADULTS TOTAL		**1,275**	**-**	**-**	**1,275**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION					
FW3.1	Enhancement of the Waste & Cleansing Team	785			**785**
FW3.2	Declaring of Ecological Emergency and recommendations from Climate Assembly			150	**150**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION TOTAL		**785**	**-**	**150**	**935**
INNOVATION AND CHANGE					
FW4.1	Leisure review (inc key contracts and Sayers Croft), and programme support for Communities	183			**183**
FW4.2	Review of posts funded by Reserves and need for continuing long term	268			**268**
INNOVATION AND CHANGE TOTAL		**451**	**-**	**-**	**451**
FINANCE AND RESOURCES					
FW5.1	Revenues and Benefits -Section 13A Council Tax Hardship relief - increased demand for support	250			**250**
FINANCE AND RESOURCES TOTAL		**250**	**-**	**-**	**250**
REGENERATION, ECONOMY & PLANNING					
FW6.1	Place Shaping: On-going management of assets	14	40		**54**
REGENERATION, ECONOMY & PLANNING TOTAL		**14**	**40**	**-**	**54**
NEW GENERAL FUND FAIRER WESTMINSTER INVESTMENTS TOTAL (Base Budget)		**2,775**	**40**	**150**	**2,965**

New Fairer Westminster Investments (Funded via Reserves)

Fairer Westminster Investment Ref.	Investment Title	2024/25 £000	2025/26 £000	2026/27 £000	Total Investment over the 3 year MTFP £000
CHILDREN'S					
FW2.1	School Inclusion bid	328		(328)	-
CHILDREN'S TOTAL		**328**	**-**	**(328)**	**-**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION					
FW3.3	Declaring of Ecological Emergency and recommendations from Climate Assembly	450		(450)	-
FW3.4	Residential Environmental Health Officer Provision	450	200	(650)	-
FW3.5	CCTV	600			**600**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION TOTAL		**1,500**	**200**	**(1,100)**	**600**
HOUSING AND COMMERCIAL PARTNERSHIPS					
FW7.1	Investment in prevention elements of a contract (to end of contract term)	850	(850)		-
FW7.2	Increase capacity of TA acquisition team	126		(126)	-
FW7.3	Homelessnes elements of Housing Improvement Programme (including TA supply workstreams)	500	(500)		-
HOUSING AND COMMERCIAL PARTNERSHIPS TOTAL		**1,476**	**(1,350)**	**(126)**	**-**
COUNCIL WIDE					
FW8.1	Cost of Living Support	1,000	(1,000)		-
COUNCIL WIDE TOTAL		**1,000**	**(1,000)**	**-**	**-**
NEW GENERAL FUND FAIRER WESTMINSTER INVESTMENTS TOTAL (Funded via Reserves)		**4,304**	**(2,150)**	**(1,554)**	**600**

Existing Fairer Westminster Investments (Funded via Reserves)

Fairer Westminster Investment Ref.	Investment Title	2024/25 £000	2025/26 £000	2026/27 £000	Total Investment over the 3 year MTFP £000
CHILDREN'S					
FW2.2	Bayswater Family Hub	83			**83**
CHILDREN'S TOTAL		**83**	**-**	**-**	**83**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION					
FW3.6	Resourced and Dedicated Climate Team	1,200	300		**1,500**
FW3.7	Selective Licensing Scheme Initial study	(30)			**(30)**
FW3.8	School Streets CCTV Programme			(55)	**(55)**
FW3.9	Landlord Standards enforcement			(180)	**(180)**
ENVIRONMENT, CLIMATE & PUBLIC PROTECTION TOTAL		**1,170**	**300**	**(235)**	**1,235**
INNOVATION & CHANGE					
FW4.3	City Plan	200	(200)		**-**
INNOVATION & CHANGE TOTAL		**200**	**(200)**	**-**	**-**
REGENERATION, ECONOMY & PLANNING					
FW6.2	Setup a Design Review Panel	(60)			**(60)**
REGENERATION, ECONOMY & PLANNING TOTAL		**(60)**	**-**	**-**	**(60)**
COUNCIL WIDE					
FW8.1	Cost of Living Support	(1,000)			**- 1,000**
COUNCIL WIDE TOTAL		**- 1,000**	**-**	**-**	**- 1,000**
EXISITING GENERAL FUND FAIRER WESTMINSTER INVESTMENTS TOTAL (Funded via Reserves)		**393**	**100**	**(235)**	**258**
NEW & EXISTING GENERAL FUND FAIRER WESTMINSTER INVESTMENTS (FUNDED VIA RESERVES) TOTAL		**4,697**	**(2,050)**	**(1,789)**	**858**

Total Fairer Westminster Investments (Included in base budget and funded from reserves)	**7,472**	**(2,010)**	**(1,639)**	**3,823**

<u>Use of Reserves for Pressures and Investments</u>

Use of Reserves: Fairer Westminster	**4,304**	**(2,150)**	**(1,554)**	**600**
Use of Reserves: Temporary Accomodation	**11,017**	**(6,647)**	**0**	**4,370**
Use of Reserves: Highways Relet	**0**	**500**	**(500)**	**0**
Total Use of Reserves for Pressures & Investments	**15,321**	**(8,297)**	**(2,054)**	**4,970**

Appendix 6 - Existing Savings (approved in previous years)

		Original Profiling - Approved in March 2023					Revised Profiling - February 2024					
Ref	Description	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	2023/24 New £000	2024/25 New £000	2025/26 New £000	2026/27 New £000	Unachievable £000	New Total £000
	Adult's											
1.1	Promoting Independence	500	500	-	-	1,000	500	500	-	-	-	1,000
1.2	Staffing Review (restructure, agency spend and vacancy factor)	255	-	-	-	255	255	-	-	-	-	255
1.3	Increased focus on prevention and greater utilisation of community strength and assets	400	-	-	-	400	400	-	-	-	-	400
1.4	Carlton Dene Development	-	500	-	-	500	-	-	-	500	-	500
1.5	Continuation of Promoting Independence initiatives over the next 4 years	100	300	500	690	1,590	100	300	500	690	-	1,590
1.6	Enhanced brokerage and void efficiency.	250	60	-	-	310	250	60	-	-	-	310
1.7	Use of the digital account to diversify spend beyond 'hours of care' to more outcome specific activities.	250	-	-	-	250	250	-	-	-	-	250
1.8	Continue to challenge for the fair application of NHS CHC criteria to all client groups.	150	-	-	-	150	150	-	-	-	-	150
1.9	Explore ways to generate efficiency within LD spend through contract efficiency and moving people into alternative accommodations.	50	-	-	-	50	50	-	-	-	-	50
	Adult's Total	**1,955**	**1,360**	**500**	**690**	**4,505**	**1,955**	**860**	**500**	**1,190**	**-**	**4,505**
	Children's											
2.1	Education Funding and Efficiencies	50	-	-	-	50	-	-	-	-	50	50
2.2	MASH/LSCB	20	30	-	-	50	20	30	-	-	-	50
2.3	IT Case Management System	88	50	-	-	138	88	50	-	-	-	138
2.4	Registrars Income	100	100	-	-	200	100	100	-	-	-	200
2.5	Delivering Transport Differently	150	-	-	-	150	150	-	-	-	-	150
2.6	Delivering Short Breaks Differently	25	75	-	-	100	25	75	-	-	-	100
2.7	Placements and Accommodation Transformation	50	50	-	-	100	50	50	-	-	-	100
2.8	Joint Funding Programme	650	-	-	-	650	-	-	-	-	650	650
2.9	Commissioning processes and quality assurance of	100	-	-	-	100	100	-	-	-	-	100
2.10	Optimisation of Housing Benefit/Universal Credit for	210	-	-	-	210	210	-	-	-	-	210
2.11	Review Youth Offending Service	25	50	100	-	175	25	50	100	-	-	175
2.12	Staffing Savings	200	675	500	775	2,150	200	675	500	775	-	2,150
2.13	Action for Change contract	90	-	-	-	90	90	-	-	-	-	90
	Children's Total	**1,758**	**1,030**	**600**	**775**	**4,163**	**1,058**	**1,030**	**600**	**775**	**700**	**4,163**
	Environment, Climate & Public Protection											
3.1	Parking Contract Relet	500	-	-	-	500	500	-	-	-	-	500

Ref	Description	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	2023/24 New £000	2024/25 New £000	2025/26 New £000	2026/27 New £000	Unachievable £000	New Total £000
3.2	Championing Innovation in Highways Maintenance and Management	250	-	-	-	250	250	-	-	-	-	250
3.3	Strategic Review of Street Cleansing Provision	158	-	-	-	158	158	-	-	-	-	158
3.4	Highways Infrastructure & Public Realm	150	-	-	-	150	150	-	-	-	-	150
3.5	Public Protection and Licensing	1,400	-	-	-	1,400	1,400	-	-	-	-	1,400
3.6	Waste - Food waste recycling impact on disposal costs	40	-	-	-	40	40	-	-	-	-	40
3.7	Moving Traffic Initiatives	200	-	-	-	200	200	-	-	-	-	200
3.8	Traffic Sensitive Streets	125	-	-	-	125	125	-	-	-	-	125
3.9	SMS Charging – 20p optional charge to users of the Pay to Park service	300	-	-	-	300	300	-	-	-	-	300
3.10	Commercial Waste income	1,550	-	-	-	1,550	1,550	-	-	-	-	1,550
3.11	Waste and recycling : Electric Waste Fleet	300	900	-	-	1,200	300	900	-	-	-	1,200
3.12	Waste and recycling collection : Electric Street Cleansing Service	570	190	-	-	760	570	190	-	-	-	760
3.13	Energy Efficient Adaptive Lighting	200	-	-	-	200	200	-	-	-	-	200
3.14	Code of construction practice and other Efficiencies	100	150	-	-	250	100	150	-	-	-	250
3.15	Parking Fee Structure Review	1,630	1,620	-	-	3,250	1,630	1,620	-	-	-	3,250
3.16	Optional SMS Charging	350	-	-	-	350	350	-	-	-	-	350
3.17	Road Safety Initiatives	-	250	250	-	500	-	250	250	-	-	500
3.18	Fees & Charges Review	5,230	-	-	-	5,230	5,230	-	-	-	-	5,230
	Environment, Climate & Public Protection Total	**13,053**	**3,110**	**250**	**-**	**16,413**	**13,053**	**3,110**	**250**	**-**	**-**	**16,413**
	Regeneration, Economy & Planning											
4.1	Procurement efficiency savings	150	-	-	-	150	150	-	-	-	-	150
4.2	Planning Income	250	-	-	-	250	250	-	-	-	-	250
4.3	Heritage Agreements	25	75	-	-	100	25	75	-	-	-	100
4.4	Church St review	35	-	-	-	35	35	-	-	-	-	35
4.5	Increase accommodation recharge to WAES	-	140	-	-	140	-	140	-	-	-	140
4.6	Increase in discretionary planning fees (above inflation)	270	125	135	150	680	270	125	135	150	-	680
4.7	Increase in volume of Planning Resource Agreements (PRAs)	60	-	-	-	60	60	-	-	-	-	60
4.8	Increase to Planning Resource Agreement (PRA) fees	60	-	-	-	60	60	-	-	-	-	60
4.9	Review of Planning Service	-	200	-	-	200	-	200	-	-	-	200
4.10	Merging of Development & Regeneration teams	-	-	100	-	100	-	-	100	-	-	100
	Regeneration, Economy & Planning Total	**850**	**540**	**235**	**150**	**1,775**	**850**	**540**	**235**	**150**	**-**	**1,775**
	Housing and Commercial Partnerships											
5.1	Capital Letters - Pan London	250	-	-	-	250	250	-	-	-	-	250
5.2	Targeted Purchases for Vulnerable Households	71	-	-	-	71	71	-	-	-	-	71
5.3	TA Purchase Programme	94	-	-	-	94	94	-	-	-	-	94
5.4	Housing Needs restructure	75	-	-	-	75	75	-	-	-	-	75

Ref	Description	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	2023/24 New £000	2024/25 New £000	2025/26 New £000	2026/27 New £000	Unachievable £000	New Total £000
5.5	Review of Commissioning/Accom.	-	500	-	-	500	-	500	-	-	-	500
5.6	Housing Needs - Pre-Action Paralegal Team	-	-	50	-	50	-	-	50	-	-	50
5.7	Strengthen Homelessness Prevention in PRS	-	50	50	-	100	-	50	50	-	-	100
5.8	Homelessness RSI & Service Recommissioning	-	-	250	-	250	-	-	250	-	-	250
5.9	Reduce storage support	-	75	-	-	75	-	75	-	-	-	75
5.10	Homelessness Service re-design	-	-	-	600	600	-	-	-	600	-	600
	Housing and Commercial Partnerships Total	**490**	**625**	**350**	**600**	**2,065**	**490**	**625**	**350**	**600**	**-**	**2,065**
	Innovation and Change											
6.1	Increase in Banners & Events income	80	85	-	-	165	80	85	-	-	-	165
6.2	Innovation Change - Service efficiencies	150	250	-	-	400	150	250	-	-	-	400
6.3	Parks & Open Spaces Service Configuration - Review of service model to consider how to deliver by combining contracts with Housing and potential relet savings	70	-	-	-	70	-	-	-	-	70	70
6.4	Increased use of Parks & Open spaces for events	50	100	-	-	150	50	100	-	-	-	150
6.5	Ward Budgets (wards moved from 20 to 18)	46	-	-	-	46	46	-	-	-	-	46
6.6	Ward Budgets - remove two	46	-	-	-	46	46	-	-	-	-	46
6.7	Governance & Councillor Liaision - non-pay review	10	-	-	-	10	10	-	-	-	-	10
6.8	Governance & Councillor Liaision - non-pay review	10	-	-	-	10	10	-	-	-	-	10
6.9	Review of Communications spend	120	-	-	-	120	120	-	-	-	-	120
6.10	Neighbourhood Keepers Grant removal	75	-	-	-	75	75	-	-	-	-	75
6.11	Parks not lock and staggering park locking times	75	-	-	-	75	25	-	-	-	50	75
6.12	Cemeteries income	50	-	-	-	50	50	-	-	-	-	50
6.13	Fees & Charges Review - 2022/23	93	-	-	-	93	93	-	-	-	-	93
	Innovation and Change Total	**875**	**435**	**-**	**-**	**1,310**	**755**	**435**	**-**	**-**	**120**	**1,310**
	Finance and Resources											
7.1	Technology Refresh	285	-	-	-	285	285	-	-	-	-	285
7.2	Investment Property Growth	500	-	-	-	500	500	-	-	-	-	500
7.3	Repurposing Building	400	-	-	-	400	400	-	-	-	-	400
7.4	Cloud migration	70	-	-	-	70	70	-	-	-	-	70
7.5	Review of Bi-Borough IT Service	250	250	-	-	500	-	250	-	-	250	500
7.6	Further IT Contract Savings	315	100	-	-	415	315	100	-	-	-	415
7.7	Investment Property Income Review	-	400	-	-	400	-	400	-	-	-	400
7.8	Business Rates review	-	300	-	-	300	-	300	-	-	-	300
7.9	Acceleration of Repurposing Building Programme	75	-	-	-	75	75	-	-	-	-	75
7.10	Planned move of ASC from NHS premises	400	-	-	-	400	400	-	-	-	-	400
7.11	FM Contract savings	-	500	-	-	500	-	500	-	-	-	500
7.12	IBC Contract savings	150	150	-	-	300	150	150	-	-	-	300
7.13	Corporate Reviews	583	-	-	-	583	583	-	-	-	-	583
7.14	Savings on insurance premiums	-	-	200	-	200	-	-	200	-	-	200
7.15	Finance departmental efficiencies	-	150	200	-	350	-	150	200	-	-	350

Ref	Description	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	2023/24 New £000	2024/25 New £000	2025/26 New £000	2026/27 New £000	Unachievable £000	New Total £000
7.16	Increased income from provision of service to Bexley	150	-	-	-	150	150	-	-	-	-	150
7.17	Review of external legal fees (including Barristers)	-	60	-	-	60	-	60	-	-	-	60
7.18	Review of IT contracts & licensing	-	100	-	-	100	-	100	-	-	-	100
7.19	Review of telephony & mobile provision	-	100	-	-	100	-	100	-	-	-	100
7.20	Commercial property acquisitions	600	-	-	-	600	600	-	-	-	-	600
7.21	Investment Property 2% growth target	-	-	500	500	1,000	-	-	500	500	-	1,000
7.22	Procurement Service Review	100	-	-	-	100	100	-	-	-	-	100
7.23	Carbon Reduction across Operational Property	420	200	100	100	820	420	200	100	100	-	820
7.24	Smart City and Digital Programme - efficiency savings	-	500	700	800	2,000	-	500	700	800	-	2,000
7.25	Reduced City Hall Rental Uplift	683	-	-	-	683	683	-	-	-	-	683
7.26	Fees & Charges Review - 2022/23	130	-	-	-	130	130	-	-	-	-	130
	Finance and Resources Total	**5,111**	**2,810**	**1,700**	**1,400**	**11,021**	**4,861**	**2,810**	**1,700**	**1,400**	**250**	**11,021**
	Collaborative Savings											
8.1	Community Commissioning	25	-	-	-	25	25	-	-	-	-	25
8.2	Eliminating paper and automating mail services	50	-	-	-	50	50	-	-	-	-	50
8.3	Reducing the Corporate Property Footprint	400	-	-	-	400	400	-	-	-	-	400
8.4	CED strategy: contact centre review	640	-	-	-	640	640	-	-	-	-	640
8.5	Fees and Charges Increase for 2021/22	500	-	-	-	500	500	-	-	-	-	500
8.6	Occupational Health review	40	-	-	-	40	40	-	-	-	-	40
8.7	Shared Executive Assistance	35	-	-	-	35	35	-	-	-	-	35
8.8	Reduction of Westminster Way budget	75	-	-	-	75	75	-	-	-	-	75
8.9	Bi-Borough Staff Saving	50	-	-	-	50	50	-	-	-	-	50
	Collaborative Total	**1,815**	**-**	**-**	**-**	**1,815**	**1,815**	**-**	**-**	**-**	**-**	**1,815**
	TOTAL	**25,907**	**9,910**	**3,635**	**3,615**	**43,067**	**24,837**	**9,410**	**3,635**	**4,115**	**1,070**	**43,067**

Changes to Previously Agreed Savings	By 2024/25 £000	In 2025/26 £000	In 2026/27 £000	Total £000
Total Savings Originally Planned	35,817	3,635	3,615	43,067
New Profiling of Savings	34,247	3,635	4,115	41,997
Change	**1,570**	**0**	**(500)**	**1,070**

Appendix 7 - 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 2023/24 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 8th March 2023. 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 19th and 23rd January 2023 and all Full EIAs are available on the Council's committee's website alongside the agendas and papers for these meetings. A summary of all the assessments is presented below:

Service	Saving Ref	Saving Title	Full or Part EIA
Adults	1.1	Remodelling supported living services	Part
Adults	1.2	Short breaks efficiency	Full
Adults	1.3	LD contract efficiency	Part
Adults	1.4	Enhanced integration with Housing	Part
Adults	1.10	Digital Account	Part
Adults	1.11	Review Tri Borough Recharge Arrangements for hospital services and EDT	Part
Adults	1.12	Review Procurement Pipeline	Part
Childrens	2.1	Repurposing accommodation to best support care leavers	Full
Childrens	2.2	SEN Transport - PTB and independent travel training.	Part
Childrens	2.3	Reconfiguring Fostering	Full
Childrens	2.4	Registrars	N/A
ECPP	3.1	Street Cleansing Efficiency (Winter Change) - Targeted reduction in the provision of weekend street sweepers according to seasonal requirements (Quieter Winter months)	Part
ECPP	3.2	Street Cleansing Efficiency (Summer Change) - Targeted reduction in the provision of additional street sweepers to cover seasonal requirements (Summer months)	Part
ECPP	3.3	Electrification of the second set of Waste and Recycling vehicles	Part
ECPP	3.4	Improved income for Commercial Waste due to increased activity in line with covid recovery (net of additional disposal costs)	Part
ECPP	3.5	Traffic Sensitive Streets - Designation of streets for Parking Suspension Charges	Full

ECPP	3.6	Parking Environmental Charging Strategy	Part
ECPP	3.7	Footway/Carriageway – Contract Efficiencies	Part
ECPP	3.8	Lighting – Contract Efficiencies	Part
ECPP	3.9	Drainage – Contract Efficiencies	Part
ECPP	3.10	Asset Management and Programme Coordination Service Efficiencies	Part
ECPP	3.11	Energy savings from Adaptive Lighting system	Part
ECPP	3.12	Trees - Contract efficiencies.	Part
ECPP	3.13	Reactive and Routine Service checks - Revised focus on high risk revenue areas.	Part
ECPP	3.14	Third party lamp column attachment licence income	Part
ECPP	3.15	Fees & Charges Review - 2024/25 - Estimated Uplifts	Full
ECPP	3.16	City Promotions	Part
REP	4.1	Economy: Service Restructure	Full
REP	4.2	Economy: Review of Place Shaping Capitalisation	Part
REP	4.3	Economy: Market Storage at Tachbrook St	Part
REP	4.4	Planning: Digital/Automation Opportunities	Part
REP	4.5	Regen & Development: Post Restructure Adjustment	Part
REP	4.6	Town Planning: Centrally set Fees and Charges	Part
REP	4.7	Planning	N/A
REP	4.8	Land Charges	N/A
F&R	5.1	Capital Financing Review. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years, called the Minimum Revenue Provision (MRP). An independent MRP review is expected to identify savings from the capital programme debt repayment	Part
F&R	5.2	Bad Debt Provision - review of sundry bad debt provision following recent audit allows a reduced provision to be made post-Covid. This does not include council tax or housing rents.	Part
F&R	5.3	Enterprise Resource Planning system efficiency savings	Part
F&R	5.4	Staffing efficiencies from replacement of agency staff in vacant positions with permanent staff	Part
F&R	5.5	Assessing operational buildings for being fit-for-the-future including low carbon and accessibility – moving and consolidating some unsuitable facilities.	Part
F&R	5.6	Improved electronic mail, post processes, consolidation and streamlining of the printing contracts	Part

F&R	5.7	Acquisition of two supportive living flats, capital investment and saving on revenue contract (ongoing) with the NHS	Part
F&R	5.8	Saving from lowered energy bills due to the capital investment in decarbonisation measures including insulation, BMS configuration, draft proofing, energy generation etc.	Part
F&R	5.9	Tri-borough Treasury and Pensions - staff reorganisation and deletion of one post	Part
F&R	5.10	Service Efficiencies	Part
F&R	5.11	Capita Contract savings on extension	Part
I&C	6.1	Strategy & Intelligence - insourcing	Part
I&C	6.2	Strategy & Intelligence - review of staff funding	Part
I&C	6.3	City Promotions, Events & Filming (CPEF) - Income	Part
I&C	6.4	Communications - service review	Part
I&C	6.5	Governance & Councillor Liaison (GCL) - Review of Pay Budgets	Part
I&C	6.6	GCL - subscription review	Part
I&C	6.7	Corporate Programme Management Office - business partner model review	N/A
I&C	6.8	Communities - leisure centre income opportunities	N/A
I&C	6.9	Communities - review of staff funding	N/A
I&C	6.10	Policy - review of staff funding	Part

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Appendix 8 Section 25 report

Report of the Chief Financial Officer

Background

1. The Local Government Act 2003 (Section 25) requires that the chief financial officer (CFO) reports the following matters to members when agreeing its annual budget and precept:

   - the robustness of the estimates made for the purposes of the budget calculations, and
   - the adequacy of the proposed financial reserves

2. The council is required to have due regard to this report when making decisions on the budget. For members the Section 25 statement provides critical context for budgetary discussions. The provision of this information is a legal requirement and ensures that all members have regard to the professional advice provided by the authority's chief financial officer when final budget decisions are made being made. This statement is therefore a critical part of the budget report to which members must pay due regard.

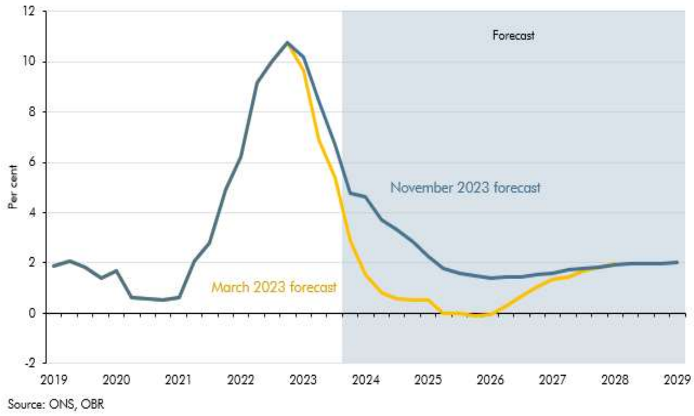
<u>Introduction</u>

3. Westminster City Council's 2024/25 budget has been set against the backdrop of continuing macro-economic uncertainty, particularly in respect of the cost-of-living crisis impacting residents across the City, driving up demand for essential Council services. Coupled with that, inflation remained very high during 2023/24, leading to high pay and contract inflation provision required in 2024/25. While inflation has reduced to 4% in Quarter 4 of 2023/24, that still remains double the Bank of England's 2% target and has impacted pay settlements, contract inflation costs and other costs of service provision. London Living Wage is set to increase by 10% from April 2025.

4. Service demand has also increased. In particular, demand for Temporary Accommodation (TA) which has seen a 19% increase in demand in the 2023 calendar year versus a 5% increase in the previous 12 months (2022). The impact of this increase in the number of TA placements has been exacerbated by a shortage of suitable supply. The volume of available private sector accommodation has remained flat over the course of 2023 (with many landlords choosing to exit the TA market and new supply only just covering this shortfall). The Council is therefore increasingly reliant on expensive nightly-paid accommodation and corporate hotels to meet the increased demand. The direction of travel for TA demand and supply represents the biggest risk to the 2024/25 budget.

5. The Council's medium-term outlook is negative following November's Autumn Statement and accompanying economic forecasts from the Office of Budget Responsibility. Updated forecasts anticipate inflation taking longer to reduce back to the 2% target (Q2 2025 in November 2023 vs Q1 2024 forecast in March 2023), as per Table 1.

Table 1: CPI forecast March 2023 vs November 2023



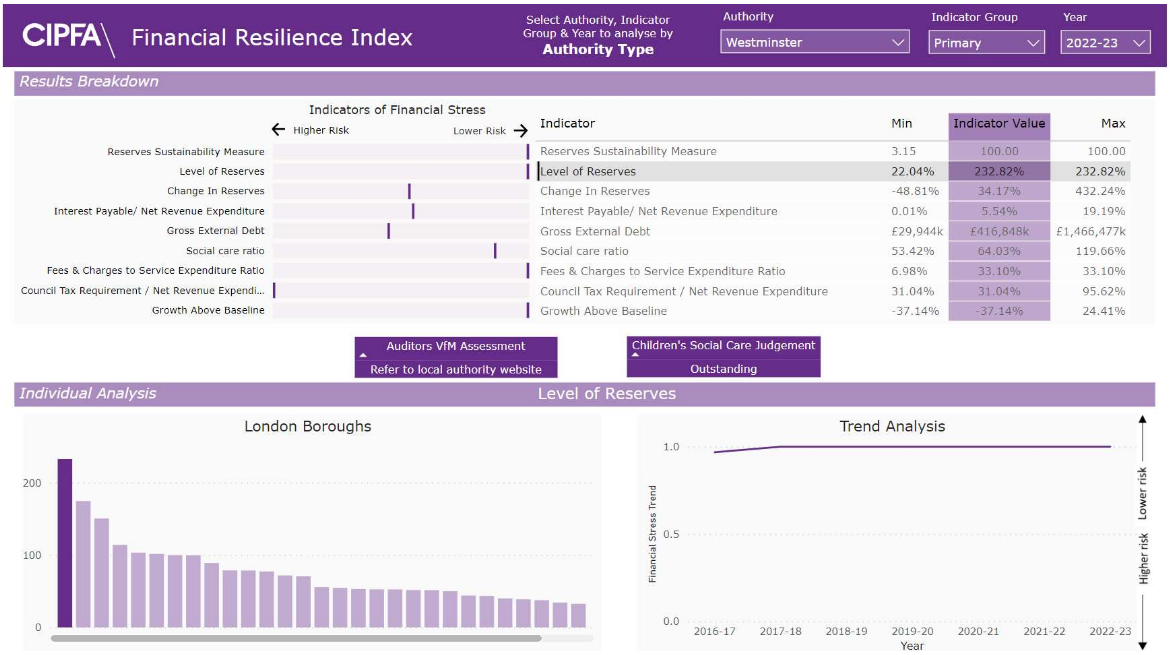
6. Inflation costs will therefore add further pressure over the next couple of years. Government grant income has not kept up with the rate of inflation, with Services Grant being significantly reduced and the continuation of Household Support Fund being uncertain. As yet, the government has made no announcement one way or another with regard to Household Support Fund.

7. Despite the economic uncertainty, Westminster City Council is reasonably resilient to short-term volatility. There are external signposts that give those assurances while also giving the council a steer on the bigger risks that needs to be addressed:

    a. CIPFA resilience index

    CIPFA publishes a Financial Resilience Index for all authorities each year. Table 1 below shows how Westminster compares to other London Boroughs as at March 2023. This shows Westminster's total reserves (general fund and earmarked) level as a percentage of its net revenue expenditure (excluding public health and schools). While the level of reserves gives the Council assurance around its short-term resilience, it should be noted that reserves should not be used for long-term support of ongoing budgets as they can very quickly deplete. Instead, they can be used to support investment and smooth out year-to-year volatility.

<u>Table 2: Total reserves level compared to London Boroughs</u>



b. Office for Local Government (OFLOG)

OFLOG was established in 2023 as part of the Department for Levelling Up, Housing and Communities (DLUHC). OFLOG's stated purpose is to "*provide authoritative and accessible data and analysis about the performance of local government*".

OFLOG's data corroborates CIPFA's position on reserves as a percentage of net budget requirements. Another key OFLOG metric regards Westminster's total debt as a percentage of core spending power.

Table 3: Total debt as percentage of core spending power

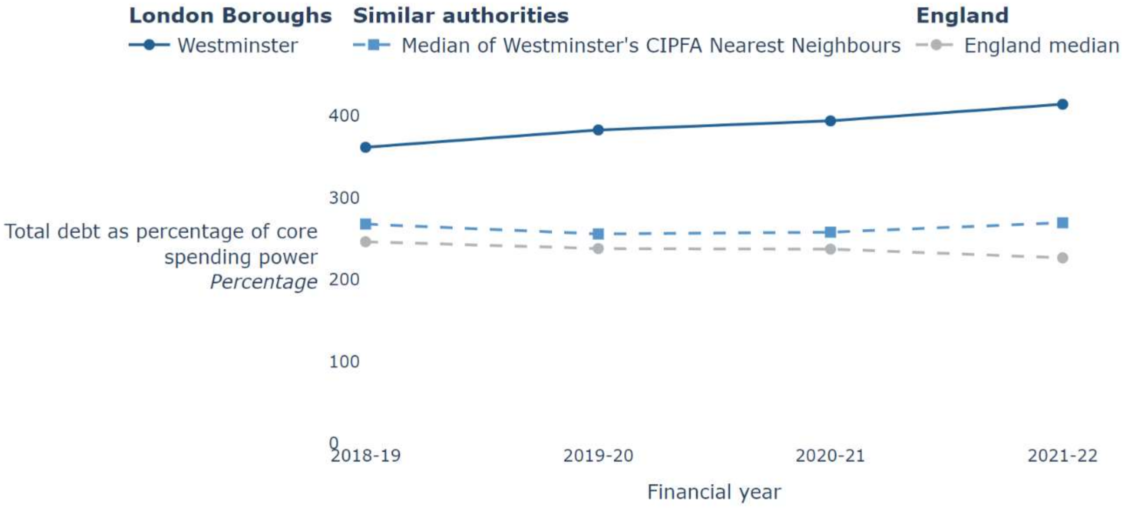


Table 3 shows total debt as consistently higher than the national average and nearest neighbours. This reflects the size of both the Council's General Fund and Housing Revenue Account ambitious capital programmes. This is financed in several ways including setting aside revenue budget over the medium to long-term to support borrowing costs, plus the earmarked reserves including affordable housing fund and community infrastructure levy. In the General Fund an additional £3m is set aside every year to ensure that borrowing costs can be supported in a sustainable way in the future and in the HRA the 30 year business plan is re-modelled annually to ensure that the borrowing costs can be funded.

CIPFA Financial Management Code – Financial Resilience Assessment

8. CIPFA recommends that local authorities undertake a Financial Resilience Assessment (FRA) each year. The FRA builds on the one-year assessments required under section 25 of the Local Government Act 2003 of the robustness of the estimates used in the budget calculations and the adequacy of the proposed levels of financial reserves.

9. The Financial Management Code states that “Effective governance and financial management is focused on ensuring that the authority is able to operate sustainably in the long term. This means that the authority needs to look beyond the limited time horizons of its funding arrangements and to consider the longer-term financing of its operations and activities.”

10. The Council has undertaken a Financial Resilience Assessment for the 2024/25 budget that can be found at Appendix 8. That initial assessment found that the Council’s finances were in good shape and sustainable over the longer term. There are areas for improvement and the FRA recommends that the Council should focus on longer term planning, given current uncertainties and anticipated macro-economic challenges on the horizon.

Governance and control framework

11. The Council reports its financial forecasts and budget monitoring to the Audit and Performance Committee on a quarterly basis. These are reported within the wider control environment which include:

- explicit mention of roles and responsibilities of budget holders within the Council’s financial regulations and schemes of delegation
- regular monitoring meetings with budget holders, paying particular attention to high risk areas
- regular and accurate reporting to Members and senior officers (both in terms of budget monitoring and budget proposals) alongside service performance monitoring
- an effective internal audit function assessing controls and processes.

12. These arrangements are considered robust. The quarterly budget monitoring report acts as a critical signpost to any estimated pressures and/or savings for the following year’s budget, MTFP and capital programme. There are regular milestones meetings where assumptions are updated on the basis of new information being made available (e.g. Autumn Statement, Provisional Settlement).

13. The process for external scrutiny of the budget process changed this year as Budget Scrutiny Task Group (BSTG) Members were engaged earlier in the year, with an additional session added. Each directorate underwent scrutiny

on their proposals for savings, pressures and investments in November, followed by a concluding session in January. The savings proposals put forward were accompanied by Equality Impact Assessments.

14. The Council set up a Shareholder Committee in 2021 to support the governance and accountability of its shareholder responsibilities for the companies and institutions it has a legal interest in. This brings together business planning, performance monitoring, risk management and year end reporting as well as other shareholder responsibilities.

15. The Council received an unqualified opinion on both the accounts for the Council and the Pension Fund for 2022/23. Against the backdrop of a challenging local government audit environment, Westminster is one of the few authorities across England to have completed its 2022/23 audit (and just the second authority in London). In respect of the separate auditor judgement on securing value for money, the 2022/23 report will be taken to Audit and Performance Committee in February with an expectation of receiving a positive conclusion.

16. The Council's governance arrangements require a statement at the year-end from the 'corporate lead officer' for various key control areas. The Chief Financial Officer has responsibility for ensuring that an effective system of internal financial control is maintained to provide an assessment of the current position across the whole council and identifying areas for improvement where appropriate. Areas for improvement are included in the Annual Governance Statement and monitored in year via the Audit & Governance Committee.

<u>Statement of the Section 151 Officer, Executive Director of Finance and Resources</u>

17. Under Section 25 of the Local Government Act 2003, I am required to report to Council my view of the adequacy of the Council's reserves and the robustness of the estimates underpinning the budget.

18. The Council maintains two categories of reserves, the General Fund balance which is an unallocated reserve; and earmarked reserves. The General Fund balance stands at £60.4m as at 31 March 2023. This represents approximately 30% of the Council's £194m net budget requirement. The general principle is that 10% would be a recommended minimum. A higher general fund balance at 30% recognises Westminster's exposure to large fluctuations economic activity that affects fees and charges income as well as providing additional cover for the current volatility in interest rates, temporary accommodation, and other high demand services.

19. Earmarked reserves stand at £328m which puts Westminster in the upper quartile across England for reserves levels as a percentage of core spending

power. Some of these reserves are legally ring-fenced for specific spend, some are retained to smooth annual budgetary fluctuations and other specific risks, while others support the Council's investment ambitions over the medium term.

20. It is my view that reserves should be retained for the purpose outlined above and not used to support general ongoing expenditure from one year to the next, as in doing so, can cause quick depletion of reserve levels, especially in the context of the medium-term financial gap that Westminster faces. I am satisfied that this is the case and therefore satisfied that reserves are adequate for both 2024/25 budget and over the medium-term.

21. In respect of the robustness of estimates, the 2024/25 budget uses the key macro-economic metrics to estimate inflation for both pay and non-pay costs. This aligns with November's Autumn Statement and forecasts from the Office of Budget Responsibility. Sales, fees and charges income and demographic pressures are reviewed regularly throughout the year as part of the ongoing, iterative, budget setting cycle that occurs in the preceding year and this informs the budget forecasts looking forward.

22. There is considerable concern over temporary accommodation and the significant increase in cost during 2023/24 and into 2024/25. Actions are in place to mitigate some of the impact, however much of the cause is market based over which the Council has minimal influence. The 2025/26 budget gap is very challenging – caused mostly by the need to set aside budget for temporary accommodation support, forecast reduction in interest earnings (as rates fall) and potential impacts of government funding reductions. Financial planning for the medium term will therefore be challenging, but we have in place the governance and mechanisms to meet that challenge as well as healthy reserves to minimise impact on services to residents and our communities.

23. In summary, I conclude that reserves levels are adequate and that the estimates used to set the 2024/25 budget are robust.

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Appendix 9 CIPFA Financial Management Code

Introduction

CIPFA Statement on the Purpose of the Code

1.1. The Financial Management Code is the professional code for general financial management in local authorities. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

1.2. The code complies with other legislation and associated CIPFA codes and is evidence of compliance with statutory and professional frameworks.

1.3. The code is a principle-based approach. There are 6 principles:

- i) Leadership
- ii) Accountability
- iii) Transparency
- iv) Standards
- v) Assurance
- vi) Sustainability

1.4. The six principles are translated into seventeen Financial Management (FM) standards (denoted from A-Q), grouped into seven sections.

Conclusion

1.5. The review of Westminster City Council against the CIPFA Financial Management Code demonstrates compliance and is detailed further below. It is the opinion of the CFO that the Council is financially resilient and delivers value for money. However, in striving for financial management excellence, the Council has developed a set of actions for improvement which will contribute to the Council's longer-term vision, Fairer Westminster.

Appendix 9 CIPFA Financial Management Code

CIPFA Financial Management Code – Self Assessment and Action Plan

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
1 - The responsibilities of the chief finance officer and leadership team					
A	The leadership team can demonstrate that the services provided by the authority provide value for money	The Council has a clear and consistent understanding of what value for money means. There are mechanisms and processes to promote and ensure value for money at a corporate and service level. The Council can demonstrate the actions we take to promote value for money and what it has achieved.	The Council operates under a Leader/Cabinet system. Councillors are supported by the Executive Leadership Team (ELT), which is headed by the Council's Chief Executive. ELT is responsible for the overall leadership and management of the Council, for setting and monitoring overall strategic direction and for ensuring high performance and VFM in the delivery of council services. In addition, there are Scrutiny Committees which hold the Cabinet to account. The work of the Council's committees is governed by the Constitution which is openly available on the Council's website. The Annual Governance Statement needs to be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent, and accountable to local people. The annual governance statement (AGS) is compliant with the CIPFA Code and the financial accounts are fully audited to with no outstanding years. An appropriate level of care is taken to	Improvements are as outlined in the Council's Value for Money report: • Work should continue to ensure the completeness of the contracts register to ensure it contains details of all contracts over £100k and all contract owners. • Grant Thornton's VfM report has identified some improvement recommendations in respect of Housing Services that should be prioritised over 2024/25.	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
			ensure the Council’s policies and procedures comply with all relevant codes and legislative frameworks. The AGS includes an internal audit assessment of governance arrangements in place and the Council’s external auditors also conduct a VFM review as part of their annual work. The Council’s annual VfM external audit assessment takes into account the three areas below. • Financial sustainability • Governance • Improving economy, efficiency and effectiveness The latest VfM report outlines a key recommendation in respect of Housing Services that the Council is treating as one of its key priorities. There is a Commercial Gateway Review Board (CGRB) at which all proposed high value contracts are reviewed. Contract managers must submit a bid to the CGRB for the proposed contract to be agreed to proceed to procurement. This bid must detail the rationale behind the proposed contract, together with the VFM and risk management considerations.		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
			The Council has a Shareholder Committee which provides oversight of the Council's subsidiaries and companies. This is underpinned by a terms of reference and is chaired by the Leader of the Council. The Committee forms part of the overall governance arrangements for the Council.		
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government (2016)	The CFO is a key member of the leadership team and able to challenge and influence all material business decisions. The CFO leads and champions the promotion and delivery of good financial management across the authority. The finance team is suitably resourced and fit for purpose.	The CFO is a key member of the Council's Executive Leadership Team. He holds the role of the Executive Director of Finance and Resources and is the Council's S151 officer. The CFO is actively involved in all material business decisions through being fully engaged with Lead Members, attending Committee and Council meetings and holding regular finance meetings with the relevant cabinet members. The Chief Financial Officer (CFO) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The CFO is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom.		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
			In preparing the financial statements, the CFO is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided. The CFO encourages good financial management across the whole Council through implementing a business partnering approach, ensuring finance is prioritised throughout governance procedures and through regular financial reporting to ELT, members, Scrutiny and committees including Audit and Performance Committee. The CFO also networks externally and works closely with other local authority Chief Officers. The CFO is professionally qualified accountant with significant experience as a CFO. The Council's finance team is sufficiently resourced with qualified accountants. The finance function is staffed mainly through permanent staff with good levels of knowledge and experience. Specialist knowledge is also contracted in high-risk areas including pensions, valuations, VAT.		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
			The Council operates an annual finance graduate trainee programme to maintain good resilience at the lower levels of the department.		
2 – Governance and financial management style					
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	The leadership team upholds the Nolan principles in its work and governance. The Council has a clear framework for governance and internal control. The leadership has effective arrangements for assurance, internal audit and internal accountability. The leadership team embraces high standards of governance and internal control. The leadership team nurtures a culture of	The Council recognises that effective local government relies upon maintaining the confidence of the public in both the elected Members and Officers of the Council. The Council continues to keep under review Governance arrangements and related procedures to ensure best practice so that the highest standards are maintained. This is the case both for the Council's own operations and in its Partnership arrangements with other organisations. Partnerships are playing an increasingly important role in the future of policy development and service delivery. The Council has developed and maintained an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall. This is outlined in detail in the Council's Constitution. The Council has an Audit and Performance Committee (APC), independent of both the Executive and the Policy and Scrutiny process	The Council will implement the governance recommendations outlined in Grant Thornton's VfM assessment During 2023/24 the Council reviewed its governance arrangements in respect of Scrutiny (using Centre for Good Governance)	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		effective governance and robust internal control across the authority.	as recommended by CIPFA. APC also has an independent member on its panel in line with best practice. Its terms of reference include a wide range of responsibilities. The Council's Standards Committee's main responsibility is to ensure that high standards of Member conduct are maintained. It does this by ensuring that Members attend training on the Code of Conduct, are briefed on relevant issues and receives an annual overview report on complaints about Member Conduct. All decisions referred to members are set out using a formal reporting template which includes legal and regulatory implications. This requires legal advice to be obtained or confirmed before all decisions are taken, to ensure decisions are appropriate. The Council has developed and maintains effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based through Minutes and Reports to Council. All non-exempt Council, Cabinet, Committee Agendas/minutes, Cabinet Member Reports, Statements of Decisions and Minutes are available on the Council's Website. The authority will undertake regular reviews of		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
			its governance arrangements to ensure continuing compliance with best practice. It recognises the importance of ensuring that such reviews are reported both within the authority, to the Audit and Performance Committee and externally with the published accounts, to provide assurance that corporate governance arrangements are adequate and operating effectively in practice.		
D	The Council applies CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)".	The Council has sought to apply the principles, behaviour and actions set out in the framework to our own governance arrangements. The Council has in place a suitable local code of governance.	The Council's Code of Governance is regularly updated and sets the standards for the conduct of Officers and Members at the City Council. It is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework. The CIPFA/SOLACE Framework introduced the requirement to produce an annual governance statement from 2007/08. The Annual Governance Statement (AGS) is also available on the Council's website. The Statement is updated following the end of each financial year. The AGS includes an Annual Internal Audit Opinion on the effectiveness of the internal control environment and the systems of internal control, highlights issues identified annually along with planned action.	- Where reviews of the corporate governance arrangements have revealed improvement recommendations, action is planned that will ensure effective governance in future.	
E	The Financial Management style of	The Council has in place an effective framework of financial	There is wide consultation across the Council, including finance, in developing the budget and challenge mechanisms are in place, from the	Review the current business partnering model, enhancing the efficiency	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
Page 97	the Council supports financial sustainability	accountability. The Council is committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services. The Council's finance team has appropriate input into the development of strategic and operational plans. Managers across the authority possess sufficient financial literacy to deliver services cost effectively and are held accountable for doing so. The authority has sought an external view on its financial style, for example through a process of peer review.	Executive Leadership Team (ELT) and from the scrutiny offered by the Budget Scrutiny Task Group, in addition to the challenge provided generally by members. The Medium-Term Planning process ensures the Council balances its budget and identifies savings that can be made. Risks are considered within the budget and MTFP and the quarterly performance reporting to the Audit & Performance Committee also highlights these risks. In addition, each lead portfolio member (Chair of the relevant committee) is closely involved in developing and setting the budget for their service area. Risks are discussed at length as part of this process. Overall, members are presented with a good understanding of the risks. The approach to closing the budget gap is regularly discussed outside of Cabinet meetings with the ELT, Directorate Leadership Teams, the Leader and the Cabinet Member for Finance. Budget Scrutiny Task Group (BSTG) was moved forward in the budget cycle for the 2024/25 budget, taking place in November (for revenue and capital scrutiny), with a final "wash-up" in January. This change has given BSTG members earlier sight of savings, pressures and	and usefulness of the process. Provide refresher training for officers at all levels of the organisation who have financial responsibilities with the outcome of improving financial literacy and strengthening the accountability of budget managers and senior officers, which supports financial sustainability.	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		Individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities.	investment proposals with the ability to help shape the budget for the following year. The 2024/25 budget report includes the s151 officer's s25 report which outlines the robustness of estimates underpinning the budget as well as level of reserves to withstand overspends should they arise. The Council reset its MTFP during the year in recognition of the impact of the pandemic as well as to the in-year update to the Council's strategic objectives. These and other key assumptions within the plan have been reviewed. A monthly budget monitoring report is provided to the ELT for the consideration of any necessary actions and amendments, and detailed financial monitoring information is provided to the Audit & Performance Committee quarterly, so there is regular scrutiny of the Council's financial position and of the ongoing funding pressures it faces. Scheme of delegation exists within the Constitution to ensure prompt and timely decision making with key decisions required to be taken at Cabinet.		
3 – Medium to long-term financial management					

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
F	The authority has carried out a credible and transparent financial resilience assessment	The Council has undertaken a financial resilience assessment. The assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios. The authority has taken appropriate action to address any risks identified as part of the assessment.	A 'going concern' assessment is carried out annually by the Council's external auditors as part of audit, confirming in 2023/24 that the Council is a going concern. The annual CIPFA resilience index places Westminster in a low-risk category across the majority of its metrics. A refresh of the MTFP is discussed between budget holders and finance twice per year (in July and in the budget report) A key part of the budget cycle is that each Cabinet portfolio member (Chair of the relevant Committee) has a challenge session called 'Member's Review Session'. As well as the portfolio holder, these meetings include the Lead Member for Finance, the s151 officer (or deputy), the Chair of the Audit Committee and the Council CEO. These sessions provide an opportunity for challenge and review of both the budget, savings, timelines, political considerations, dependencies, investment requirements and RAG ratings etc. They are also provided with information on pressures and investments. Where additional funding has been requested, these are subject to additional challenge at these meetings.	Make better use of benchmarking and the CIPFA resilience index when shaping the MTFP. Embed use of newly recruited economics and analysts team capability to model term-term economic effects on Council's budgets and inform strategic decision making	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	The Council has a sufficiently robust understanding of the risks to its financial sustainability. The Council has a strategic plan and long-term financial strategy that adequately addresses these risks. The Council has sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning). Leadership team and members understand prospects for long-term financial sustainability, the associated risks and the impact of these	The Council's Budget, Statement of Accounts and MTFP reflect the main risks to sustainability. These are reported throughout the annual financial cycle in monitoring reports to the Leadership Team. The Budget and MTFP are agreed by Full Council. The Council's Capital Strategy sets out the Council's long term capital investment plans over the next 15 years – up to 2037/38 and proposes a gross budget of £2.604bn with a net borrowing requirement of £1.413bn. The revenue implications of the capital projects are also set out here and included in the MTFP, so members are provided with a detailed oversight of the capital programme, how this ties back to the corporate strategy, the capital and revenue costs of the strategy, the budgetary impacts and how this is all to be funded. This is all then considered at the Budget Scrutiny Task Group. There are quarterly performance reports to the Audit & Performance Committee which track the outcomes of Council activities. These are set out against key performance indicators and include detailed commentaries on associated risks, achievements and other issues. These reports also highlight remedial actions being taken where slippage does occur.	Continue to improve the connections between capital expenditure and the direct revenue implications of that capital expenditure Develop improved understanding of the cost of the Council's 2030 net zero commitment (climate emergency plan) Corporate oversight of Temporary Accommodation to contain service pressures will be a priority for 2024/25	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		for short and medium-term decision making.	Senior Officers and Members (via Scrutiny Committees and the Audit & Performance Committee), ensure the Council remains focused on achieving its agreed objectives and priorities. In 2024/25, Temporary Accommodation presents a significant financial challenge. Provision has been made in the 2024/25 budget but remains a high-risk in terms of overspending. This will then impact the MTFP budget gap.		
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	The Council has a prepared a suitable capital strategy. The Council has a set of prudential indicators in line with the Prudential Code. The Council has in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set.	The Council submits its 15-year Capital Strategy for approval annually by Full Council as part of the wider medium-term financial strategy reporting. This allows key links between revenue and capital plans to be reported together for better decision making. The Capital strategy is compliant with the CIPFA Prudential Code. The governance around the Capital Programme is led by the Capital Review Group (CRG). This group reviews the strategic direction of the programme, including the long-term financial sustainability and ensures outcomes are aligned with the Fairer Westminster strategy. The council's capital strategy is also reviewed annually alongside the council's treasury management and investment framework. The	The narrative in the capital strategy could be enhanced further by detailing: - The authority's policies on capitalisation included in the statement of accounts - The risks faced by the authority with reference to the life of projects/assets. - Asset management information, including the cost of past borrowing, maintenance requirements.	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
			council's capital programme is developed as part of this process and incorporated within the medium-term financial plan and budget report each year. Performance against the prudential indicators is reported in the Council's Treasury outturn report.		
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	The Council has in place an agreed medium-term financial plan. The medium-term financial plan is consistent with and integrated into relevant service plans and capital strategy. The medium-term financial plan has been prepared on the basis of a robust assessment of relevant drivers of cost and demand. The medium-term financial plan been tested for resilience	The Council prepares a multi-year rolling budget which is subject to annual review. The development of the budget is highly collaborative. The MTFP is report to Cabinet in July at which point the Finance team engages with directorates, budget options are discussed, and any budget gaps are identified. Executive Directors hold overall responsibility for the budget of their Directorate. Informal Cabinet meetings are also held during the budget setting process to discuss emerging issues and any inputs from the Budget Task Group, a scrutiny group which meets during the budget setting process to provide additional scrutiny and challenge. There is a good level of ownership of and involvement in the budget setting and monitoring process, from budget holders, through executive directors and up to members. The budget and MTFP have been designed to	The Council has a c£27.7m budget gap for 2025/26 that will require a deeper dive on expenditure to ensure it is directed towards the Council's priorities and is value for money Use Communities team capability to drive improved outcomes for residents	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		against realistic potential variations in key drivers of cost and demand. There is a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims.	be integrated with the core strategic priorities of the Council (its Fairer Westminster vision). This planning aims to provide a framework to invest in the Plan's broader ambitions and long-term priorities. The Council's Fairer Westminster vision was refreshed during the year. The objectives within this vision are high profile and referred to throughout the key strategic documents and reports presented to members, including the budget and MTFP. Medium-term forecasts are kept up to date to reflect service needs subject to uncertainties e.g., business rates retention approach, future funding formula, economic impact of the cost-of-living crisis, Government Social Care policy gaps. Through budget setting and in-year budget review processes, these plans are reviewed over a three-year period. 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 strategic perspective and that		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
			opportunities to deliver efficiencies are captured and assessed via the Strategic Property Board. This approach to operational property management ensures: - Effective and efficient management of property by centralising property service activities, decision making and budgets - Decisions about property are taken from a strategic perspective - Opportunities to deliver efficiencies are captured and assessed via the Strategic Property Board. Current asset management plans will be reviewed as part of the new model.		
4 – The annual budget					
J	The authority complies with its statutory obligations in respect of the budget setting process.	The Council is aware of its statutory obligations in respect of the budget-setting process. The Council has set a balanced budget for the current year. The Council is aware of the circumstances	The Council follows an annual budget setting process that meets all its statutory (Local Government Acts 2000, 2003 and Local Government Finance Act 1992) and constitutional requirements. The council's CFO is fully aware of the circumstances under which to issue a Section 114 and does not anticipate this being required given the robust nature of its finances.		

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FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		under which it issues a Section 114 notice and how we would go about doing so.			
K	The budget report includes a statement by the CFO on the robustness of the estimates and the statement on the adequacy of the proposed financial reserves.	The Council's most recent budget report includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves. The report accurately considers the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case. The Council has sufficient reserves to	The Budget and MTFP are agreed by Full Council and includes a statement by the CFO on the robustness of the estimates and the statement on the adequacy of the proposed financial reserves (Section 25 report). The MTFP includes: - Key budget pressures arising and details of how these will be mitigated and/or met from within the proposed budget - Planned contingency balances within the baseline to address budgetary pressures and financial risks anticipated - Estimates for staff pay awards and inflation where these are still to be agreed externally - Estimates for grant funding where not confirmed and collection fund income. The budget report clearly states where there are estimates and provides details (where known) of when these will be confirmed.		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		ensure financial sustainability for the foreseeable future. The reports set out the current level of reserves, whether these are sufficient to ensure ongoing financial sustainability and the action being taken to address any shortfall			
5 – Stakeholder engagement and business cases					
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	The Council has sought to engage with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget. The Council has been effective in its engagement. The Council plans to improve engagement with key stakeholders	Partnership working is a key theme throughout the Fairer Westminster vision. The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. The annual City Survey informs community engagement strategies as well as service and budget priorities. The Council publishes a quarterly magazine and utilises online communication channels such as e-bulletins, Twitter, Facebook, and YouTube.		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
			The Council also uses its Open Forum events to allow residents to meet and discuss local issues with Cabinet Members and senior officers, and it collects resident feedback on proposed service or policy changes through consultations. The Council works with Voluntary, Community and Faith Sector (VCFS) bodies. As well as commissioning these bodies to work with residents and other bodies, the Council also provides funding to support the VCFS infrastructure locally. Some of the Council's strategic aims are delivered through its wholly owned subsidiary companies. There is good monitoring and oversight over the projects being delivered by these companies.		
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	The Council has documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal.	The main forum for reviewing all financial 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 Fairer Westminster, 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.		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		The Council has guidance to officers as to when an option appraisal should be undertaken. The Council's approach to option appraisal includes appropriate techniques for the qualitative and quantitative assessment of options. The Council's approach to option appraisal includes suitable mechanisms to address risk and uncertainty. The Council reports the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s).	Significant projects include those: with minimum capital expenditure of £10m, requiring 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. 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) 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. 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		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
			include: - Level of resident engagement required - Sensitivities - Strategic aims of the project - Historical context of the project		
6 – Monitoring financial performance					
N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	The Leadership team receive reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability. Those reports cover both forward and backward-looking information in respect of financial and operational performance. There are mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data.	The Council's Budget, Statement of Accounts and MTFP reflect the main risks to sustainability. These are reported throughout the annual financial cycle in monitoring reports to ELT. The Budget and MTFS are agreed by Full Council. The budget monitoring report provided to ELT allows consideration of any necessary actions and amendments. Detailed financial monitoring information is provided to the Audit & Performance Committee quarterly, as part of the quarterly performance monitoring report. There is regular scrutiny of the Council's financial position and of the ongoing funding pressures it faces. Performance data is gathered, analysed and reported to ELT and Audit and Performance Committee on a quarterly basis. Reports are clear, written to a standard format. Reports are accurate, clear and written to a standard format.	The Council will continue to review the format and usefulness of its performance reporting.	

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FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		The reports provided to the leadership team are in a timely manner and in a suitable format. The Leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action.	There is a Commercial Gateway Review Board (CGRB) at which all proposed high-risk contracts are reviewed. Contract managers must submit a bid to the CGRB for the proposed contract to be agreed to proceed to procurement. This bid must detail the rationale behind the proposed contract, together with the VFM and risk management considerations. The council has a risk management strategy & policy has been formally approved and adopted and is reviewed and updated on a regular basis. The Risk register incorporates financial and operational risks.		
O	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	The Council has identified the elements of the balance sheet that are most critical to our financial sustainability. It has put in place mechanisms to monitor the risk associated with these. The Council has taken action to mitigate any risks identified. The Council reports	The Council has a strong balance sheet, and the CFO does not deem that there are any areas of concerns or risks to financial sustainability. ELT and Cabinet receives updates on the key elements of its balance sheet including: - Performance against the prudential indicators which are reported in the Council's Treasury outturn report. - Treasury mid-year and outturn report details cash, investments and borrowings decisions within the prudential indicators.		

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		unplanned use of reserves in a timely manner. The monitoring of balance sheet risks is integrated into the management accounts reporting processes	- Usable reserves are monitored and reported to Members with clearly defined plans for earmarked reserves. - Financial monitoring report to ELT and APC outlines performance against schools balances and information on covid grants received, - Pension liability and reserve are reported regularly to pension board and pension committee - S106 balances are reported to Capital Review Group to ensure effective application of funds to the capital programme Finance also prepares balance sheet working papers for each balance sheet code periodically throughout the year (during hard close and yearend). Significant risks are reported to the S151 officer for resolution prior to year-end.		
P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice	The Council's Leadership team are aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.	The Statement of Accounts are prepared in compliance with the Code and approved by the CFO prior to submission to Audit and Performance Committee. The Council received an unqualified audit opinion for 2023/24. The CFO ensures adequate resources within Finance, including suitably trained accountants.	Accounts are prepared within statutory deadlines and working papers produced to a high standard. The Council will continue close working with the external auditors to implement any audit	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
	on Local Authority Accounting in the United Kingdom.	These responsibilities are included in the CFO's role description and personal objectives. The financial statements been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	The responsibilities of the CFO are set out in the constitution, financial regulations and are also included in employment contract/job description as well as in statute. The latest audit report acknowledges the accounts have been prepared in accordance with the Code of Practice. The Council has consistently received an unqualified opinion from the external auditor on its Statement of Accounts and in its value for money opinion.	recommendations arising from the Audit Findings Report.	
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.	The leadership team is provided with suitable reports on the authority's financial outturn and on significant variations from budget. The information in these reports is presented effectively. These reports focus on information that is of interest and relevance to the leadership team.	Revenue and Capital outturn is reported annually to Audit and Performance Committee. This includes variances against budgets and detail of significant variances, allowing for scrutiny. Significant variations emerging throughout the year in the monitor and at outturn are investigated further. This informs updates to the in-year budget position, medium term financial planning and forward planning and the implications on financial sustainability.	The Council will continue to review the format and usefulness of its performance reporting.	

Appendix 9 CIPFA Financial Management Code

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements	RAG
		The leadership team feel that the reports support it in making strategic financial decisions.			

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Appendix 10 - Net Budget Trail	2024/25 £m	2025/26 £m	2026/27 £m
General Fund Budget b/f	**193.611**	**205.545**	**208.934**
Changes and Variations			
Inflation (pay and non-pay)	10.917	8.246	8.308
Interest Earnings	(15.200)	13.000	6.000
Fees & Charges	0.000	(2.000)	(2.000)
Capital Financing	3.000	3.000	3.000
Other Corporate Changes	0.556	2.443	2.205
Total	**(0.726)**	**24.689**	**17.513**
Savings			
Savings to be identified	0.000	(27.712)	(20.332)
New Savings	(10.726)	(8.110)	(5.730)
Previously Agreed Savings	(9.410)	(3.635)	(4.115)
Total	**(20.136)**	**(39.457)**	**(30.177)**
Pressures and Investments			
Service Pressures	42.198	(2.095)	2.230
Fairer Westminster/Cost of Living Investments	7.472	(2.010)	(1.639)
Adult Social Care Investment	5.380	0.000	0.000
Total	**55.050**	**(4.105)**	**0.591**
Use of Reserves			
Fairer Westminster	(0.148)	4.043	1.654
Other	(12.589)	7.719	4.870
Cost of Living	1.000	0.000	0.000
Total	**(11.737)**	**11.762**	**6.524**
Funding Changes (excluding SFA and Ctax)			
Social Care related grants	(12.580)	0.000	0.000
Other Grants	0.593	3.072	0.000
Fair Funding Loss	0.000	9.000	9.000
Ctax Deficit & Empty Property Relief	1.471	(1.572)	0.000
Total	**(10.516)**	**10.500**	**9.000**
Net Budget c/f	**205.545**	**208.934**	**212.385**
Funded via:			
Settlement Funding Assessment	(136.656)	(139.389)	(142.177)
Council Tax	(68.889)	(69.545)	(70.208)
	(205.545)	**(208.934)**	**(212.385)**
Budget Gap	**0.000**	**0.000**	**(0.000)**

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City of Westminster **Cabinet**

Decision Maker:	Cabinet
Date:	19 February 2024
Classification:	General Release
Title:	Capital Strategy 2024/25 to 2028/29, Forecast Position for 2023/24 and Future Years Forecast to 2037/38
Wards Affected:	All
Key Decision:	Yes
Policy Context:	Capital resources are used in support of the delivery of the Council's Fairer Westminster strategy
Financial Summary:	The Council has a proposed gross capital programme up to 2037/38 of £2.604bn, partially offset by £1.191bn of income, giving a net budget of £1.413bn – which is to be funded by borrowing. The cost of borrowing has been built into the revenue implications of the capital strategy.
Report of:	Gerald Almeroth, Executive Director – Finance & Resources

1. Executive Summary

1.1. The report sets out the Council's capital strategy from 2024/25 to 2028/29 and summarises the position up to 2037/38.

1.2. The general fund capital programme as detailed in Appendix A, proposes a gross budget of £2.604bn and a net budget of £1.413bn (after taking into account income from grants and capital receipts). The capital programme of the Housing Revenue Account is set out separately in the HRA Business Plan which accompanies this report as part of the Council's annual budget setting process.

1.3. The long-term capital investment plan is underpinned by the Council's policy objectives. Capital proposals are considered within the Council's overall medium to long-term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking account of the revenue implications of the projects as part of the revenue budget setting process. The Council continues to set aside additional revenue funding each year to cover the financing costs of the programme in accordance with previously stated plans. Earmarked reserves are also maintained to support the financing of the capital programme and provide a sustainable approach to funding through the Medium-Term Financial Plan.

2. Recommendations

That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024:

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 2024/25 to 2028/29 and future years to 2037/38.

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 12 of this report.

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

3. Reasons for Decision

3.1. The objectives of this capital strategy are to:

- Prioritise and co-ordinate funding to achieve the Council's Fairer Westminster vision;
- Ensure that capital resources are directed to maintain the Council's statutory requirements across its asset base;
- Invest in the most beneficial projects to meet Westminster's long-term requirements;
- Manage investment effectively and efficiently.

3.2. The Council is required, under the CIPFA Prudential Code, to agree a capital strategy that is prudent and sustainable. The revenue budget is set as part of the Medium-Term Financial Plan (MTFP), and this supports the financing of the capital programme set out in this report.

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

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

4. Fairer Westminster Strategy

4.1. Westminster City Council's policy objectives are set out in the Fairer Westminster strategy and this creates the overarching strategic direction that this Capital Strategy supports. The Fairer Westminster strategy can be found here: Fairer Westminster strategy

4.2. The Council has an ambitious yet realistic capital programme with a plan to invest up to £2.604bn (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 Fairer Westminster ambitions.

4.3. The Council's Fairer Westminster strategy sets out the outcomes it wants to deliver (supported by the Capital Strategy) for the City. The Fairer Westminster ambitions are:

➢ **Fairer Communities**

By working with its communities and celebrating diversity, the Council will build a more inclusive city where inequality is reduced, everyone feels welcome and discrimination is tackled, adults can stay healthy, community and voluntary sector organisations prosper, and children have a great place to grow up. Examples are:

- Making physical activity more accessible through our refurbished community leisure centres, playgrounds, and outdoor gyms. Including refurbishment of the Seymour Centre to ensure updated facilities for the local community and incorporating the library.
- Investment in schools including investment in maintained schools to comply with good asset management in accordance with DfE guidelines and adaptions and alterations and expansions of school special needs provision to improve High Needs and Family Support provision through the SEN High Needs and Family Support project.
- Ongoing work within many projects providing facilities and ongoing refurbishment and accessibility within Council Properties for the local communities: Tresham Centre; Queen's Park Family Hub; Droop Street; Landlord Responsibility budget: Accessibility Programme: Access & Inclusion; Health and wellbeing projects; and the Community Hubs project.
- Making improvements to our public toilets including a large-scale renovation programme and new automatic-public conveniences.

➢ **Fairer Environment**

Westminster will be a net zero council by 2030 and a net zero city by 2040. Air quality in the borough will meet World Health Organisation guidelines, our streets will be clean, recycling will increase, and people will be enabled to travel more sustainably. They will also have access to high-quality services within 15 minutes from their homes.

- Enhanced cycle provision within Westminster through the reintroduction of the Cycle Loan Restart scheme after being ceased in 2019/20. Westminster will join 31 other boroughs in encouraging residents to take up active travel; continuing with improvements to the cycling infrastructure across the borough
- Extending footways and reducing carriageways width to prioritise pedestrian movement supporting the promotion of active travel and sustainable transport to support greener neighborhoods, cleaner air and biodiversity
- Carbon Management Programme will help the Council be carbon neutral by 2030
- Trees planting schemes in streets, parks and cemeteries and preservation of existing street trees
- Continue the Waste & Cleansing Fleet Electrification Programme, procuring electric vehicles to deliver waste and recycling collection service and have a suitable charging infrastructure
- The Recycling Programme expands the food waste recycling service and other initiatives across the City.

- **Fairer Housing**

  The housing needs of people living in the borough are met through greener and more genuinely affordable housing, homelessness is reduced, private rented sector properties are well managed, and our tenants and lessees are consistently satisfied with our housing services and the quality and energy efficiency of housing.

  - Building on the work undertaken under the Truly Affordable Housing workstream to continue to maximise the number of affordable homes in our developments.
  - 77 new social homes to rent at 300 Harrow Road, completed in 2023/24.
  - Continuation of Ebury Phase 1, which will rehouse returning secure tenants in new social homes as early as possible.
  - Award of a joint venture partner for Site A of the Church Street Regeneration programme following extensive resident involvement throughout the public procurement process.
  - Westmead will now deliver 34 social and 31 intermediate homes
  - Further acquisition of homes to rent to Westminster residents via Westminster Housing Investments Ltd including 35 homes at Harrow Road in 23/24, 7 homes at Luxborough in 24/25 and 76 homes across three sites in 25/26 (31 Westmead, 27 West End Gate Block H and 18 at Balmoral)
  - Temporary Accommodation Acquisitions Programme anticipates completion (or agreed sale) on 100 properties in 2023/24. A budget allocation of £149m has been included to provide capacity for the acquisition of a further 270 properties from 2023/24 to 2026/27. This is a crucial supply of accommodation to enable Westminster to mitigate some of the demand pressures faced in this area.

- **Fairer Economy**

  Westminster remains economically successful, Oxford Street and the West End are revived and retain their position in the national economy, small businesses are supported to grow and remain, and residents have the right skills to take advantage of the city's employment opportunities.

  - Investment in Oxford Street and surrounding streets following cabinet approval of the Business Case. This will promote a mixed economy and sustain its globally renowned status as a retail and leisure destination
  - Commitment to invest £18m in the North Paddington area masterplan. This is a place-based programme targeted at reducing deprivation in the area through collaborative delivery and a high level of community engagement
  - Enabling a robust connectivity infrastructure to improve residents' broadband connections
  - Over £9m in schemes to Stimulate the Economy including the completed Business School located at Harrow Road, storage facilities and Berwick Street and Tachbrook Street markets, a new community kitchen at

Tachbrook Street market and and Meanwhile On: Oxford Street aimed at improving the experience of shopping in the West End and Oxford Street by reducing 'low-quality' occupiers and supporting the growth of emerging brands.

- Investment of £10m in our Paddington & Bayswater High Street programme.

➢ **Fairer Council**

As a Fairer Council, we will make it easier for people to find the information and services they need, make decisions more transparently, be financially sustainable, and ensure our procurement is responsible. The Council will operate in a financially sustainable manner and make plans that are affordable.

- Investment in digital access to services making being able to do business with Council a better experience via Customer Experience and Smart City programmes.
- Coroners Court Extension due for completion in 2023/24 delivers a fit for purpose building for the Coroners Service.

5. Summary of the Capital Programme – 2023/24 to 2037/38

5.1. Overview of overall capital figures and breakdown by Directorate is shown in the table below.

Table 1: Proposed General Fund (excluding HRA) capital programme 2023/24 to 2037/38

	Forecast	Five Year Plan					Future to	
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2037/38	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure								
Adult's and Deputy Chief Executive	6,000	36,022	59,375	50,139	-	-	-	151,536
Children's Services	5,846	10,617	4,778	7,422	-	-	-	28,663
Environment, Climate & Public Protection	84,396	83,379	92,661	52,715	36,547	29,248	-	378,946
Finance & Resources	42,163	76,597	106,042	55,158	52,894	30,852	346,317	710,023
Housing & Commercial Partnerships	56,657	56,324	35,665	6,200	1,200	1,200	10,800	168,046
Innovation & Change	6,066	6,181	10,225	614	650	3	-	23,739
Regeneration, Economy and Planning	49,764	68,598	96,168	176,629	162,235	47,251	88,685	689,330
Westminster Builds	2,630	1,789	21,927	144,972	15,546	47,476	219,919	454,259
Total Expenditure	**253,522**	**339,507**	**426,841**	**493,849**	**269,072**	**156,030**	**665,721**	**2,604,542**
Funding								
External Funding	(41,972)	(52,064)	(62,871)	(57,088)	(25,695)	(15,420)	(7,540)	(262,650)
Capital Receipts	(11,845)	(51,378)	(20,658)	(14,277)	(294,630)	(77,257)	(301,963)	(772,008)
s106 and CIL Funding	(9,110)	(40,125)	(46,242)	(11,447)	-	(9,950)	(39,950)	(156,824)
Total Funding	**(62,927)**	**(143,567)**	**(129,771)**	**(82,812)**	**(320,325)**	**(102,627)**	**(349,453)**	**(1,191,482)**
Borrowing Requirement	**190,595**	**195,940**	**297,070**	**411,037**	**(51,253)**	**53,403**	**316,268**	**1,413,060**

5.2. The proposed capital programme for the Council over the next five years including 2023/24 and summarised over the subsequent ten years, is a gross capital expenditure budget of £2.606bn. Over £1.2bn of this expenditure is due to be incurred over the next three years, 2024/25 to 2026/27.

5.3. The Council's capital programme as laid out in Table 1 can be categorised into two key areas: Development and Strategic Investment, and Operational.

Development & Strategic Investment £1,551m	Operational £1,053m
• Major housing developments • Investment in infrastructure and redevelopment • 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

5.4. A full list of the proposed schemes can be found in Appendix A, as part of the General Fund capital programme.

Development & Strategic Investment - £1,551m

Development

Housing Developments

5.5. Many of the major development schemes will deliver affordable housing or social housing for the Council. These schemes have previously delivered private housing for sale on the open market, thereby generating capital receipts for the Council to reinvest in future capital expenditure projects. The risks associated with reliance on this delivery and funding route are noted in Section 14. Under Fairer Westminster the proportion of affordable housing in our developments in progress has been reviewed to increase the availability of affordable housing and reduce housing waiting list times.

5.6. 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 in the delivery of new housing across the borough. Schemes being delivered from 2024/25 onwards include:

- **Church Street** - 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. The regeneration proposals have since been the subject of a successful ballot (held in

December 2022). This provides resident support for the proposed scheme and allows it to attract c.£19m of GLA grant funding which will enable the delivery of greater numbers of affordable housing in line with the Council's Fairer Westminster commitment that aims to ensure that 70% of the affordable housing delivered on its own developments comes in the form of social rent. A joint venture partnership is still the preferred delivery route for Site A and will be progressed further during 2024/25.

- **Ebury Bridge Regeneration** - The Ebury Bridge Estate is one of the priority areas 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 (delivering 226 new homes by 2025). The first tranche of Phase 1 private sale homes launched in September 2023. Significant additional GLA grant was awarded in 22/23 as a result of the positive outcome of the ballot held for the wider regeneration in February 2023. This supported tenure changes across the scheme and the delivery of additional homes for social rent. Procurement is underway for Phase 2 of the programme and expected to be completed by autumn 2024.

- **Westmead** - Following the Truly Affordable Housing Review, this scheme will now deliver 100% affordable housing to include 34 social and 31 intermediate units

- **Carlton Dene** - 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. Site demolition commenced in March 2023 and completed in July 2023. The main construction contract is expected to be awarded in the summer of 2024/25.

- **Balmoral** - The demolition and redevelopment of the Balmoral Public House, Darwin House and associated garages which 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. First phase construction is underway and progressing well.

- **West End Gate – Block H** - 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.

- **Luxborough** - Delivery of 7 social and 7 new intermediate homes, commercial space and improvement and landscaping works to areas surrounding Luxborough Tower.
- **291 Harrow Road** - Plans for this site include 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. A multi-disciplinary team of professionals was appointed in 2023 to help develop the vision and design of the scheme.

5.7. **Other Key Development Schemes**

- **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 number of high-quality homes. A feasibility study is currently being concluded to establish the extent of the hub and maximise the delivery of new homes.

- **Oxford Street Programme** – The Business case was completed and approved by Cabinet in September 2023. Stage 2 design for Oxford Street is underway and due to be completed by April 2024. Stage 1 design for Oxford Circus is also underway and due to be completed by May 2024. Construction works for Wigmore and Mortimer Streets will be on site in Q4 23/24 with completion expected within one calendar year. Other work packages are in early design stages with the design work of the complimentary schemes due to begin in Q4 23/24.

- **Strand Aldwych** – The Meanwhile space completed in December 2022 and has been well received by local stakeholders, visitors and the general public. The management model is now in place supported by external stakeholders. The expectation is that the Permanent scheme will go ahead, fully funded through external partners, and discussions are ongoing to scope the future scheme.

- **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.

- **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.

- **Regent Street** - Increased pedestrian pavement Increase accessibility and safety for pedestrians. Better air quality from reduced traffic, considering full impact on surrounding area Increased greening and biodiversity.

- **St Martin's Lane** - Build on the success of the alfresco scheme in the area by Increasing pedestrian footway, flush carriageway, new trees and safer, more visible space with better lighting and to reduce collisions and improve personal safety.

- **North Paddington Place Plan** – build on existing work to improve the landscape, revitalise the High Street, enhance community assets and increase local connectivity.

Corporate Property Programme

5.8. The Council has the benefit of valuable land and buildings which are used to deliver operational services to Westminster residents such as libraries. Many of our properties are also occupied by voluntary and community organisations who can apply for support with 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. Key projects within the Property Capital Programme are as follows:

- **Huguenot House** – The process to identify a delivery partner commenced in November last year. The Council are seeking a partner with significant experience of delivering well-designed buildings with high-quality homes and facilities. The project is likely to act as catalyst for investment in the area through construction of a vibrant mixed-used building containing homes of all tenures that meet modern standards, as well as creating new local employment opportunities alongside enhanced public realm, greenery and open space. The partner will be asked by the council to consider all options for the future of Huguenot House whilst delivering best value to the people of Westminster.

  It is anticipated that the procurement process will take at a least a year during which regular stakeholder engagement will be ongoing.

- **Seymour Centre Project** – following approval of the planning application in Summer 2023 a process of design refinement and value engineering has been ongoing to support the commencement of works on site in Spring of 2024. The project will provide new and enhanced facilities including an open plan gym, refurbished swimming pool, contemporary library, café, children's soft play area and improved climbing wall whilst maintaining the building's Listed art deco features. Current users and local residents will be kept updated throughout the project.

- **Consolidating Community Access Westminster at Droop Street** – The services are currently provided at two locations, Lisson Grove and Droop Street. A feasibility study is currently underway to consolidate the services onto one site with Droop Street the main site under active consideration. The new space will meet current standards and be future proofed to meet future demand.

- **Queens Park Family Hub** - Major refurbishment of 17-23 Third Avenue to facilitate high quality space for the Queens Park Family Hub. The service will vacate their current building in Bravington Road and move to Third Avenue once the project is complete. The project comprises refurbishment and new build and will incorporate dedicated space for key NHS services. The Family Hub model is responsive to local need and flexible spaces will be created to ensure that local demands can be met. The project is within the North Paddington Programme area and the activity that will take place at the Hub will contribute significantly to the aims and objectives of that programme.

Strategic Investment

5.9. 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.

5.10. The Property Investment Strategy is based around a vision of having a balanced and diversified portfolio fit for the future that will continue in the long term to appreciate both in revenue and capital terms for the greater benefit of the Council and its residents, whilst at the same time ensuring that plausible losses can be met without significantly impacting service delivery.

5.11. As at March 2023, the Council maintained 287 investment properties, with a value of £525m, generating nearly £40m per annum for the Council to spend of essential services and invest back into its capital programme.

5.12. There are four key objectives that support this:

- Alignment to the Council's wider Fairer Westminster 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

5.13. Property Investment Acquisition has a budget of £93m within the capital programme to support strategic 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 have some other strategic purpose.
- Any investments in commercial property conform with minimum revenue provision (MRP) regulations

5.14. 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 advice and guidance from the Property Investment Panel. This Panel includes external industry expert representation.

Operational - £1,053m

5.15. Operational schemes make up a significant proportion of the gross capital budget at £1,053m. The Council's operational capital strategy is centred on capital improvement works to the Council's operational asset portfolio. This falls into two main categories:

- Land and Buildings – 533 assets with a value of £761m (includes Housing Revenue Account assets)

- Infrastructure – asset value of £349m

5.16. The Council undertakes a rolling programme of property condition surveys across the whole operational estate. This high-quality information will be used in several ways including for lifecycle replacement, energy usage to contribute to the Council's zero carbon target and building management; ultimately ensuring the Council's operational estate is fit for purpose. This information will reduce building operational risk and ensure compliance and health & safety obligations are met.

5.17. Decarbonising the operational and commercial estate through the retrofitting programme requires the commitment of significant levels of capital investment. To date the Council has had some success with public sector decarbonisation grant bids to drive the pace of retrofit energy conservation measures and the introduction of renewable energy generation through the installation of solar photovoltaic panels across the estate. Through the implementation of these measures, the Council has achieved more than 20% reduction in its operational carbon footprint. As the Council moves towards lower energy consumption sites, it will become more challenging to meet the grant funding criteria. This will require the Council to use more of its own financial resources if it is to achieve the Fairer Westminster net zero 2030 and 2040 targets.

5.18. The Council continues to embed the Corporate Landlord approach to operational property management. This approach 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 strategic perspective and that opportunities to deliver efficiencies are captured and assessed via the Strategic Property Board at which all services are represented.

5.19. As part of the forward planning of the operational estate, there are some key areas which will continue to be developed in 2024/25 in line with Council objectives. These include the desire to make buildings dementia and autistic friendly and to rollout ABLE access across the portfolio.

Education

5.20. 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

5.21. Expenditure on schools' expansions is in response to pupil place planning needs across the borough. 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.

5.22. The proposed capital programme includes approximately £23.112m of expenditure on school/education capital projects over the next five years all of which is funded through external Grants. More information on these funding sources can be found in section 11.

5.23. Providing for school expansion and SEND projects 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

5.24. Most of this category relates to £77.185m 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.

6. The Council's Assets

6.1. The Council has total long-term assets of £3.674bn 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 2023 £m
Council Dwellings	1,624
Other Land and Buildings	761
Investment Properties	525
Infrastructure Assets	349
Assets under Construction	320
Heritage Assets	45
Community Assets	31
Vehicles, Plant and Equipment	9
Intangible Assets	7
Assets Held for Sale	3
Total	**3,674**

6.2. 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.

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

6.4. 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.

7. Capital Budget Setting Process

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

7.2. The key criteria for capital projects under consideration are:

- Strategic Fit: how projects align with the Council's Fairer Westminster Objectives and priorities and the positive impacts that are expected

- Financial Implications: what are the financial circumstances for the project, e.g., is external funding readily available, are there ongoing revenue implications, 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. The review 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 efficient and effective from a financial and strategic perspective.

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 gross value as follows:

- 32 schemes above £10m in individual value
- 85 projects between £1.5m and £10m projects
- 155 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 Fairer Westminster, 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. Business cases between £0.5m and £1.5m must obtain spend approval in consultation with CRG.

8.4. CRG's governance has been further strengthened by giving it oversight of review 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.

8.5. 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.

8.6. All projects over £10m must produce the following three business cases:

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

8.7. At each of the following stages of the five-case (HM Treasury Green Book) 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.

8.8. Projects under £10m require a Business Justification Case. 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 and members. The factors include:

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

8.9. Assessment of 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, the community and resources of the Council.

9. <u>Delivery</u>

9.1. 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 independently, resulting in the greatest potential return but with the greatest 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 a compromise 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 – Westminster Housing Investments Limited (WHIL) or Westminster Housing Developments Limited (WHDL)

- The Housing Revenue Account is a ring-fenced account that is a key aspect of how the Council delivers on its Fairer Housing objectives.

9.2. 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.

Westminster Builds

9.3. In June 2018, following Cabinet approval, the Council incorporated two new wholly owned companies, Westminster Housing Investments Limited (WB) 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.

9.4. In this two-company structure WHDL will undertake the construction and development of schemes and WB will hold properties for intermediate and market rent.

9.5. The current Westminster Builds Business Plan sets out the programme of planned activity by the company over a five-year period from 2023-2028 to include the acquisition of intermediate and market rent units and plans for development as part of Ebury Regeneration Phases 2 and 3. The updated business plan from 2024-2029 is due to be approved by the Councils Shareholder Committee in March 2024.

9.6. The Council's general fund provides loan financing into the company to support the delivery of these projects. This amounts to £452m over the next 14 years from 2024/25. Over the same period the company will repay £305m of that loan financing. The Business Plan model ensures the company uses its own internal funds in the most efficient way to reduce the reliance on Council debt as much as is reasonably possible.

9.7. The key development and acquisition programmes included in the business plan consists of the following schemes:

- **Ebury Bridge Regeneration Phases 2 and 3** – The Westminster Builds business plan includes a budget for the direct delivery of Phases 2 and 3 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 during the end of 2023/24/beginning of 2024/25.

- **Acquisitions** – 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. These acquisitions are largely from Council development sites being delivered by either the general fund or the HRA. To retain control of the intermediate / market units on these sites the Council has decided that these will be held by Westminster Builds rather than an external housing association. Planned intermediate unit acquisitions over the next 15 years include Luxborough, Pimlico, West End Gate, Ebury and Church Street. There are also plans to develop and retain market rent units on Ebury Phase 3.

9.8. Each scheme will be approved through the Council's existing governance processes and by the Westminster Builds Board. Current projections show the company will hold 106 homes for rent by the end of March 2024.

HRA Business Plan

9.9. 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 social 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.

9.10. Planned HRA capital spend for 2024/25 is £220m, with a total of £2.428bn planned to be spent over the duration of the 30-year business plan. This represents an increase of £152m versus the February 2023 HRA budget report (for the equivalent 30-year period). Overall, the HRA is expected to need to borrow an additional £137m on top of what was approved in the last iteration but required revenue offsets have been made to keep the plan sustainable.

9.11. The HRA programme is financed using various funding sources, including the use of the Affordable Housing Fund, CIL, Capital Receipts, and available government grants. The capital programme includes increased GLA grant (for the regeneration projects at Ebury and Church Street) as well as an improved outlook for AHF receipts (see Section 10). HRA borrowing is used to cover the gap between available funding and planned expenditure. The HRA no longer has an enforced borrowing cap, which allows greater flexibility for investment in building new affordable housing but borrowing still needs to be tightly managed and prudential measures must be taken to ensure that there is sufficient cover within the HRA revenue budget to cover interest costs. The business plan takes several steps to ensure that the HRA debt profile is sustainable, including the provision of a sufficient level interest cover within the revenue budget (to provide financial resilience) and maintaining appropriate levels of HRA reserves (set at an absolute minimum of 10% of turnover).

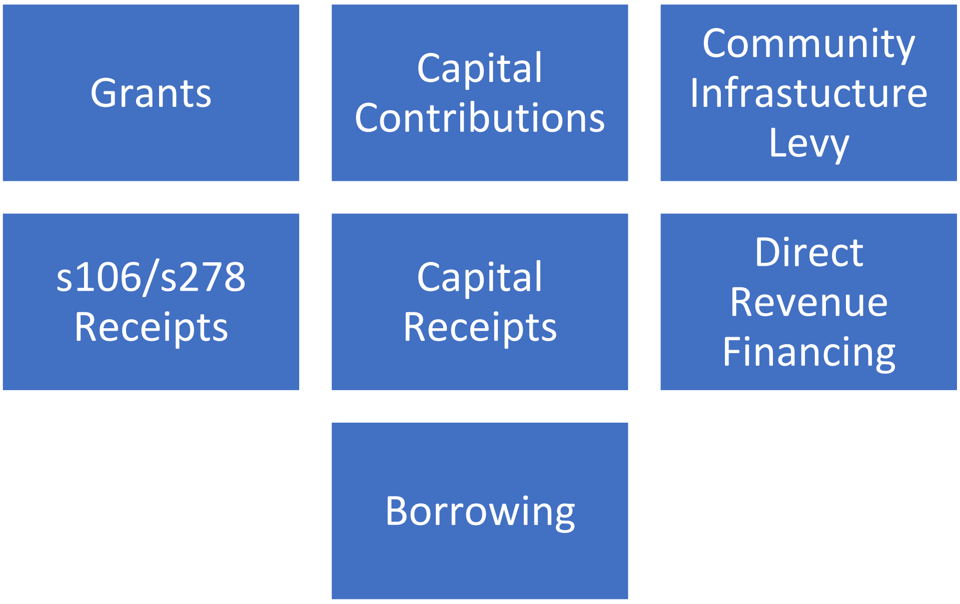
9.12. The HRA Planned Maintenance programme includes a £218m allocation to support the retrofit of the Council's existing housing stock (of which there is £207m remaining to be delivered from 2024/25 onwards). This budget is dependent on the availability of grant funding from central government which is assumed to support 50% of planned spend. The programme is designed to both deliver on the Council's carbon neutral ambition and help tenants save money on energy bills.

9.13. One of the main changes reflected within the revised HRA capital programme is the inclusion of a funding allocation for the works required in relation to the renewal of the Pimlico District Heating Undertaking (PDHU). The Council approved a Strategic Outline Case (SOC) for the PDHU in January 2023 that identified an initial four options for the future of the network. A detailed option appraisal is being developed as part of the Outline Business Case (OBC) that is due to be completed in the summer. This will not only identify the preferred delivery option for the scheme but will also include more accurate costings. In lieu of this detail, an indicative allowance has been included in the HRA business plan based on the mid-point of the estimates for the four options identified in the SOC. The current funding strategy assumes that the HRA will be required to cover the cost of the works required inside blocks and dwellings (on the basis that stock condition is a landlord responsibility).

10. <u>Capital Funding</u>

10.1. 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.

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



Grants

10.3. 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 are detailed in section 11.3.

Capital Contributions

10.4. 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/ Section 106 Receipts/ S278 Receipts and Affordable Housing Fund Receipts

10.5. Community Infrastructure Levy (CIL) is a planning charge introduced by the Planning Act 2008. The Council started charging CIL in May 2016. Developers have to pay a levy linked to planning applications - this is based on a Council approved policy and charging schedule. The income from this levy is held corporately and the Council decides corporately how to allocate these funds.

10.6. CIL monies can be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support the development or growth of the area. This may be either capital expenditure or revenue. In Westminster, CIL split into three pots:

- Strategic CIL, which can be spent by the Council in any part of the City on infrastructure of strategic importance;
- Neighbourhood CIL, which is spent in consultation with local people in one of the 21 identified Neighbourhood Areas within which the contributing development was built; and
- Administrative CIL, which can be spent on costs associated with running the CIL programme.

10.7. 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.

10.8. S278 receipts are linked to specific highways work linked to planning approvals and are contributions from the developer.

10.9. 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 have to be used toward building new or replacement affordable homes. From 2022/23 all AHF received by the Council is being used to finance projects within the Housing Revenue Account (HRA) and thereby maximising the number of new social rented homes as well as reducing borrowing pressure on the HRA Business Plan.

10.10. Affordable Housing Fund receipts are forecast to fall in future years as the number of new planning applications eligible for affordable housing contributions has reduced. A total of £43m has been received in 2023/24. Whilst this is greater than the previous year's projection, the majority of this contribution relates to one large planning application, therefore a prudent approach is still required. A further £40m has been projected to 2027/28 and has been included within the capital funding assumptions for the HRA capital programme.

10.11. Forecasts for CIL and s106 are £75m over the 15-year period, which reflects development activity post-pandemic. Additional CIL and s106 receipts have been applied to the General Fund capital programme (where stipulations allow), increasing the use of external funding and maintaining the overall affordability of the capital programme. In total, £105.6m CIL has been applied to the General Fund programme (compared to £93.6m last year). In respect of s106, £51.2m has been applied to the General Fund programme (compared to £53.3m last year).

Capital Receipts

10.12. 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.

10.13. 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 macroeconomic circumstance could impact on the level of receipts the Council receives.

10.14. Capital receipts have the potential of being the most volatile of capital funding sources and are faraway 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.

Direct Revenue Financing

10.15. 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

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

10.17. 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 in accordance with the Treasury Management Strategy providing the Council with a return on investment. 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.

10.18. 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).

10.19. 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.

10.20. 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.

10.21. 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 31st March 2023 was £1,025.843m.

10.22. During 2019/20, the Council arranged forward borrowing loans totaling £400m. These loans enabled the Council to agree 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, drawn down and maturity dates for each loan facility.

Table 2: Forward Borrowing Summary

Counterparty	£m		Rate	Start Date	Maturity Date
Barings	150		1.97%	15/08/2022	15/08/2052
Rothesay	200		2.89%	08/05/2023	08/05/2069
Phoenix	37.5		2.71%	15/03/2022	15/03/2062
Phoenix	12.5		2.75%	15/03/2023	15/03/2062
Total:	**400**	**Average:**	**2.58%**		

10.23. 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 for the long-term revenue budget.

11. <u>Capital Programme Funding: 2023/24 to 2037/38</u>

11.1. 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	
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2037/38	Total
	£000	£000	£000	£000	£000	£000	£000	£000
External Funding	41,972	52,064	62,871	57,088	25,695	15,420	7,540	262,650
Capital Receipts	11,845	51,378	20,658	14,277	294,630	77,257	301,963	772,008
S106 and CIL Funding	9,110	40,125	46,242	11,447	-	9,950	39,950	156,824
Borrowing Requirement	190,595	195,940	297,070	411,037	(51,253)	53,403	316,268	1,413,060
Total	**253,522**	**339,507**	**426,841**	**493,849**	**269,072**	**156,030**	**665,721**	**2,604,542**

11.2. In total £1.191bn (46%) of the programme is to be funded via external or internal sources of funding, with the remainder via borrowing (both internal and external).

11.3. The table below outlines the main streams of external funding:

Table 4: Analysis of Proposed External Funding

Financed by	Forecast	Five Year Plan					Future Years	
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2037/38	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Basic Needs	3,064	882	1,450	4,426	-	-	-	9,822
Carbon Management Programme Grant	2,700	2,170	-	-	-	-	-	4,870
CLC SIP funding	-	300	-	-	-	-	-	300
Community Capacity Grant	100	-	-	-	-	-	-	100
DfE High Needs Funding	2,114	4,600	3,158	2,996	-	-	-	12,868
Disabled Facilities Grant	1,400	1,729	1,729	1,729	-	-	-	6,587
ERDF	165	-	-	-	-	-	-	165
External Contributions	2,076	7,517	8,274	12,702	10,778	-	4,178	45,525
External Partners	-	13,036	28,432	12,091	-	-	-	53,559
GLA Funding	9,431	1,142	-	6,289	12	4,840	3,362	25,076
GLA Good Growth Fund	638	95	-	-	-	-	-	733
Other	7,292	598	2,561	-	-	850	-	11,301
Other Grant or Contribution	-	1,008	1,365	850	850	-	-	4,073
S278	10,680	16,848	13,197	13,000	11,050	6,750	-	71,525
School Condition Allocation	1,071	400	400	400	400	400	-	3,071
Sport England Grant	-	400	-	-	-	-	-	400
TfL Grant	1,241	1,339	2,305	2,605	2,605	2,580	-	12,675
Total External	**41,972**	**52,064**	**62,871**	**57,088**	**25,695**	**15,420**	**7,540**	**262,650**
CIL	7,381	30,749	36,172	11,447	-	9,950	9,950	105,649
S106	1,729	9,376	10,070	-	-	-	30,000	51,175
Total s106 and CIL	**9,110**	**40,125**	**46,242**	**11,447**	**-**	**9,950**	**39,950**	**156,824**
Capital Receipts	11,845	51,378	20,658	14,277	294,630	77,257	301,963	772,008
Borrowing Requirement	190,595	195,940	297,070	411,037	(51,253)	53,403	316,268	1,413,060
Total	**253,522**	**339,507**	**426,841**	**493,849**	**269,072**	**156,030**	**665,721**	**2,604,542**

11.4. The main source of external funding is via external partners and Section 278 contributions. Internal Funding includes Community Infrastructure Levy and Section 106 Contributions.

11.5. Rental income from the improved Temporary Accommodation purchasing programme is expected to be used to finance the borrowing costs as opposed to forming MTFP savings.

12. Revenue Implications of the Programme

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

	Forecast	Five Year Plan					Future to	
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2027/28 £000	2037/38 £000	Total £000
Expenditure	253,522	339,507	426,841	493,849	269,072	156,030	665,721	2,604,542
External Funding	(41,972)	(52,064)	(62,871)	(57,088)	(25,695)	(15,420)	(7,540)	(262,650)
Capital Receipts	(11,845)	(51,378)	(20,658)	(14,277)	(294,630)	(77,257)	(301,963)	(772,008)
S106 and CIL Funding	(9,110)	(40,125)	(46,242)	(11,447)	-	(9,950)	(39,950)	(156,824)
Borrowing Requirement	**190,595**	**195,940**	**297,070**	**411,037**	**(51,253)**	**53,403**	**316,268**	**1,413,060**
Revenue Impacts:								
Capital Financing Cost	28,320	29,622	30,700	48,071	67,887	71,904	635,736	912,240
Financed By:								
Commercial Income	(1,592)	(854)	(3,083)	(14,269)	(12,491)	(14,514)	(160,877)	(207,680)
Net Revenue Position	**26,728**	**28,768**	**27,617**	**33,802**	**55,396**	**57,390**	**474,859**	**704,560**
Sinking Fund Adjusted Balance	(6,028)	(5,068)	(917)	(4,102)	(22,935)	(22,098)	(17,591)	(78,740)
MTFP Budget Assumptions	**20,700**	**23,700**	**26,700**	**29,700**	**32,461**	**35,292**	**457,267**	**625,820**

12.1. 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 £704.560m.

12.2. 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). 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. The 2023/24 capital financing budget is £20.7m. The Medium-Term Financial Plan includes a £3m per annum increase to account for the financing requirements of the 15-year programme. This is estimated to level out by 2037/38 by which time the budget will be £64.2m.

12.3. As noted in Section 8, 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)

12.4. 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. 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.

12.5. The Council has an ongoing capital programme and will continue to invest in capital projects beyond 2036/37 and will therefore need to ensure that funds are set aside for the future cost of borrowing.

Revenue Reserves

12.6. 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, projects that are written off, or specific projects where this has a financial benefit to the revenue budget. Each year, capital expenditure is reviewed to ensure that any revenue elements of expenditure is written off to reserves in line with accounting regulations. The Council maintains an earmarked reserve for this purpose.

12.7. 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. The total level of reserves that the Council maintains is considered robust and can support the delivery of the capital programme.

13. Risk Management

13.1. 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

13.2. General risks are those that are faced as a consequence 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

13.3. The Council is planning to externally borrow £681.308m as set out in this Capital Strategy over the next five years (over and above the £400m forward borrowing loans outlined in paragraph 10.24). Interest rates are variable and could increase to a point where the cost of servicing debt becomes unaffordable. To mitigate this, the Council has used interest rate forecasts that include a prudent provision against interest rate rises.

13.4. If interest rates rose beyond this forecast plus contingency, the revenue interest cost to the Council would increase for all borrowing not yet entered into (the Council typically borrows on fixed rate terms). The forward borrowing arrangement the Council entered into has mitigated a large extent of this risk, however, a rise of 1% above current interest rate assumptions against the full projected external borrowing of £681.308m would cost an additional £6.813m per annum.

13.5. 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 financing measure. This strategy has been prudent as investment returns have remained low and counterparty risk has been minimised. It has also reduced the external interest payable on undeployed capital, known as the 'cost of carry', or the difference between the unutilized debt and the yield this generates whilst invested.

13.6. The Council's treasury management strategy permits borrowing from various sources. 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

13.7. Construction inflation over and above that budgeted by the Council's 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 £26.0m. 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.

13.8. There is a cost risk in both the General Fund and HRA around larger regeneration schemes occurring several years into the future where the delivery route is still to be determined. For example, the council could choose to self-deliver a scheme rather than use a development partner, which could place extra pressure on the programme. This risk will need managing in the near term to ascertain the most appropriate mitigation measures.

Legislative Risks

13.9. 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

13.10. 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.

13.11. 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.

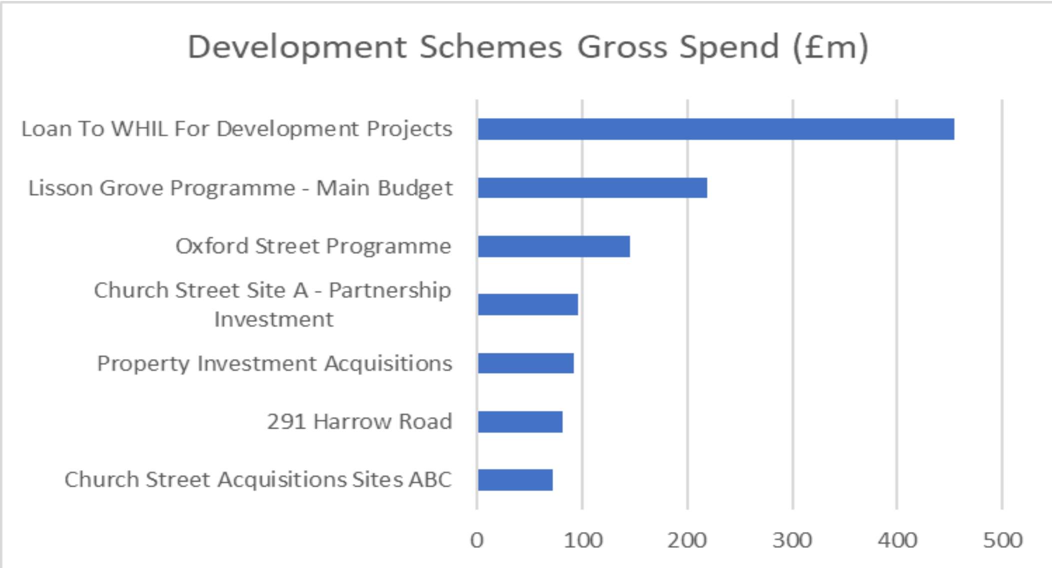
Transfer Risk

13.12. 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.

Development Risk

13.13. 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 earlier in this report.

13.14. Development schemes make up a significant proportion of the gross capital budget at £1,551m, and of the capital receipts in the programme at £758m. Key examples of projects that fall under this category are noted in the graph below. Ebury Phase 2 and 3 exposure is captured in the Loan to Westminster Housing Investments Ltd (WHIL) line as the company will deliver the scheme.



Project Risks

13.15. 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.

14. Financial Implications

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

15. Legal Implications

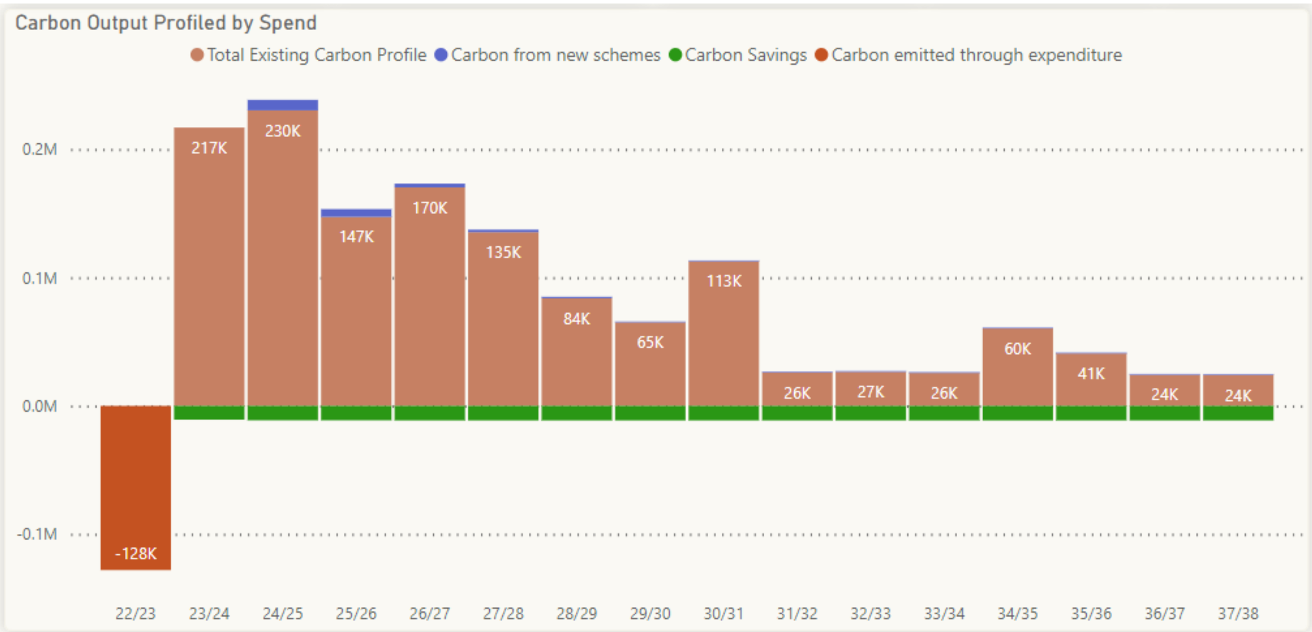
15.1. The Council has a duty under section 3(1) of the Local Government Act 2003 to determine and keep under review how much money it can afford to borrow. Section 3(5) of the Local Government Act 2003 provides that the Secretary of State may by regulations make provision about the performance of that 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.

15.2. 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.

16. Carbon Implications

16.1. The capital programme has a gross carbon footprint of 1.38m tonnes CO_2, over the course of its 15-year duration (General Fund and HRA inclusive).

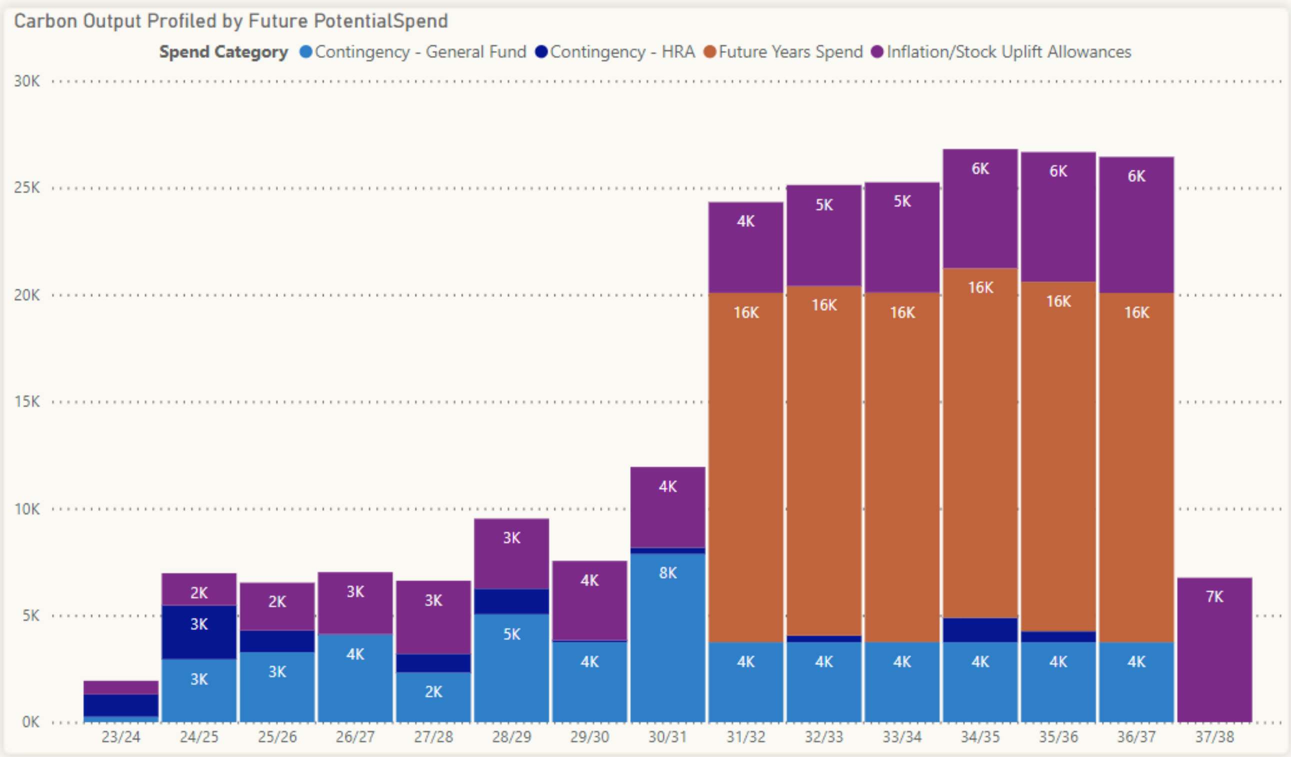
16.2. This is mapped to capital expenditure in the table below as follows:



Bar chart showing the capital programmes profiled emissions over 15 years.

16.3. Included within the capital programme are budget lines for contingency, inflation uplift, and future year's spend. This spend may be incurred but is not guaranteed. The additional emissions not included in the figure mentioned at 16.1 but that could result from this spend ranges from 0 – 219k tCO2e. The profiling of these emissions based on budgets is shown in the table below:

Bar chart showing the capital programmes potential additional emissions profiled emissions over 15 years.



16.4. Carbon emissions are determined using various methodologies ranging from cost-based assessments using industry average emissions factors, and detailed assessments with the aid of external consultants. The majority of emissions quoted above have been calculated using a cost-based assessment, which relies on assumptions.

16.5. The Council's current 2030 net zero target only includes Scope 1, Scope 2, and selected Scope 3 emissions.

- Scope 1 covers direct emissions from owned or controlled sources. This is typically the combustion of gas for heating or fuel for use by vehicles in Westminster.

- Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by Westminster. The emissions are generated outside of Westminster, but the user is within the city, so the indirect emissions are attributed here.

- Scope 3 includes all other indirect emissions that occur in Westminster's value chain, but that Westminster has no control over. This can include purchased goods, services, good, waste and travel outside of the city.

16.6. A significant proportion of the capital programme carbon footprint is scope 3 emissions. As such, the 2030 net zero strategy and the emissions the Council reports publicly will not be significantly impacted by the capital programme.

16.7. Scope 3 emissions are extensive and complex to determine, which is why most scope 3 emissions are not currently included in the Council's emissions baseline and 2030 net zero target. This work helps the organisation to better understand our scope 3 emissions and begin to develop a clear picture of the scope 3 impact. It will enable more informed decision making and a better understanding of the carbon implications of capital schemes, allowing the development of a clear strategy to reduce or offset these.

16.8. Carbon offsetting is a mechanism used to compensate for corporate or individual carbon footprints through the purchase of carbon credits. By investing in carbon offsets, Westminster can "offset" or "cancel out" emissions from its operations that cannot otherwise be reduced or avoided.

16.9. The cost of carbon offsets varies widely and is expected to increase as organisations get closer to the end date of their net zero targets. Indicative pricing is as follows:
- Avoidance Credit - £10/ton
- Nature Based Removal Credit - £50/ton
- Technical Removal Credit - £900/ton

16.10. The choice of offset used impacts on whether the Council reaches net zero or carbon neutral. A net zero outcome requires carbon removal, whereas carbon neutral can reply of carbon avoidance. There is a significant different in cost to each option. There are also additional risks with investing in carbon offsets as the market is still relatively new and does not have an internationally agreed framework governing it. This creates reputational risks around greenwashing if not managed and monitored carefully. There is also an additional risk that any credits purchased now might be deemed invalid should an international framework be developed and determined so at the time. It is therefore officers' preference that offsets are used as a last resort and measures are taken to reduce emissions at source. The capital programme scope 3 emissions are not part of the Council's current targets for net zero, however, there is a growing acceptance that organisations should be considering and reducing scope 3 more, and setting a target for this may be part of addressing that. Officers will continue to consider the implications of carbon offsetting to form a full understanding of the Council's options.

16.11. The Council has declared the Climate Emergency a key priority and set ambitious targets to achieve carbon neutrality for the Council by 2030. The following are key capital schemes supporting the delivery of this ambition:

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

- Electric Vehicle Charging Infrastructure - to provide a charge point network of an appropriate size and scope to complement demand from EVs operating in the City.

- Council Buildings - reviewing the environmental credentials of the operational property portfolio, including the retro fit schemes and high specification housing regeneration schemes which are designed to reduce the Council's carbon impact.

16.12. This highlights the role of the capital programme in supporting delivery of the Council's scope 1 and 2 carbon reduction ambitions, which derive from revenue related activities. Whilst the capital programme supports all of Fairer Westminster, within it are vital projects that are required to deliver net zero 2030. This demonstrates that some scope 3 emissions are required in the short term, to improve the longer term position.

16.13. From this ongoing work, and in conjunction with external consultants, the Council will be able to set a scope 3 baseline and consider appropriate net zero targets that encompass scope 3.

17. Staffing Implications

17.1. None specifically in relation to this report.

18. Consultation

18.1. 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: Jake Bacchus, Director of Finance *jbacchus@westminster.gov.uk*

Background Papers:

Capital programme working papers
Capital Programme Submission Requests for individual projects

19. Appendices

Appendix A – Capital Programme schedule

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Appendix A - General Fund Capital Programme including 2024/25 & Future Years

	Forecast	Five Year Plan						
Gross Expenditure	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Future Years to 2037/38	**Grand Total including 2023/24 & Future Years**
Scheme Name	£000	£000	£000	£000	£000	£000	£000	**£000**
Frameworking Upgrade To Care Management System	100	-	-	-	-	-	-	**100**
Grosvenor Square Realm Scheme	200	4,800	-	-	-	-	-	**5,000**
Health Integration	-	119	-	-	-	-	-	**119**
Oxford Street Programme	5,700	31,103	59,375	50,139	-	-	-	**146,317**
Adult's and Deputy Chief Executive Total	6,000	36,022	59,375	50,139	-	-	-	**151,536**
Carer's Extensions Funding (LAC)	30	90	-	-	-	-	-	**120**
Care Leaver Supported Accommodation	-	5,000	-	-	-	-	-	**5,000**
Hallfield Site Improvements	300	-	-	-	-	-	-	**300**
King Solomon Academy Expansion	150	-	-	-	-	-	-	**150**
Library IT And Smart Open Solution	22	-	-	-	-	-	-	**22**
Looked After Children Placements Provider Portal	-	15	-	-	-	-	-	**15**
Queen Elizabeth II ASD Class Build Provision	-	50	-	-	-	-	-	**50**
Registration Services Booking System	-	30	170	-	-	-	-	**200**
SEN High Needs and Family Support	2,250	4,126	2,708	2,572	-	-	-	**11,656**
Safeguarding For Community Primary Schools	250	781	450	425	-	-	-	**1,906**
School Development Capital Projects (Generic)	2,650	525	450	425	-	-	-	**4,050**
Social Care System Reprocurement	194	-	-	-	-	-	-	**194**
Special School Provision	-	-	1,000	4,000	-	-	-	**5,000**
Children's Services Total	5,846	10,617	4,778	7,422	-	-	-	**28,663**
40 Eastbourne Terrace	-	-	720	-	-	-	-	**720**
5 Climate Safe Streets Asks - London Cycle Campaign - Consultant commission	70	30	-	-	-	-	-	**100**
Abel & Cleland	20	-	-	-	-	-	-	**20**
Active Travel	-	1,276	-	-	-	-	-	**1,276**
Arundel Court	450	-	-	-	-	-	-	**450**
Bayswater Road, Junction Improvements	-	1,000	-	-	-	-	-	**1,000**
Bond Street Station Western Ticket Hall	-	902	-	-	-	-	-	**902**
Bus Stop Accessibility	216	250	400	400	400	400	-	**2,066**
CCTV Enforcement School Street Programme	150	1,000	1,443	-	-	-	-	**2,593**
Central Island Improvements For Elgin Avenue	445	-	-	-	-	-	-	**445**
Central London Cycle Grid in Westminster	1,488	1,363	4,230	4,200	3,600	3,600	-	**18,481**
Ceremonial Streetscape 1	1,250	2,000	2,500	2,480	-	-	-	**8,230**
Ceremonial Streetscapes 2	1,250	-	-	1,346	-	-	-	**2,596**
Charlotte Street	-	150	75	-	-	-	-	**225**
Connaught Village Green	75	1,613	-	-	-	-	-	**1,688**

	Forecast	Five Year Plan						
Gross Expenditure	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Future Years to 2037/38	**Grand Total including 2023/24 & Future Years**
Scheme Name	£000	£000	£000	£000	£000	£000	£000	**£000**
Covent Garden Neighbourhood Traffic Management	25	-	-	-	-	-	-	**25**
Cycle Greenway (North)	100	400	1,200	600	-	-	-	**2,300**
Cycle Loan Restart	-	65	10	10	10	-	-	**95**
Cycle Parking (Stands)	-	-	216	225	225	225	-	**891**
Dockless Mobility Infrastructure	-	300	-	-	-	-	-	**300**
Drainage Infrastructure	293	439	1,200	1,200	1,200	1,200	-	**5,532**
Dryden Street (Grain House) Public Realm Improvements	680	-	-	-	-	-	-	**680**
Eccleston Street	-	90	675	-	-	-	-	**765**
Electric Vehicle Charging Infrastructure	2,558	3,311	-	-	-	-	-	**5,869**
Elevated Harrow Rd Bridge - Battleship Building Cathodic Protection	500	1,000	1,000	-	-	-	-	**2,500**
Elizabeth Street	-	89	-	-	-	-	-	**89**
Elizabeth Street / BPR Diagonals Crossing	100	475	200	-	-	-	-	**775**
Elmfield Way	400	-	-	-	-	-	-	**400**
Flood Risk Alleviation	-	1,150	750	550	550	-	-	**3,000**
Flooding - Reducing impact of Surface Water flooding	700	700	700	700	700	700	-	**4,200**
Folding Bike Hire Stations	350	-	-	-	-	-	-	**350**
Freight & Servicing Action Plan	193	200	200	100	100	100	-	**893**
Gas Lighting Replacement	650	678	-	-	-	-	-	**1,328**
General Developer Schemes	6,000	6,000	6,000	6,000	6,000	6,000	-	**36,000**
Golden Jubilee Footbridges Lift Refurbishment	900	-	516	-	-	-	-	**1,416**
HVM Covent Garden	250	947	1,222	-	-	-	-	**2,419**
Henrietta Street Southampton Street Public Realm Improvements	1,591	700	475	475	475	475	-	**4,191**
Highways Buildouts For Trees	500	1,000	1,000	1,896	-	-	-	**4,396**
Highways Innovation	300	1,000	1,500	654	750	750	-	**4,954**
Identifying Pedestrian Accessibility Concerns	50	138	50	50	50	50	-	**388**
Improved Bus Travel - Pinch Point Reduction	400	-	-	-	-	-	-	**400**
Improving Pedestrian Accessibility	250	480	100	100	100	100	-	**1,130**
Isolated Pitches - Independent Market Trader Bollards	1,198	-	-	-	-	-	-	**1,198**
Kilburn Lane Traffic Management	-	300	-	-	-	-	-	**300**
Knightsbridge Green	-	850	-	-	-	-	-	**850**
LED/CMS Rollout	789	-	-	-	-	-	-	**789**
Legible London - Wayfinding Assets	50	74	50	50	50	50	-	**324**
Lisson Green Footbridge Refurbishment	192	800	-	-	-	-	-	**992**
Local Safety And Traffic Management Schemes	599	1,400	1,400	1,500	1,500	1,500	-	**7,899**
London Lorry Control Scheme - Signs audit and replacement	-	70	20	-	-	-	-	**90**
London School of Economics (LSE) St Clement's Lane	-	715	-	-	-	-	-	**715**
Lord Hills & Westbourne Terrace Pedestrian Subway Infilling	-	192	-	-	-	-	-	**192**

	Forecast	Five Year Plan						
Gross Expenditure	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Future Years to 2037/38	**Grand Total including 2023/24 & Future Years**
Scheme Name	£000	£000	£000	£000	£000	£000	£000	**£000**
Market Electrical Supply Improvements	664	-	-	-	-	-	-	**664**
Market Infrastructure	-	159	-	-	-	-	-	**159**
Millbank River Wall Fender Replacement	100	175	-	-	-	-	-	**275**
Neat Streets II - C&N10 (Previously Lip Funded)	50	796	-	-	-	-	-	**846**
North Audley Street Highways and Public Realm Improvements	-	700	400	-	-	-	-	**1,100**
Opera Quarter	-	720	-	-	-	-	-	**720**
Parks & Gardens Infrastructure Improvements	203	-	-	-	-	-	-	**203**
Parks And Cemeteries Tree Planting	54	60	60	60	60	60	-	**354**
Pedestrian Phase Installation	-	300	300	300	-	300	-	**1,200**
Piccadilly Underpass (Ventilation Fan) Refurbishment	2,306	1,000	-	-	-	-	-	**3,306**
Piccadilly Underpass Fan Replacement - Phase 2	-	2,000	5,000	1,800	-	-	-	**8,800**
Pimlico Place Strategy Workstream 2	200	1,590	-	-	-	-	-	**1,790**
Planned Preventative Maintenance (PPM) - Bridges And Structures	8,740	7,564	7,791	8,024	8,024	8,024	-	**48,167**
Planned Preventative Maintenance - Highways	5,124	3,002	3,002	3,000	3,000	3,000	-	**20,128**
Planned Preventative Maintenance - Lighting	565	1,665	1,665	1,665	1,665	1,665	-	**8,890**
Planters	40	100	70	70	70	-	-	**350**
Princes Street Public Realm Scheme	-	600	1,000	600	-	-	-	**2,200**
Protective Measures	2,500	1,000	2,000	2,172	-	-	-	**7,672**
Queensway Public Realm Improvments	300	1,500	1,729	658	-	-	-	**4,187**
Queen’S Park TfL Cycle Hire Expansion	100	442	-	-	-	-	-	**542**
Regent Street (Permanent Scheme)	400	3,000	5,000	6,000	5,719	-	-	**20,119**
Riding House Street Pedestrianisation	20	-	-	-	-	-	-	**20**
Royal Albert Hall HVM Highways and Public Realm	30	-	-	-	-	-	-	**30**
Sackville Street & Vigo Street Public Realm	850	1,032	-	-	-	-	-	**1,882**
School Travel Plan Engineering Programme	100	-	-	-	-	-	-	**100**
Secure Cycle Parking (Cycle Hangars)	175	175	175	175	175	175	-	**1,050**
Shepherd Market Public Realm	300	1,200	1,966	-	-	-	-	**3,466**
South Molton Street	-	350	-	-	-	-	-	**350**
St John'S Wood High Street Public Realm Improvements	1,450	-	-	-	-	-	-	**1,450**
St Martin Lane	150	1,820	2,730	-	-	-	-	**4,700**
Strand Underpass Ventilation	500	500	-	-	-	-	-	**1,000**
Street Trees – New Planting	478	450	444	424	424	424	-	**2,644**
Traffic Signal Improvements and PCATS	100	100	100	100	100	100	-	**600**
VAS Signs	50	50	50	50	50	50	-	**300**
Villiers Street	1,900	697	-	-	-	-	-	**2,597**
Voids In The Public Highway	186	250	250	-	-	-	-	**686**
Waterloo Bridge HVM	100	-	-	-	-	-	-	**100**

	Forecast	Five Year Plan						
Gross Expenditure	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Future Years to 2037/38	**Grand Total including 2023/24 & Future Years**
Scheme Name	£000	£000	£000	£000	£000	£000	£000	**£000**
Wellington Hotel	400	389	-	-	-	-	-	**789**
Sub-total Highways	53,167	66,533	61,584	47,634	34,997	28,948	-	**292,863**
Automatic Public Conveniences and Urinals	-	300	500	500	500	-	-	**1,800**
Commercial Waste Containers	52	40	92	40	-	-	-	**224**
Electric Street Cleansing Vehicles - City Wide	5,500	2,500	-	-	-	-	-	**8,000**
Food Waste Containers	137	395	-	-	-	-	-	**532**
Household Waste and Recycling Bins (ilbert St)	-	1,500	-	-	-	-	-	**1,500**
Main Fleet Replacement Programme	21,000	-	19,582	-	-	-	-	**40,582**
Public Conveniences Renovation Programme	471	2,780	2,874	-	-	-	-	**6,125**
Recycling Bin Infrastructure - Housing Estates	-	1,500	1,500	-	-	-	-	**3,000**
Recycling Containers and Bins	100	209	100	100	-	-	-	**509**
Recycling-On-The-Go - Litterbins - Metal Duobins	-	1,000	1,000	-	-	-	-	**2,000**
Zero Emission Street Cleansing Vehicles	409	1,477	-	-	-	-	-	**1,886**
Sub-total Waste & Cleansing	27,669	11,701	25,648	640	500	-	-	**66,158**
Crime and ASB-focussed CCTV coverage	500	500	1,000	-	-	-	-	**2,000**
Disabled Facility Grants (DFG)	1,400	1,729	1,729	1,729	-	-	-	**6,587**
Empty Dwelling Management Orders	200	200	200	200	-	-	-	**800**
Improvement to Air Quality	75	-	-	-	-	-	-	**75**
Parking Service - Business Processing & Technology	334	-	-	-	-	-	-	**334**
Parking Service - Emissions-Based Charging System Config	40	-	-	-	-	-	-	**40**
Parking Service - Full Replacement of On-Street Pay-To-Park Signage	100	-	-	-	-	-	-	**100**
Parking Service - Purchase of Traffic Enforcement Cameras	200	200	100	100	-	-	-	**600**
Parking Service - Review of Parking Zones & Permissions	-	216	100	-	-	-	-	**316**
Safe City Transformation Programme	211	300	300	300	300	300	-	**1,711**
WCC Public Mortuary - Contingency Power Generator	500	2,000	2,000	2,112	750	-	-	**7,362**
Sub-total Other Environment	3,560	5,145	5,429	4,441	1,050	300	-	**19,925**
Environment, Climate & Public Protection Total	84,396	83,379	92,661	52,715	36,547	29,248	-	**378,946**
Accessibility Programme - Access & Inclusion	800	1,418	500	500	500	500	-	**4,218**
CCTV – Libraries & Leisure	114	-	-	-	-	-	-	**114**
Capitalisation Of Employee Costs	909	936	965	994	1,024	1,055	-	**5,883**
Carbon Management Programme	7,918	5,893	3,500	3,000	3,000	3,000	-	**26,311**
Changing Places Bid Programme	65	-	-	-	-	-	-	**65**
Consolidating Community Access Westminster at Droop Street	-	1,830	3,050	1,220	-	-	-	**6,100**
Coroners Court Extension	2,315	-	-	-	-	-	-	**2,315**
Huguenot House	370	578	797	-	-	-	-	**1,745**
Huguenot House Acquisitions	3,100	2,000	9,003	-	-	-	-	**14,103**
Improvements Vacant Investment Properties	3,650	3,900	4,671	3,050	2,050	2,050	-	**19,371**

	Forecast	Five Year Plan						
Gross Expenditure	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Future Years to 2037/38	**Grand Total including 2023/24 & Future Years**
Scheme Name	£000	£000	£000	£000	£000	£000	£000	**£000**
Landlords Responsibility Budget	4,633	6,323	5,385	5,100	5,385	5,100	-	**31,926**
Minimum Energy Efficiency Standards Compliance / Net Zero (Investment Estate)	-	2,000	2,000	2,000	2,000	2,000	18,000	**28,000**
Minor Works Operational Portfolio	453	350	350	350	350	350	-	**2,203**
Mortuary	-	1,058	-	-	-	-	-	**1,058**
Porchester Leisure Centre & Paddington Library	574	2,726	2,200	200	-	-	-	**5,700**
Portman - Remodel	92	-	-	-	-	-	-	**92**
Property Investment Acquisitions	-	5,041	41,226	23,227	23,227	-	-	**92,721**
Queens Park Family Hub	133	1,230	2,719	-	-	-	-	**4,082**
Reactive Capitalised Maintenance	-	929	800	-	-	-	-	**1,729**
Schools Minor Works	1,071	400	400	400	400	400	-	**3,071**
Seymour Leisure Centre and Marylebone Library	4,666	20,244	13,989	-	-	-	-	**38,899**
Sports & Leisure - Sayers Croft Maintenance	112	142	90	90	90	90	-	**614**
Tresham Centre Expansion	2,268	-	-	-	-	-	-	**2,268**
Waste Depots	-	2,000	-	-	-	-	-	**2,000**
Workplace Property Responsibilities	502	300	300	300	300	300	-	**2,002**
Sub-total Finance & Resources Property	33,745	59,298	91,945	40,431	38,326	14,845	18,000	**296,590**
Customer Experience (Online)	-	1,813	1,683	1,010	-	-	-	**4,506**
Customer Experience (Report-It)	-	2,288	1,948	1,169	-	-	-	**5,405**
Customer Experience Enhancements	174	-	-	-	-	-	-	**174**
Cyber Security Enhancement	50	586	50	50	50	50	350	**1,186**
Data Operating System	-	2,934	2,184	1,310	-	-	-	**6,428**
Digital Street Markets	130	-	-	-	-	-	-	**130**
Employee Experience (Space)	150	2,455	-	-	-	-	-	**2,605**
Employee Experience (Technology)	800	2,929	2,929	293	293	293	-	**7,537**
IT Infrastructure	-	292	-	-	-	-	-	**292**
IT Product Development	2,600	-	-	-	-	-	-	**2,600**
Online Customer Experience	2,000	-	-	-	-	-	-	**2,000**
Product Development	-	-	-	-	3,500	2,170	-	**5,670**
Residential Broadband Connections	400	1,327	-	-	-	-	-	**1,727**
Retrofit Accelerator (Re:FIT) - Workplaces	959	-	-	-	-	-	-	**959**
Smart City Operating System	280	-	-	-	-	-	-	**280**
WEP - Connect Westminster-Broadband	200	-	-	-	-	-	-	**200**
Sub-total Finance & Resources - Digital & Innovation	7,743	14,624	8,794	3,832	3,843	2,513	350	**41,699**
New eProcurement system	-	175	-	-	-	-	-	**175**
Contingency	675	2,500	5,303	10,895	10,725	13,494	91,036	**134,628**
Future Years Spend	-	-	-	-	-	-	236,931	**236,931**
Sub-total Finance & Resources - Other	675	2,675	5,303	10,895	10,725	13,494	327,967	**371,734**

Gross Expenditure	Forecast 2023/24	Five Year Plan 2024/25	2025/26	2026/27	2027/28	2028/29	Future Years to 2037/38	**Grand Total including 2023/24 & Future Years**
Scheme Name	£000	£000	£000	£000	£000	£000	£000	**£000**
Finance & Resources Total	42,163	76,597	106,042	55,158	52,894	30,852	346,317	**710,023**
Commissioned Services IT System	130	-	-	-	-	-	-	**130**
Housing Service Digitisation	126	-	-	-	-	-	-	**126**
Housing Solutions Online Services and Back Office Integrations	320	-	-	-	-	-	-	**320**
Intermediate Housing Register On-Line Application	90	-	-	-	-	-	-	**90**
Major Works On Temporary Accommodation and Intermediate Housing Acquisitions	1,200	1,200	1,200	1,200	1,200	1,200	10,800	**18,000**
Rough Sleeper Accommodation Programme	722	-	-	-	-	-	-	**722**
Temporary Accommodation Acquisitions	54,069	55,124	34,465	5,000	-	-	-	**148,658**
Housing & Commercial Partnerships Total	56,657	56,324	35,665	6,200	1,200	1,200	10,800	**168,046**
Outdoor Media Phase 2	-	1,300	-	-	-	-	-	**1,300**
Community Hubs	500	1,000	8,500	-	-	-	-	**10,000**
Active Westminster - Open Data Initiative	368	-	-	-	-	-	-	**368**
Active Westminster - Open Data Initiative - Part 2	200	-	-	-	-	-	-	**200**
Alfred Road Playground	162	-	-	-	-	-	-	**162**
All Stars Boxing Club – Community Mentoring and Sports	-	850	-	-	-	-	-	**850**
Bluebell Glade and Forest Garden improvement works	130	-	-	-	-	-	-	**130**
Cemeteries Infrastructure	127	70	70	70	77	-	-	**414**
Cemeteries Path, Burial Chamber and Mausoleum	-	100	100	-	-	-	-	**200**
Construction of a new Splash Pad / Puddle Park	600	-	-	-	-	-	-	**600**
Electric Maintenance Vehicle- Sayers Croft	-	19	-	-	-	-	-	**19**
Environmental area and Forest School Improvement Works	150	-	-	-	-	-	-	**150**
Forest Schools or self guided in Parks	-	60	60	-	-	-	-	**120**
Golden Square play ground an greening project	-	200	200	-	-	-	-	**400**
Hanover Square Drainage to main lawn	-	50	-	-	-	-	-	**50**
Health And Wellbeing Projects	507	250	250	250	250	-	-	**1,507**
Intelligent, smart signage in Parks	-	35	-	-	-	-	-	**35**
Paddington Green School Multi Use Games Area	113	-	-	-	-	-	-	**113**
Paddington Recreation Ground	-	545	210	4	4	3	-	**766**
Paddington Street Gardens Playground	-	360	-	-	-	-	-	**360**
Parks & Open Spaces Infrastructure	157	150	150	150	165	-	-	**772**
Parks Fountains	-	100	100	-	-	-	-	**200**
Pathway works Improvement programme including improved accessibility from car park	615	-	-	-	-	-	-	**615**
Pavillion Changing rooms	80	-	-	-	-	-	-	**80**
Pimlico Gardens Recreation Ground	488	-	-	-	-	-	-	**488**
Play Ground replacement	-	350	-	-	-	-	-	**350**
Play Street - Ashmore Road, Queens Park Ward	150	-	-	-	-	-	-	**150**
Play Street - Chippenham Mews, Harrow Road Ward	150	-	-	-	-	-	-	**150**

	Forecast	Five Year Plan						
Gross Expenditure	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Future Years to 2037/38	**Grand Total including 2023/24 & Future Years**
Scheme Name	£000	£000	£000	£000	£000	£000	£000	**£000**
Play Street - Kilravock Street, Queens Park	150	-	-	-	-	-	-	**150**
Play Street - Marne Street, Queens Park	150	-	-	-	-	-	-	**150**
Play Street - Peach Road, Queens Park	150	-	-	-	-	-	-	**150**
Play Street - Ranelagh Road, Pimlico South	150	-	-	-	-	-	-	**150**
Playground Safety surfacing & additional Accessible equipment	175	-	-	-	-	-	-	**175**
Playgrounds Minor Works	20	70	70	70	77	-	-	**307**
Queen's Park Gardens Multi Use Games Area	-	120	-	-	-	-	-	**120**
Replacement toilet East Finchley Cemetery	100	-	-	-	-	-	-	**100**
Smarter Greener Logistics 2	-	158	115	-	-	-	-	**273**
Soho Square replacement paths	-	-	400	-	-	-	-	**400**
St Augustine’s Sports Hall Flooring	71	-	-	-	-	-	-	**71**
St Georges Square Dog Park	-	125	-	-	-	-	-	**125**
Tennis Courts (Synthetic) Improvement Works	150	-	-	-	-	-	-	**150**
Tree Preservation Replacement Programme	118	-	-	70	77	-	-	**265**
Westminster Academy Skatepark and Multi Use Games Areas	182	-	-	-	-	-	-	**182**
Wilberforce Multi Use Games Areas	153	269	-	-	-	-	-	**422**
Innovation & Change Total	6,066	6,181	10,225	614	650	3	-	**23,739**
291 Harrow Road	386	1,020	2,254	23,280	41,548	5,800	7,469	**81,757**
300 Harrow Road	11,075	523	2,522	522	-	-	-	**14,642**
Beachcroft	128	-	-	-	-	-	-	**128**
Church St Regeneration Hub	285	-	-	-	-	-	-	**285**
Church Street Acquisitions Sites ABC	3,938	8,400	12,307	28,887	19,111	-	-	**72,643**
Church Street Site A - Partnership Investment	-	-	19,659	39,258	32,498	4,819	-	**96,234**
Church Street Sites ABC Equity Loan	-	-	-	-	8,553	-	-	**8,553**
Church Street Westminster Community Homes (WCH) Loan	1,556	2,100	3,077	7,222	4,778	-	4,178	**22,911**
Crompton Street	-	500	7,592	100	-	-	-	**8,192**
Ebury Bridge Estate Equity Loan For Resident Leaseholders	-	6,896	2,115	-	-	-	-	**9,011**
Ebury Bridge Estate Regeneration - Forward Fund Acquisitions with Tenants in Situ (WCH)	2,147	-	-	-	-	-	-	**2,147**
Hall Place Greening	-	500	3,935	-	-	-	-	**4,435**
Lisson Grove Programme - Acquisitions	556	1,200	3,837	-	-	-	-	**5,593**
Lisson Grove Programme - Main Budget	985	1,515	2,987	51,725	48,578	36,632	77,038	**219,460**
Luxborough	4,031	4,650	285	-	-	-	-	**8,966**
Moberley & Jubilee Sport Centres	202	-	-	-	-	-	-	**202**
The Lodge	29	2,790	-	-	-	-	-	**2,819**
West End Gate - General Fund Development	-	10,575	2,925	-	-	-	-	**13,500**
Westmead	5,888	7,812	12,336	9,975	12	-	-	**36,023**
Westminster Community Homes (WCH) Development Loan & AHF -Victoria Phase 2 & Harrow Rd	5,733	-	-	-	-	-	-	**5,733**

	Forecast	Five Year Plan						
Gross Expenditure	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Future Years to 2037/38	**Grand Total including 2023/24 & Future Years**
Scheme Name	£000	£000	£000	£000	£000	£000	£000	**£000**
Church St Good Growth Fund	917	-	-	-	-	-	-	**917**
Church Street Green Spine Public Realm	470	1,092	-	-	-	-	-	**1,562**
District High Streets	411	1,000	5,000	3,000	521	-	-	**9,932**
Green Spine Phase 2	-	410	4,800	1,197	-	-	-	**6,407**
Harrow Road Place Plan - Good Growth Fund	2,962	4,865	-	-	-	-	-	**7,827**
North Paddington Place Plan	2,183	6,500	3,917	5,000	-	-	-	**17,600**
Open Spaces, Greener Places	280	375	375	375	375	-	-	**1,780**
Paddington Arts extension	-	1,500	-	-	-	-	-	**1,500**
Paddington Place Plan	301	669	1,541	299	-	-	-	**2,810**
Riverfront - North Bank and Thames Path 2	-	102	100	-	-	-	-	**202**
Soho Place Plan	230	500	500	411	-	-	-	**1,641**
Stimulating The Economy	2,583	1,740	2,604	2,128	-	-	-	**9,055**
Strand Aldwych	1,900	214	1,000	3,000	6,000	-	-	**12,114**
Strategic Infrastructure Pot Expenditure	288	300	-	-	-	-	-	**588**
Victoria Place Plan	200	750	500	250	261	-	-	**1,961**
Pimlico Place Strategy Workstream 1	100	100	-	-	-	-	-	**200**
Regeneration, Economy and Planning Total	49,764	68,598	96,168	176,629	162,235	47,251	88,685	**689,330**
Loan To WHIL For Development Projects	2,630	1,789	21,927	144,972	15,546	47,476	219,919	**454,259**
Westminster Builds Total	2,630	1,789	21,927	144,972	15,546	47,476	219,919	**454,259**
Gross Expenditure	**253,522**	**339,507**	**426,841**	**493,849**	**269,072**	**156,030**	**665,721**	**2,604,542**
External Funding	- 41,972	- 52,064	- 62,871	- 57,088	- 25,695	- 15,420	- 7,540	**- 262,650**
S106 and CIL Funding	- 9,110	- 40,125	- 46,242	- 11,447	-	- 9,950	- 39,950	**- 156,824**
Capital Receipts	- 11,845	- 51,378	- 20,658	- 14,277	- 294,630	- 77,257	- 301,963	**- 772,008**
Borrowing Requirement	**190,595**	**195,940**	**297,070**	**411,037**	**- 51,253**	**53,403**	**316,268**	**1,413,060**

City of Westminster

Cabinet

Decision Maker:	Cabinet
Date:	19 February 2024
Classification:	General Release
Title:	Integrated Investment Framework 2024/25
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently.
Cabinet Member:	Councillor David Boothroyd
Financial Summary:	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 8 March 2023, Full Council gave approval to its previous comprehensive strategic integrated investment framework for bringing together and managing its investments with the approval of an Integrated Investment Framework.

2. The 2023/24 financial year began with CPI inflation begin at a level of 8.7% at April 2023 before a steady reduction throughout the subsequent months in 2024 to 4.0% in the twelve months as at December 2023.

3. Despite a recent fall in inflation the Bank of England (BoE) raised rates in the first five months of the financial year reaching a BoE bank rate of 5.25% at August 2023. Rates are likely to remain at these elevated levels until the BoE see further evidence of the prevailing CPI inflation figures further reducing towards its 2.00% target.

4. As the growing drag from higher interest rates intensifies, it is likely the economy will continue to lose momentum in the short to medium term. Strong labour demand, fast wage growth and government support have all helped maintain household incomes over the past year. Given that CPI inflation is expected to decline further with the phasing out of financial support packages that were provided by the government during the energy crisis, real incomes are unlikely to grow strongly.

5. The Council holds £1.16bn of short-term high grade, cash investments (as at 31 December 2023), managed under the Council's Treasury Management Strategy, which passes through Audit and Performance Committee, Cabinet and Full Council on an annual basis. The Council also owns a significant number of investment properties, currently valued at £525.10m. It also owns various equity shareholdings, with investments in Westminster Builds of £23.34m and investments in a pooled property fund partnership of £26.83m (31 December 2023 valuation). In addition, the Council is responsible for managing the Westminster City Council Pension Fund which had net assets of £1.91bn (31 December 2023 valuation) and operates under the Fund's Investment Strategy Statement (ISS) set by the Pension Fund Committee.

6. The Treasury investment portfolio is currently generating a return of 5.35% (at portfolio date 31 December 2023) in the current financial year 2023/24. The investment properties are currently generating around 5.80%, net of direct costs (based on the final accounts for 2022/23). The latest current CPI inflation rate of 4.0% (as at December 2023) must be considered alongside the current total portfolio yield.

7. This Investment Framework sets out:

   - the Council's strategic objectives in respect of risk management, and its attitude towards investment risk;
   - current levels of investment activity;
   - an updated Integrated Investment Framework for the Council going forward which seeks to diversify the risk and thus future proof the Council against possible future economic downturns;
   - actions to be taken in connection with implementing this framework.

RECOMMENDATIONS

8. That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024:

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 meet forecasts for 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 percentage ranges 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, matching CPI inflation over the medium term, and to reduce costs and liabilities, while maintaining adequate cash balances for operational purposes, and not exposing the capital value of investments to unnecessary risk;

f) Agree that assets must only be acquired for strategic purposes. Such prospective acquisitions must be considered individually, with the reasons for investment limited to regeneration or development of the location, or other strategic purposes in which the asset is established. Out-of-borough acquisitions may also be considered by exception;

g) the Investment Executive to implement, monitor and report on the investment strategy.

INTEGRATED INVESTMENT FRAMEWORK

BACKGROUND

9. The Council is responsible for managing its total assets valued at around £3.65bn at 31 December 2023, comprising £1.91bn pension fund (as at 30 November 2023), £1.16bn short-term cash investments, £23.34m in long term investments with Westminster Builds, £26.83m in a property fund partnership and £525.10m of investment commercial property. It is important that the Council can take a holistic view of its investment and align 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.

10. 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.

11. 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:

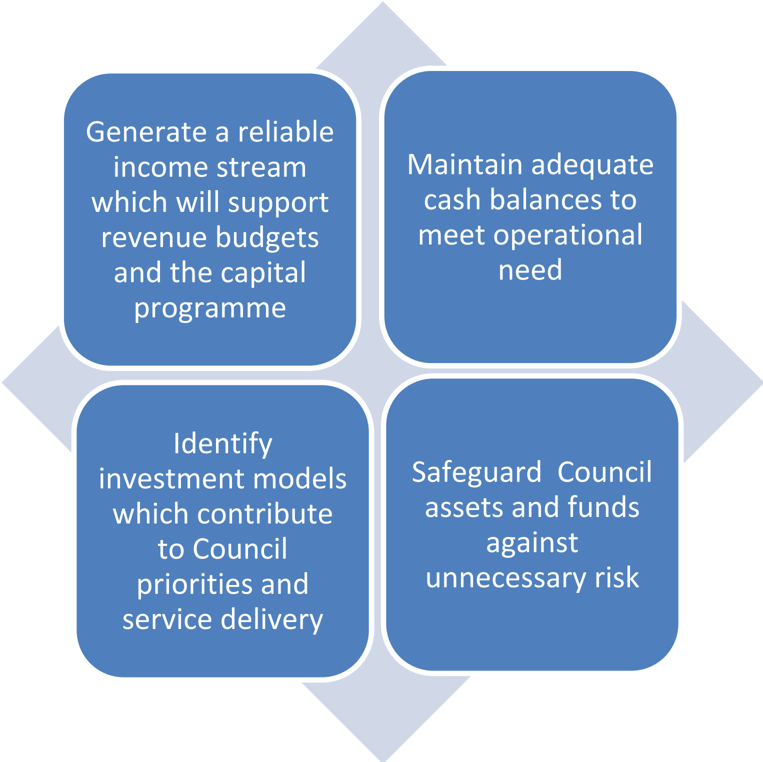
    - the significant value of investments held by the Council;
    - their increasing importance in terms of generating income which supports revenue budgets and capital investment;
    - their potential to add value and contribute towards corporate objectives in their own right,

    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

12. 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.

13. The role of investment management is to support service delivery by balancing four key strategic objectives as follows:



14. An appropriate investment strategy which balances the above objectives is therefore key.

15. The Council is exposed to possible future events, such as:

- global financial instability resulting from the Russian invasion of Ukraine, and more recently the conflict in Gaza and Israel are likely to continue to pose various challenges;
- GDP growth has been weaker than expected in 2023 and the possibility of an impending recession remains;
- CPI inflation has significantly reduced over 2023 although some pressures persist in wage growth and certain domestic goods and services;
- continuing pressures on local authority expenditure and service revenue streams.

16. Ideally, the investment strategy should be aimed at generating future income to mitigate against these risks and seek medium and longer term stability with the Councils finances.

ACCEPTABLE RISK LEVELS

17. 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 where regeneration or area redevelopment is the primary purpose of acquisition.

18. 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 future potential loss.

19. By more proactive and appropriate management of the Council's investment portfolio, an increased level of income can be achieved, while also ensuring that appropriate security is maintained over the Council's assets.

20. 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.

21. Guidance from the Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA places a high priority on the management of risk. The Council has adopted a careful and prudent approach to the investment process.

CURRENT INVESTMENT ACTIVITY

22. The Council is responsible for managing five investment portfolios:

- the Council treasury investment portfolio of £1.16bn short-term cash-based investments generating a return of 5.35% as at 31 December 2023;
- long-term investments in shareholdings, such as Westminster Builds, portfolio value £23.34m, with returns ranging from 4.69% to 5.54%;
- a property fund partnership lettings fund £26.83m (book cost £29.57m) with a long-term expected rate of return of 6.00%;
- the investment property portfolio of £525.10m (valuation at 31 March 2023), currently generating a net of costs return of 5.80%, and;
- Westminster City Council Pension Fund of £1.91bn (valuation at 30 November 2023), with an assumed, acturial long-term investment return of 4.80%.

23. The Council investment portfolio (excluding the pension fund) is set out below.

Type of Investment	Expected rate of return	Value at 31 December 2023 £ million	Value at 31 March 2023 £ million
Short term investments (mostly overnight cash deposits, money market etc.)	Between 4.0% and 5.3% in financial year 2023/24	£1,161.1	£837.8
Long term investments in cash-based investments, shareholdings and controlled companies	Between 4.69% and 5.54%	£23.3	£22.3
Property Fund Partnership (Lettings Fund valued at 30 September 2023)	6% average over 7 years	£26.8	£27.7
Investment properties	5.80%	£525.1	£525.1
Total	**-**	**1,736.3**	**1,412.9**

24. During 2023/24 the Council received the final tranche of the forward loans agreed in 2019/20. This consisted of £200m from Rothesay Life on 8 May 2023.

25. 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

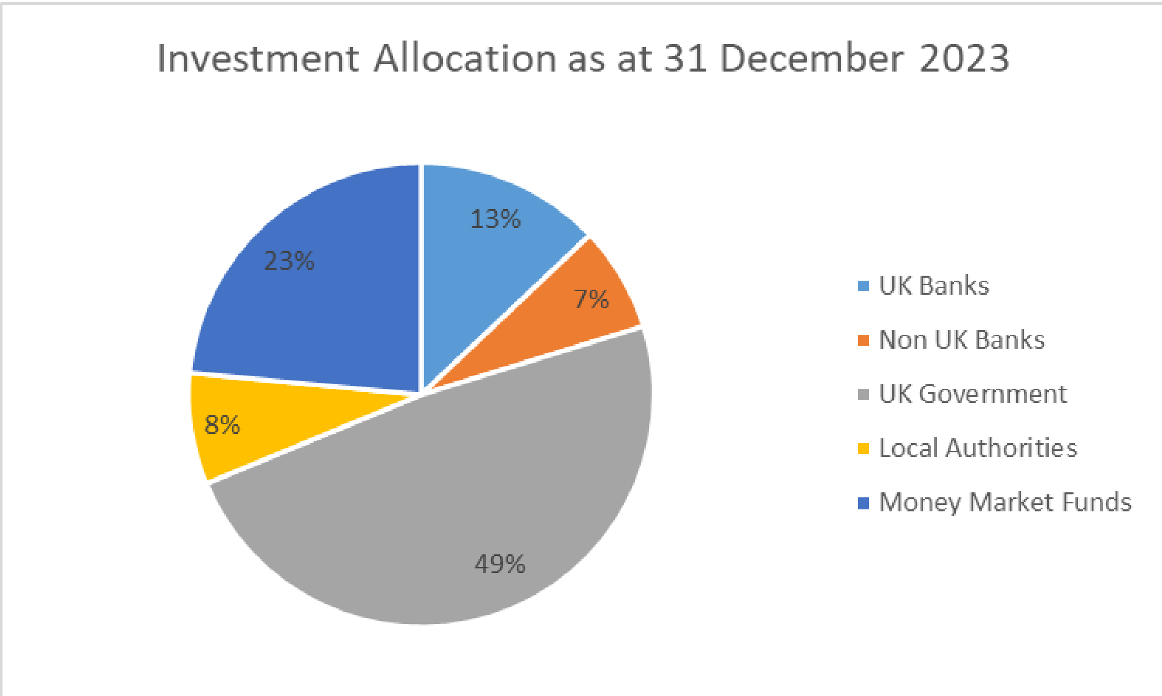
and funding needs because of the possibility of future deficits in the scheme, and the contribution plan that would be required to close any future deficit.

26. The triennial valuation of the Westminster Pension Fund was completed by the Council's actuary, Hymans Robertson, as at 31 March 2022. The whole Fund's funding level rose to 128% from the 99% level in 2019, which is broadly due to the excellent investment returns over the period, as well as the Council's additional deficit recovery payments. The funding level for Westminster City Council (as a single employer) increased to 111%, improving from 86% previously.

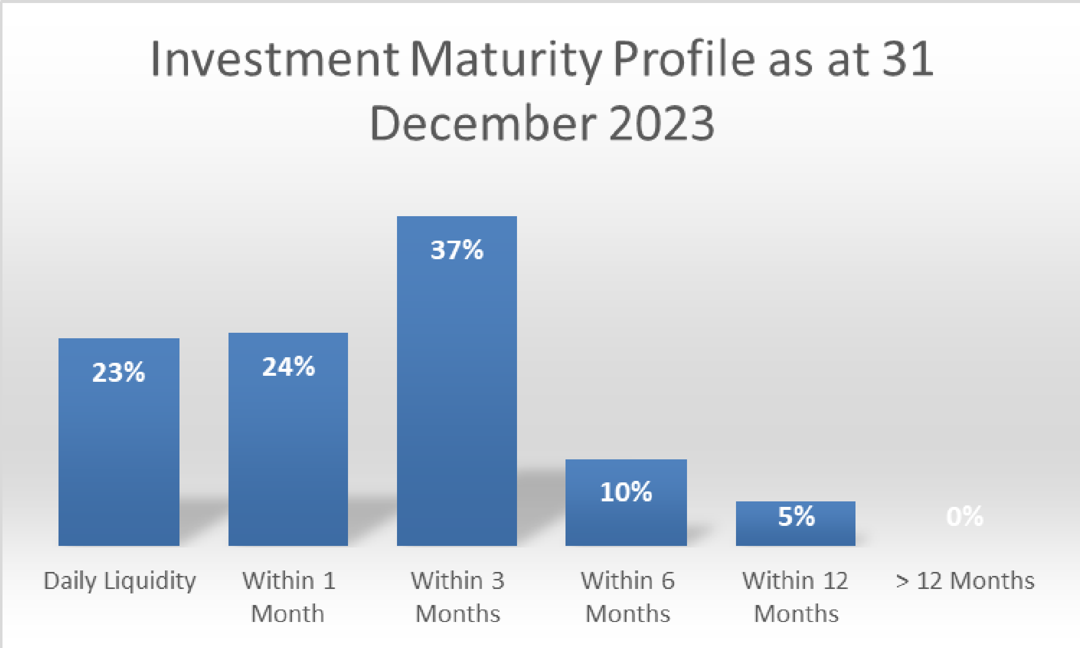
27. The real discount rate, a proxy for the real investment return, has remained stable at 4.8%. The discount rate is set with reference to the likelihood of the Fund's investment return achieving a certain level of return over the next 20 years. The actuarial analysis assumes a long-term trend of 1.5% annual improvements in longevity, when adjusted for the LGPS this leads to a reduction in liability values. The Council's primary contribution rate for the three years to 2025/26 has remained at 16.8%.

SHORT-TERM INVESTMENTS

28. In line with the current investment strategy, the treasury portfolio of short-term cash-based investments with 20% bank-based deposits, 8% in local authorities, 23% in Money Market Funds and 49% in the Debt Management Office and Treasury Bills as shown below.



29. Most treasury managed investments currently mature within three months as set out below:



30. In line with the above, the portfolio is entirely investment grade and heavily biased toward the top end with 23% of investments rated AAA, 7% rated AA, 13% rated A and 57% being local authority and UK government. Local authority investment is subject to due diligence on recent financial statements, external audit reports, current expenditure forecasts and current/anticipated position regarding useable reserves.

31. This approach provides flexibility for the Council at low levels of risk, but tends to result in lower returns, currently 5.35%, and an approach to investment management which focuses on capital security and liquidity. The BoE bank rate has expected to have reached a peak with expectations that the BoE will drop rates in the third quarter of the financial year 2024/25. Our advisor, Link, is forecasting the BoE bank rate to be at 3.75% at 31 March 2025. These figures will likely reduce the investment performance for 2024/25 compared to 2023/24.

32. The BoE bank rate is currently at 5.25% with a gradual downward trajectory forecast with average money market returns expected to be around 4.50% for 2024/25. The BoE bank rate is projected to fall as CPI inflation falls back towards its target of 2.0% and investment income in 2024/25 and beyond will reduce accordingly as money market rates fall.

INVESTMENT PROPERTY

33. Commercial property investment can provide the Council 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, and;

- an underlying real asset with minimum capital value.

34. 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 quickly at market value;

    - capital depreciation: if the asset is not properly managed and kept in good repair, and;

    - fallout from current economic downturn: resulting in rental default and lower market rentals.

35. Geographically, the investment property portfolio is concentrated within the city, which therefore focuses economic risk in one area. The year 2024 has begun in the midst of a second economic contraction in four years, with high inflation, albeit with some signs of reduction, and relatively high interest rates putting downward pressure on growth. This creates a challenging environment for property. The market is changing due to structural shifts in demand following Covid and this requires the investment strategy to be cognisant of market trends and to test alternative letting strategies, while retaining an overall cautious approach.

36. Both office and retail sectors continue to see a rise in availability, but supply in the industrial market continues to tighten. Respondents to the most recent Chartered Surveyors (RICS) survey expect prime office rents to see a small uplift in value over the year ahead, but it is anticipated that secondary office rents will fall relatively sharply. A significant fall is expected in retail rents, with the outlook for secondary retail rents appearing to be particularly downbeat. while expectations suggest industrial rents will rise.

37. Commercial UK property investment traded in Q4 2023 totalled at £7.4bn. This was down 9% from the previous quarter, 46% below the five-year quarterly average, and was the weakest quarter for investment for more than a decade. Unlike the previous three quarters of 2023, Q3 was driven by London, with just over 60% of all investments occurring in the capital. High quality offices in prime locations and assets in the living sectors, such as student accommodation, made up the majority of transactions.

38. Overseas capital accounted for nearly 55% of total investment. The need for good environmental credentials remains a fundamental driver in the demand for both occupiers and investments. All property rental value growth was 3.9% per annum in 2023 (a similar rate to 2022), but the sharp upward movement in yields during 2023 resulted in a fall of All property capital values of -5.6% (MSCI Monthly Index). The All property annual total return bottomed out at -16.9% per annum in the year to 30 June 2023. Over the last six months, the improvement in performance has been rapid and the All property annual total return has almost reached positive territory again at -0.1% in December 2023 (MSCI Monthly Index).

39. Higher investment transaction volumes are expected in 2024 relative to the last year but they remain below long-term averages. There appears to be optimism on how much and when interest rates will fall during 2024 and, arguably, optimism has softened and the London and General elections later this year are unlikely to assist with sentiment. However, there is a general feeling of an improving outlook, albeit slow. An allowance 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.

40. 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 by 2% per annum in net income terms (excluding new acquisitions). This will be achieved through a proactive asset strategy, enabling long-term deals to be agreed that benefit income outside regular lease events, as well as maximising increases from regular rent reviews.

- Streamlining and future proofing the current portfolio: this will involve reviewing poorer performing assets and considering disposal (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.

- Investing in new commercial properties within Westminster: general principles for investment are as follows:

- investment should primarily be focused on strategic fit and focused on 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 strategic opportunities arise with regard to adjacent, out-of-borough holdings;

- new investments should consider yields of 4 to 5% over the short to medium term, and;

- investment assets should not be acquired primarily for the purpose of generating yield (see para 58).

41. All potential investments are reviewed on a case by case basis during the acquisition process, so not all the principles will need to be achieved for an investment to be made. It should be noted that the recent internal audit by the council's Internal Audit Team of the process used to acquire investment properties resulted in a conclusion of **substantial assurance**.

LONG-TERM INVESTMENTS

42. 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 local authority Prudential Code relaxed these restrictions and gave local authorities the flexibility to invest in more innovative methods of service delivery and income generation by:

   - establishing, controlling and participating in limited companies trading for a commercial return, and;

   - entering into loans and investments with "non-specified" counterparties, including limited companies and not-for-profit organisations.

43. These are classed as non-specified investments under DLUHC statutory guidance for local government investments.

44. 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 TMSS expressly permits new investments in non-specified institutions, subject to the new ruling that investment assets must not be transacted primarily for yield. For all transactions, specific proposals will be considered by the Tri-Borough Director of Treasury and Pensions and approved by the S151 Officer, subject to due diligence and compliance with all rules and regulations.

45. Non-specified investments include asset vehicles, such as infrastructure and housing, which offer additional possibilities. Such assets can contribute to corporate priorities and improve service delivery. They also provide portfolio diversification and can offer more flexibility in terms of length of investment and timing of drawdowns.

46. Such 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.

47. 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 before any decision to proceed.

48. The Council's current portfolio of non-specified investments is:

	Value at 31 December 2023 £ million	Value at 31 March 2023 £ million	Expected return
Loans and Equity Holdings set up to meet strategic service and policy initiatives	£23.3	£22.3	Average yield of 5%. Profits are expected to be reinvested.
Property Fund Partnership (Real Lettings Fund) September 2023	£26.8	£28.7	Annualised 6% over seven-year life of fund
LGA long term loan	£18.0	£19.0	3.13%
Total	**£68.1**	**£70.0**	**-**

49. By increasing its holdings in this area, the Council could reduce its reliance on the banking sector and facilitate the move towards a more long-term investment profile, as discussed below.

50. Identifying and investigating individual investment opportunities across multiple markets can be both time consuming and expensive. Such opportunities will be fewer as a result of the new PWLB rules concerning investment primarily for yield.

LIABILITIES AND CASHFLOW NEEDS

51. 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 investment of assets is to better match upcoming cashflow needs, and to minimise funding gaps.

52. The Council has a significant capital programme that totals £2.604bn to 2037/38. This will be funded from £1.035bn of income, leaving a net funding requirement of £1.569bn. Thus, the need to take liquidity into account, to avoid unnecessary borrowing, is extremely important.

INVESTMENT ALLOCATION

53. 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.

54. 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.

55. Therefore, the proposed approach going forward is to move investment allocations towards proposals in Table 60, facilitating liquidity in an achievable manner:

INVESTING PRIMARILY FOR YIELD

56. Under the 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, as 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

57. 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.”

58. 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.

59. 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, and;
- 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

60. The following investment allocation targets are in place.

Type of investment	Allocation
Short-term investments – under six months	33 to 37%
Short-term investments – over six months less than one year	4 to 6%
Short-term investments – > one year < two years	5 to 7%
Short-term investments – > two years < three years	1 to 2%
Short-term investments – > three years < four years	1 to 2%
Short-term investments – > four years < five years	2 to 3%
Property	42 to 48%
Alternative investments	3 to 4%
Total	**100%**

FACTORS IN INCREASING YIELD

61. This has been partially achieved with the following ambitions set out in the TMSS. However, the requirement for security of capital and liquidity will remain paramount.

Change	Current situation	Risk	Progress made in 2023/24
Treasury Management			
The Bank of England's Monetary Policy Committee has made it clear that the Bank Rate is likely to remain at least at the current level 5.25%, for the foreseeable future until it is evident that inflation has returned to its target level.	Financial institutions are therefore continuing to offer favourable rates, which the Council has been able to capitalise on.	There must be a balance struck which leaves adequate liquidity for the Council and an optimal amount of cash placed on deposit.	The Treasury return from invested has risen steadily throughout the year as we have been able to achieve higher rates as existing deals mature and new deals at higher rates are transacted.
Investment property			
Adopt a more focused property investment strategy by reducing the number of properties and increasing the lot size 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.	Officers keep a watchful eye on the Westminster property market in the quest for strategic property.

Change	Current situation	Risk	Progress made in 2023/24
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. Pooled property funds as a potential investable asset are allowed in the TMSS.
Pension Fund			
Pension Fund to maintain surplus as reported in the 2022 Actuarial Valuation to remain fully funded in the medium to long term.	The funding level of the Pension Fund as at 31 December 2023 was 156%.	Significant volatility, high levels of inflation, and negative sentiment in global investment markets, following disruptive geopolitical and economic uncertainty, including the conflict between Russia and Ukraine, and Israel and Gaza.	During the year, the Fund transitioned 5% from active equities into renewable infrastructure, allocated 2.5% to the LCIV UK Housing Fund, and topped up the private debt mandate to maintain the 6% strategic asset allocation.

SCRUTINY

62. The Investment Executive meets to discuss monitoring reports on a regular basis. The Executive contains both Council Members and Officers.

OVERALL INVESTMENT TARGET

63. The overarching objective of this framework is to move towards increasing income generated from Council investments aspiring to go some way to matching inflation over the medium term, while maintaining adequate liquid cash balances for operational purposes and not exposing the capital value of investments to unnecessary risk.

GOVERNANCE

64. 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, to benefit from the opportunities presented by this environment and to successfully implement the changes outlined above. As highlighted in the table at para 61, there are non-cash investments options as an alternative investment for the Council's treasury cash, subject to further due diligence and formal approval.

65. The implementation, management and reporting of this Integrated Investments Framework will be approved by Full Council with specific investment decisions that require such action being delegated to the Cabinet Member for Finance and Council Reform, after due diligence and advice from the Executive Director of Finance and Resources and the Tri-Borough Director of Treasury and Pensions.

66. 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 openness;
- ensure that a holistic approach is taken towards managing the Council's portfolio.

67. 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 Council Reform and the Chairman of the Audit and Performance Committee;
- the Executive Director of Finance and Resources, Tri-Borough Director of Treasury and Pensions, the Director of Property and the Corporate Finance Director;
- the Chief Executive and the Executive Director GPH as necessary.

68. Key information will be reported to Members through the investment reports. There is also a weekly treasury monitoring report sent to the Section 151 officer and other senior finance officers.

69. 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, and;
- benchmark the Council's performance and identify any areas where there is scope for improvement.

DUE DILIGENCE

70. Due diligence is any process undertaken to:

- investigate a business or person prior to signing a contract;

- record the reasons behind an investment decision, and;

- demonstrate that the Council is acting responsibly and has adequately assessed the balance between risk and reward.

71. 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.

72. 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.

73. 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.

74. 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, and;

- environmental, social, ethical and sustainability considerations.

OPTION APPRAISAL

75. 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, and;

- take non-financial benefits into consideration where relevant.

76. 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

77. This report identifies the potential for improved returns, aspiring to going some way to matching CPI inflation over the medium term. 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. The legal provisions which impact on what is being proposed in this report are set out in the body of the report.

BACKGROUND PAPERS

Council

2023/24 Treasury Management Strategy

2022/23 Statement of Accounts

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

Phil Triggs, Tri-Borough Director of Treasury & Pensions

Tel: 0207 641 4136

Email: ptriggs@westminster.gov.uk

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 other 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

	November 2022	October 2023	November 2023
West End offices	3.75%	4.00%	4.00%
City offices	4.25% ↑	5.25%	5.25%
South East offices	6.00% ↑	7.00% ↑	7.50%
Provincial offices	5.75% ↑	6.50% ↑	6.75% ↑
High street retail	6.50%	6.75% ↑	7.00%
Shopping centres	8.00% ↑	8.25% ↑	8.25% ↑
Retail warehouse (Open A1)	5.75%	5.75%	6.00% ↑
Retail warehouse (Restricted)	6.00%	6.25% ↑	6.50% ↑
Foodstores (OMR)	5.25%	5.25% ↑	5.50%
Industrial/Distribution (OMR)	5.00%	5.25%	5.25%
Industrial multi-lets	5.00%	5.25%	5.25%
Leisure parks	7.50% ↑	7.50% ↑	7.75%
London leased (core) hotels	4.25%	4.50% ↑	4.75%
Regional pubs (RPI)	5.75%	6.25%	6.50%

Source: Savills Research

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City of Westminster

Cabinet

Decision Maker:	Cabinet
Date:	19 February 2024
Classification:	General Release
Title:	Treasury Management Strategy Statement for 2024/25 to 2028/29
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently.
Cabinet Member:	Councillor David Boothroyd
Financial Summary:	The Annual Treasury Management Strategy Statement sets out the Council's strategy for ensuring that: • its capital investment plans are prudent, affordable and sustainable; • the financing of the Council's capital programme and cash flow is properly planned, and; • 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

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 Full Council.

1.3 CIPFA published the revised Treasury Management Code and Prudential Code on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. The Authority, therefore, must have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and related reports during the financial year.

1.4 This report sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2024/25 to 2028/29, and Annual Investment Strategy (AIS) for the year ended 31 March 2025, together with supporting information.

1.5 The TMSS and AIS form part of the Council's overall budget setting and financial framework.

2. RECOMMENDATIONS

2.1 That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024:

1. the Treasury Management Strategy Statement;
2. the borrowing strategy and borrowing limits for 2024/25 to 2028/29 set out in section 6;
3. the Prudential Indicators set out in section 8;
4. the Annual Investment Strategy and approved investments set out in Appendix 1;
5. the Minimum Revenue Provision Policy set out in Appendix 2;
6. the Delegation of authority to the Executive Director of Finance and Resources to proceed with:

(a) the obtaining of a credit rating as set out in the report; and

(b) to appoint Link Group, a Treasury consultant, for the purposes of obtaining that rating.

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 adequately 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 2024/25.

4.6 The Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes:

- **Treasury management**
  Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

- **Service delivery**
  Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose."

- **Commercial return**
  Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity, i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

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 provide an overview of 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 The forecast for 2023/24 General Fund capital expenditure in last year's TMSS was £290m. This is now expected to be £254m at Q3 point in 2024/25. The variance of £36m is due to slippage and the strategic prioritisation of capital schemes.

Table 1 Capital spending and funding plans

2022/23 Actual £m		2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	Total £m
	Expenditure							
197	General Fund	**254**	**415**	**370**	**481**	**267**	**154**	**1,941**
173	HRA	**203**	**220**	**179**	**109**	**177**	**176**	**1,064**
370		**457**	**635**	**549**	**590**	**444**	**330**	**3,005**
	Funding							
	General Fund							
47	Grants & Contributions	**42**	**59**	**65**	**73**	**26**	**15**	**280**
16	Capital Receipts Applied	**12**	**51**	**21**	**14**	**295**	**77**	**470**
17	Revenue Financing	**10**	**40**	**46**	**11**	**0**	**10**	**117**
	HRA							
105	Grants & Contributions	**32**	**36**	**24**	**28**	**22**	**22**	**164**
46	Capital Receipts Applied	**51**	**95**	**44**	**16**	**0**	**0**	**206**
17	Revenue Financing	**93**	**101**	**52**	**44**	**40**	**86**	**416**
248		**240**	**382**	**252**	**186**	**383**	**210**	**1,653**
122	**Net financing need for the year**	**217**	**253**	**297**	**404**	**61**	**120**	**1,352**

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 strategy assists in increasing the income generated by the Council from its property holdings, while also meeting its strategic aims.

5.7 Future Public Work Loans Board (PWLB) borrowing will not form part of the investment portfolio's source of external funding (aside from strategic purchases). Future acquisitions of property will be subject to thorough due diligence and pay full heed to the PWLB's rules on not purchasing assets primarily for yield.

5.8 The Council has also invested £30m (in 2018) within the overall context of the Council's annual investment strategy in a residential housing partnership (Resonance Real Lettings Fund). 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)

5.9 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.

5.10 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.

5.11 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

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m	£m
	CFR as at 31 March						
672	General Fund	**841**	**1,084**	**1,297**	**1,639**	**1,531**	**1,525**
326	HRA	**353**	**341**	**400**	**421**	**536**	**604**
998		**1,194**	**1,425**	**1,697**	**2,060**	**2,067**	**2,129**
	Annual Charge						
117	General Fund	**190**	**265**	**238**	**383**	**(54)**	**52**
5	HRA	**27**	**(12)**	**59**	**21**	**115**	**68**
122		**217**	**253**	**297**	**404**	**61**	**120**
	Reason for Change						
147	Net financing	**238**	**275**	**322**	**445**	**115**	**178**
(25)	Less MRP	**(21)**	**(22)**	**(25)**	**(41)**	**(54)**	**(58)**
122		**217**	**253**	**297**	**404**	**61**	**120**

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

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m	£m
400	Gross Projected Debt	**577**	**562**	**550**	**541**	**532**	**523**
998	Capital Financing Requirement	**1,194**	**1,425**	**1,697**	**2,060**	**2,067**	**2,129**
598	**Under / (over) borrowing**	**617**	**863**	**1,147**	**1,519**	**1,535**	**1,606**

5.12 The Council's MRP policy is shown at Appendix 2. Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 an Authority that has financed capital expenditure through borrowing is required to make a provision each year through a revenue charge (MRP). The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. An external review is due to be carried out on MRP in 2024/25.

Affordability

5.13 The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and to ensure the impact on the Council's "bottom line" is manageable. 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

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
%		%	%	%	%	%	%
28.42	General Fund	**38.13**	**30.62**	**20.82**	**15.91**	**14.73**	**15.10**
39.53	HRA	**38.99**	**37.44**	**36.90**	**36.39**	**35.92**	**35.41**

5.14 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 in 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 and help 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 pressures to public expenditure and 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 2024/25 strategy are:

- forecast borrowing requirements;
- the current economic and market environment;
- 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 medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. In practice, it is forecast that the current high Bank Rate will remain elevated through to the second half of 2024.

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 PWLB loans are subject to the relevant gilt yields +0.8% (known as the PWLB certainty rate) for the General Fund and gilt yields +0.4% for the HRA. A prohibition is in place to deny access to borrowing to any local authority which plans to purchase assets primarily for yield in its three-year capital programme.

6.6 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 can result in lengthy due diligence, consultancy costs, legal advice and fees and will be far more costly administratively so would need to offer additional value to be worthwhile.

6.7 The alternative sources to PWLB of long term borrowing include:

- **Banks**

  Discussions with the Council's treasury consultant suggest that the Council could potentially access borrowing from banks. This will be kept in mind when assessing future funding options. There is also potential reference the UK Infrastructure Bank that offer competitive rates for qualifying investment. Other borrowing is available through specific bank backed opportunities such as the Mayor of London's Energy Efficiency Fund.

- **Pension Fund institutional investors**

  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 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.

  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 transacted a small number of bond issuances. It is not yet regarded as a major provider in the local authority market.

- **Community Municipal Investments**

  A bond like instrument, where funds can be raised from multiple investor sources, including individuals. This is an alternative financing route, which will help facilitate the Council's commitment to becoming a carbon neutral council by 2030 and a carbon neutral city by 2040.

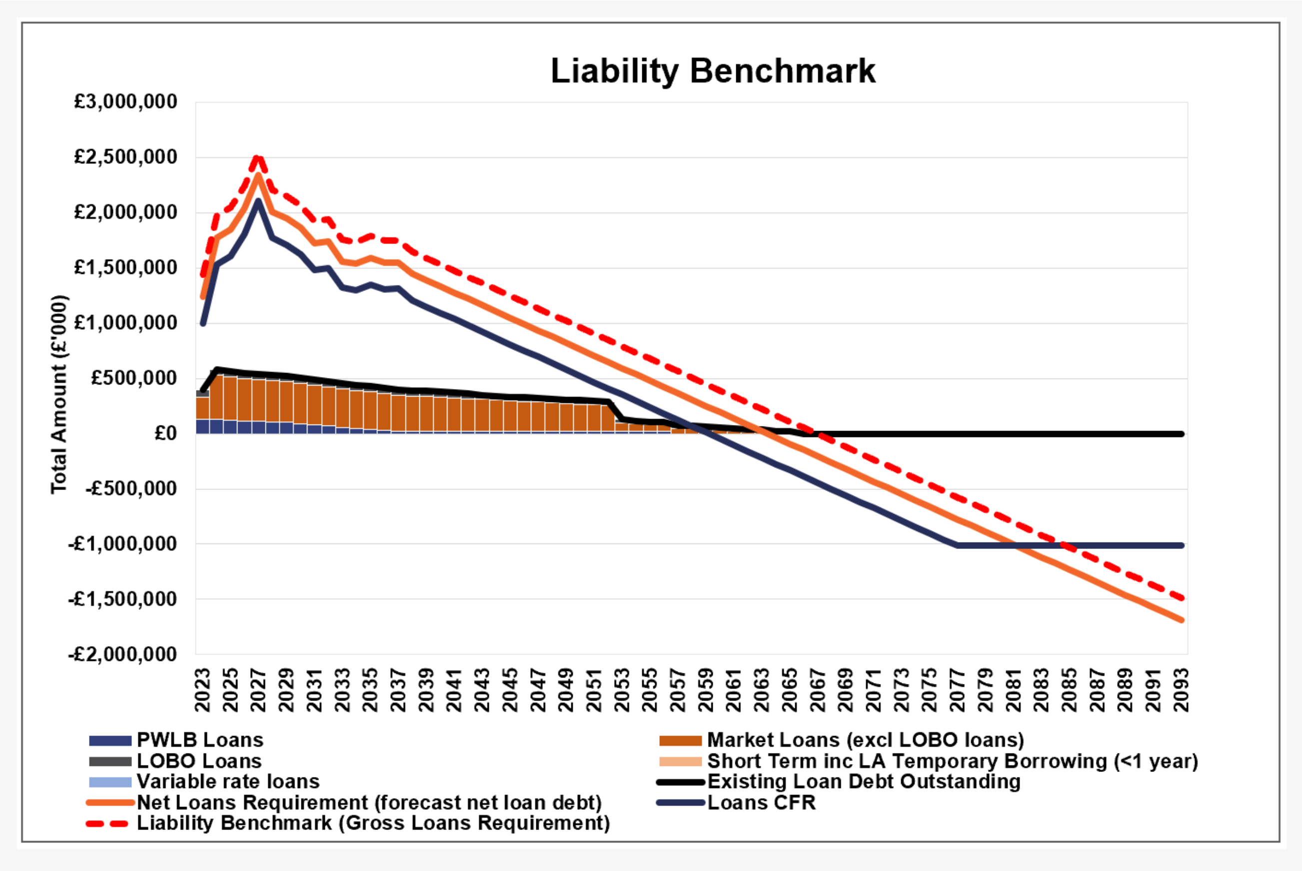
Proceeds from the bond issue will be used as a funding source for green initiatives. A successful issuance for Westminster was achieved in March 2023.

6.8 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.

6.9 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.

Liability Benchmark

6.10 A new prudential indicator for 2023/24 was the Liability Benchmark. Local Authorities are required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.



6.11 There are four components to the Liability Benchmark:

- Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years.
- Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- Liability benchmark (or gross loans requirement): this equals net loans requirement plus short term liquidity allowance.

6.12 The liability benchmark highlights any substantial mismatches between actual loan debt outstanding and the liability benchmark. The years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.

6.13 Despite the relatively recent increases in the cost of borrowing, the Council remains in an under-borrowed position, where it is financing current capital schemes through the temporary use of its own cash reserves. The use of these reserves is expected to remain part of the Council's balance sheet throughout 2023/24. Current modelling points to funds possibly lasting until 2026/27, by which time interest rates are projected to have reduced.

Table 5 The Council's balance sheet position as at 31 March 2024

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Capital Financing Requirement	**1,194**	**1,425**	**1,697**	**2,060**	**2,067**	**2,129**
Other Long Term Liabilities						
PFI	**(5)**	**(5)**	**(5)**	**(5)**	**(5)**	**(5)**
Leases	**(42)**	**(42)**	**(42)**	**(42)**	**(42)**	**(42)**
Under / (over) borrowing	**1,147**	**1,378**	**1,650**	**2,013**	**2,020**	**2,082**
External Borrowing	**577**	**562**	**550**	**541**	**532**	**523**
Under borrowing/ Internal borrowing	**570**	**816**	**1,100**	**1,472**	**1,488**	**1,559**

Limits on external borrowing

6.14 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

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Authorised Limit:						
Borrowing and other long term liabilities	**1,241**	**1,472**	**1,744**	**2,107**	**2,114**	**2,176**
Operational Boundary:						
Borrowing	**577**	**562**	**550**	**541**	**532**	**523**
Other long term liabilities	**47**	**47**	**47**	**47**	**47**	**47**
Operational Boundary	**624**	**609**	**597**	**588**	**579**	**570**

6.15 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 considers current commitments, existing plans, and the proposals in this report.

Maturity structure of borrowing (Prudential Indicator 8)

6.16 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 2023/24. The principal repayment profile for current borrowing remains within these limits.

Table 7 Debt maturity profile limits

Actual Maturity at 31 December 2023 (%)	Duration	Upper Limit (%)	Lower Limit (%)
3	Under 12 Months	**40**	**0**
2	12 Months and within 24 Months	**35**	**0**
4	24 Months and within 5 Years	**35**	**0**
14	5 Years and within 10 Years	**50**	**0**
77	10 Years and Above	**100**	**35**

Table 8 Maturity profile of long term borrowing

Borrowing as at 31 December 2023		
Period	General Fund	HRA
	£m	£m
0 - 5 years	**26**	**35**
5 - 10 years	**27**	**58**
10 - 15 years	**30**	**28**
15 - 20 years	**46**	**0**
20 - 25 years	**32**	**0**
25 - 30 years	**184**	**10**
30 - 35 years	**34**	**20**
35 - 40 years	**31**	**0**
40 - 45 years	**10**	**15**
Total	**420**	**166**

6.17 The Council has £50 million of LOBOs (Lender Option Borrower Option) debt, none of which mature soon. If the lender chooses 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 Council's interest. Repayment of the LOBO may result in a need for refinancing. £20 million of LOBOs were repaid in 2023/24.

6.18 Rescheduling of current borrowing in our debt portfolio will not be considered whilst premature redemption rates remain elevated.

Policy on borrowing in advance of need

6.19 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.

6.20 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 and security of such funds can be demonstrated.

6.21 Risks associated with any borrowing in advance will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Forward borrowing

6.22 As anticipated in the 2023/24 TMSS, the Council took no additional borrowing for the financial year due to the high level of cash holdings and rising interest rates. Officers are monitoring market conditions and reviewing the need to borrow 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.

6.23 Due to the overall financial position and the underlying need to borrow for capital purposes, it was prudent for the Council to lock in affordability by placing some forward borrowing when interest rates were low 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.

6.24 During the financial year 2019/20, the Council arranged forward borrowing loans totalling £400m at an average rate of 2.58%, compared with the current 50-year PWLB certainty rate of 5.16% (as at 5 February 2024). These loans have enabled the Council to agree competitive rates in advance of need which eliminated the "cost of carry", i.e., the difference between loan interest cost and the rate of return on cash investments. This also provided some stability and certainty to the financing of the Council's housing development schemes, in particular.

6.25 An analysis of these loans is shown 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

6.26 As short-term borrowing rates are no longer cheaper than longer term fixed interest rates, there will be fewer opportunities to generate savings by switching from long term debt to short term debt. However, if any opportunities do arise, they will need to consider any possible savings alongside the current treasury position and the cost of debt repayment (premiums incurred).

6.27 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;
- enhancing the balance of the portfolio by amending the maturity profile and/or the balance of volatility.

Investing primarily for yield

6.28 Under the new PWLB framework, the Council will need to submit its three-year capital plan to the PWLB. 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 Section 151 (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.

Credit Rating

6.30 The £400m forward borrowing loans require Westminster to submit its audited accounts to each lender by 30 September each year, which in the past has not been an issue. However, in the last couple of years the external audits for Local Authorities have experienced significant capacity issues causing severe delays across the country. In Westminster the audits for years 2021/22 and 2022/23 accounts were not signed off until the end of November 2023. An exceptional waiver was required and granted by one lender to allow the external audit process to be completed by this extended deadline in 2023. A delay into December could have resulted in the Council being in default and a possible recalling of the loan, resulting in a significant cost to the Council.

6.31 The holding of a formal independent credit rating would have assisted in the avoidance of such potential default action. Obtaining a financial rating will assist in the avoidance of action arising from loan defaults should another non-completion of the external audit process take place. External lenders with existing loan arrangements will refer to the existence and maintenance of the credit rating as proof of the financial strength and robustness of the Council.

6.32 The credit rating process is undertaken by one or more credit agencies (for example, Moody's and/or Standard and Poor). Most local authorities will be aiming for an investment grade rating such as AA.

6.33 There are two options: a private or public rating. A private rating would enable Westminster's engagement with the rating agency to be on a private and monitored basis, providing a rating rationale and research beneficial for Westminster's own internal management considerations, including credit risk assessment, comparison, governance, strategic and financial planning. A public rating is a monitored credit rating that is made publicly available on the assessor's website.

6.34 The Council's advisor, Link, has advised that there is no advantage in obtaining a private rating because it cannot be shared with anyone outside of the Council. Link has recommended Westminster use a public rating for these purposes and this report seeks formal approval to initiate this process.

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 £323m since 31 March 2023 to 31 December 2023 which is mainly due to the timing of precept payments, receipt of grants, council tax and business rates, and progress on the capital expenditure programme. The cash balance is expected to be closer to £900m by 31 March 2024.

Table 9 Cash position at 31 December 2023

As at 31 March 2023			As at 31 December 2023	
Principal	Average Rate		Principal	Average Rate
£m	%		£m	%
		Investments		
838	**3.93**	Specified	**1,161**	**5.35**
838	**3.93**	**Total**	**1,161**	**5.35**
		Borrowing		
131	**3.74**	Public Works Loan Board	**131**	**3.74**
70	**5.08**	Lender Option Borrower Options	**60**	**5.18**
199	**2.16**	Private Placement Borrowing	**397**	**2.52**
400	**3.18**	**Total**	**588**	**3.06**

7.3 Treasury officers will work closely with the capital finance team to monitor slippage within the capital programme. 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.

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 £838m on 1 April 2023 is used in table 10, this does not represent the average balance for the month of April 2023 and results in lower balances being reflected in the cashflow forecast. The average investment balance was £1,021m in April 2023 and £1,205m for the year to 31 December 2023.

Prospects for investment returns

7.5 The Bank of England's Monetary Policy Committee made clear at its January 2024 meeting that Bank Rate is likely to remain at least at the current level of 5.25%, for the foreseeable future until it is evident that inflation has returned to its target level. Investing in 2024/25 is therefore likely to be conducted in a stable interest rate environment, with the possibility of falling interest rates at the back end of the financial year, depending on how quickly inflation falls back and how growth performs.

7.6 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short term interest rates. Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Council policy on investing and managing risk

7.7 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

7.8 Greater returns are usually obtainable by investing for longer periods. While most cash balances are required 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 2023/24, the Council had no investments that exceeded 364 days. This means the Council remains well within the upper limit for such investments of £450m.

Table 11 Investment limits

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Upper Limit for principal sums invested for more than 364 days	**0**	**450**	**450**	**450**	**450**	**450**

Improving investment returns

7.9 An Investment Executive meets to ensure that the Council makes best use of its resources and that value for money is being achieved in its overall investment strategy. The group contains both Council Members and officers and meets on a half yearly basis.

8. Summary of Prudential Indicators (PIs)

8.1 The purpose of prudential indicators (PIs) is to provide a reference point or “dashboard” so that 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 2023/24 and does not envisage any difficulty in achieving compliance with the suggested indicators for 2024/25.

PI Ref	Paragraph Reference		2022/23 Actual	2023/24 Forecast	2024/25 Proposed
1	5.1	Capital expenditure	£370m	£457m	£635m
2	5.8	Capital Financing Requirement (CFR)	£998m	£1,194m	£1,425m
3	5.12	Net debt vs CFR	£598m underborrowing	£617m underborrowing	£863m underborrowing
4	5.13	Ratio of financing costs to revenue stream	GF 28.42% HRA 39.53%	GF 38.13% HRA 38.99%	GF 30.62% HRA 37.44%
5a	6.12	Authorised limit for external debt	£1,048m	£1,241m	£1,472m
5b	6.12	Operational debt boundary	£450m	£624m	£609m
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)	£0m	£0m	£450m
8	6.14	Maturity structure of borrowing	Upper limit under 12 months: 40% Actual: 3% Lower limit 10 years and above: 35% Actual: 77%	Upper limit under 12 months: 40% Forecast: 3% Lower limit 10 years and above: 35% Forecast: 77%	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 2021 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 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 must be set by 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

5 Obtaining a Financial Rating for Westminster City Council

Background papers

Treasury Management Strategy Statement 2023/24 (Approved by Council March 2023)

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, 2021
6. CIPFA Treasury Management Code of Practice, 2021

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

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 £1,196m and the cash flow projections show this pattern is expected to decrease 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, followed by liquidity, then 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. The central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by keeping the Bank Rate at 5.25% until at least Q2 2024. Rate cuts are expected to start when both CPI inflation and wage/employment data are supportive of such a move. There is a possibility of a small recession over the coming months, although most recent GDP releases have surprised with their on-going robustness. Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

5. The suggested budgeted investment earnings rates for returns on investments placed for periods up to approximately three months during each financial year are as follows:

Average earnings in each year	
2023/24	5.30%
2024/25	4.55%
2025/26	3.10%
2026/27	3.00%
Long term later years	3.25%

Investment time limits

6. This limit is set regarding the Council's liquidity requirements and to reduce the need for early sale of an investment. For the year 2024/25, the proposed limit of investments for over 364 days is £450m as set out in table 11 of the TMSS.

Investment policy

7. 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. Special due diligence is applied to all prospective local authority lending on latest accounts and external auditor report, as well as national media coverage.

8. 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

9. 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.

10. 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 Full 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.

11. Credit rating information is supplied by Link Asset Services, the Council's treasury advisor. 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.

12. The Council considers 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.

- Local authority due diligence is mentioned in (7).

13. 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 sell existing investments which would be liable to penalty clause.

Specified and non-specified investments

14. 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 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.

15. **Non-specified investments** are those with lower 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 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 the following:

  - 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, Westminster Builds, Westminster Community Homes, Westco.

16. 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 considering:

    - 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.

17. 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

18. 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

19. 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.

20. Officers will monitor the current economic and investment backdrop 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 tenure
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)	N/A	GLA: £100m	5 years
UK Local Authorities (LA)		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 His Majesty's Treasury. Being fully UK government backed, the DMO is the ultimate low risk depositary. Being ultra-low risk, the investment return is 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. 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 media financial reputation. UK local authorities and levying authorities are regarded as safe and the return is relatively low. Such checks will have special significance now, especially in the light of continuing declarations from UK local authorities reference S114 notices.

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. 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 invest 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 several 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 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.

APPENDIX 2

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 how 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 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 flow.

  - 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 2021) 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. The requirements 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 way the Council will seek to achieve these policies and objectives.
- Presenting Full Council with an annual TMSS statement, including an annual investment strategy and MRP 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.

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.

<u>Section 151 Officer</u>

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 8 January 2024. These are forecasts for certainty rate - gilt yields plus 80 bps.

Link Group Interest Rate View 08.01.24	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

2. The central forecast for interest rates was previously updated on 7 November 2023 and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. Rate cuts are expected to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.

3. Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

4. In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

5. On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

Economic Update

6. The first half of 2023/24 saw;

    - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.

- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.

- CPI inflation falling from 8.7% in April to 4.0% in December 2023, its lowest rate since February 2022.

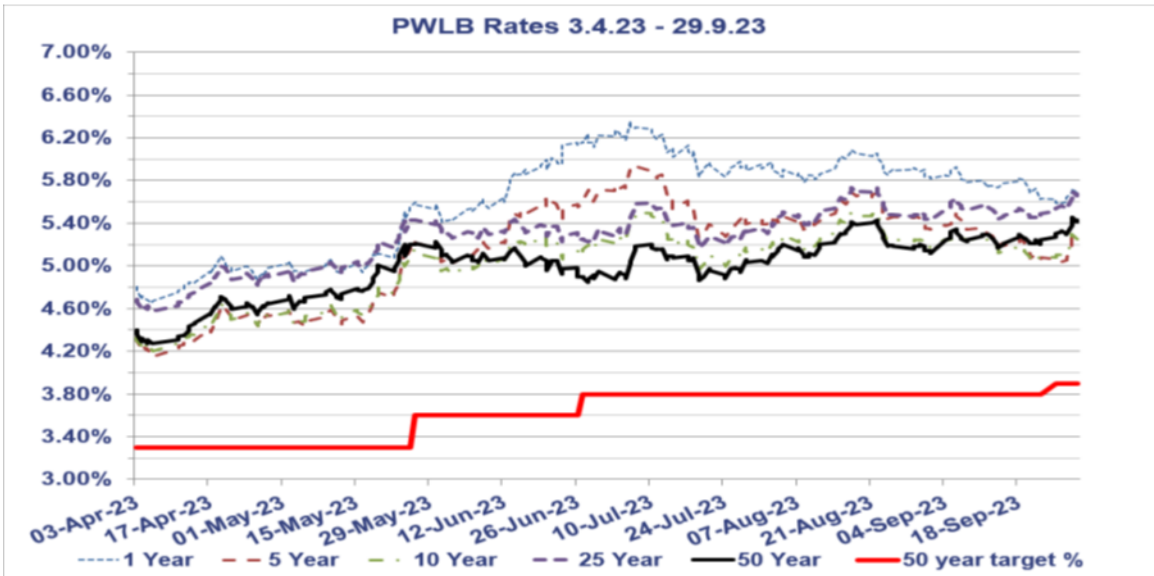
7. The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year.

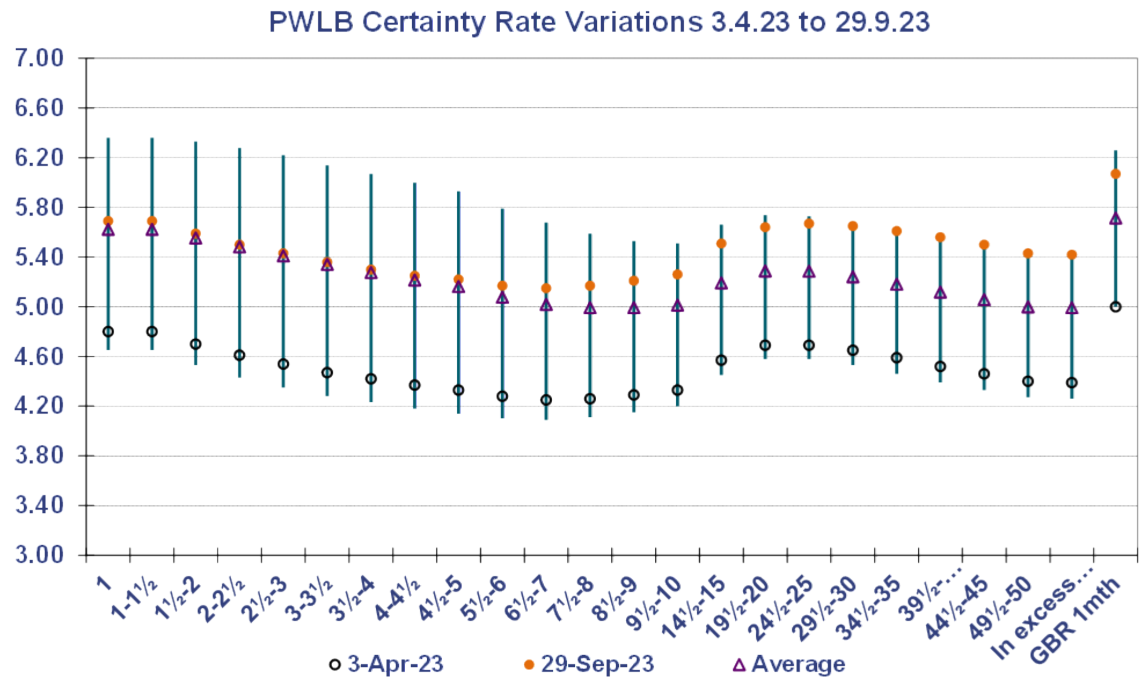
8. The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021.

9. As the growing drag from higher interest rates intensifies over the next six months, it is likely the economy will continue to lose momentum and soon fall into a mild recession. It is expected the Bank of England will keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

10. The Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures. The Bank is keeping the door open to the possibility of further rate hikes.

11. In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

12. The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK CPI inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

City of Westminster

Cabinet

Decision Maker:	Cabinet
Date:	19 February 2024
Classification:	General Release
Title:	Housing Revenue Account 30-Year Business Plan and Housing Investment Plan 2024/25
Wards Affected:	All
Policy Context:	This report addresses all income and expenditure associated with the Council's existing social housing stock, as well as investment in new housing and estate regeneration. This underpins multiple elements that support the delivery of the Council's Fairer Westminster Strategy.
Cabinet Member:	Councillor Liza Begum
Financial Summary:	The 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 £721.52m and gross expenditure of £680.48m (with a further £41.04m contribution to fund capital). The business plan includes total capital investment of £920.52m over the next five years and a total of £2.493bn over the full 30 years. The HRA Business Plan is viable, subject to some over-arching assumptions, and demonstrates that the capital investment ambition over the 30 years can be funded sustainably. Resilience measures are incorporated to mitigate identified risks.
Report of:	Sarah Warman, Strategic Director of Housing and Commercial Partnerships

1. Executive Summary

1.1 This report presents the updated 30-year Housing Revenue Account (HRA) Business Plan which the Council is required to prepare on an annual basis. It provides an overview of the financial planning that supports the management of the 21,160 homes operated by the Council's HRA. This covers both revenue and capital expenditure and therefore incorporates the extensive Housing Investment Plan.

1.2 Despite a volatile economic backdrop that continues to present the HRA with significant financial challenges (see **Section 7**), the Council has delivered a sustainable HRA Business Plan from 2024/25 onwards. In doing so, it has managed to safeguard all planned housing investment whilst also adding two new schemes. This is significant in the context of the Council's Fairer Westminster vision and the delivery of more social housing within Westminster.

1.3 Housing is a significant pillar within this vision and the HRA Business Plan is therefore a critical enabler for Council in delivering key strategic outcomes. As well as maximising the delivery of social housing, the plan supports investment in several other important objectives which are covered in **Section 5**. This includes increasing frontline staff, improving the condition and safety of existing stock, and investment to both retrofit homes and replace the Pimlico District Heating Undertaking (PDHU) in support of achieving net zero carbon emissions by 2030.

1.4 In April 2023, a council-wide Housing Improvement Programme was introduced to improve the delivery of housing services in Westminster. This programme involves a thorough review of all areas of the service, to identify both the areas that are working well and the areas in which the Council needs to deliver improvements for residents. The HRA Business Plan provides the platform for the investment required to support this transformation programme and one-off funding of £4.550m has been earmarked to support the delivery of important service outcomes.

1.5 The report seeks approval for the HRA revenue budget for 2024/25 (see **Section 8**). This includes approval for the proposed uplifts to both HRA rents and non-dwelling charges to take effect from 1st April 2024. The Council is proposing to adopt a 7.7% rent increase for 2023/24 (in line with the maximum limit set by the national rent policy), along with 6.7% increases to non-dwelling charges (in line with CPI as per its wider fee & charges policy). It is acutely aware of the current pressure on household incomes and proposes to extend the Rent Support Fund by 12 months to provide targeted support to tenants (earmarking a further £1.050m within HRA reserves). Based on these proposals, the HRA will generate £134.84m across a range of income streams in 2024/25 (of which £93.35m, or 69%, comes from tenant rents). The 2024/25 expenditure budget is £127.98m, which leaves an operating surplus of £6.855m (which will be used to fund the capital and manage debt levels).

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

2. Recommendations

1.7 Approve the HRA revenue budget for 2024/25 (Table 1 and Appendix 3)

1.8 Note the HRA 5-year revenue budgets for 2024/25 to 2028/29 (Appendix 3) and HRA 30-year revenue budgets for 2024/25 to 2053/54 (Appendix 4a)

1.9 Approve the HRA 5-year Capital Programme totalling £920.52m (Table 4)

1.10 Note the 30-year Capital Programme for 2024/25 to 2053/54 totalling £2.493bn (Appendix 5)

1.11 Approve the inclusion of all Fairer Westminster investments, including the extension of the HRA Rent Support Fund by £1.050m for 2024/25 (to be earmarked to support tenants experiencing financial difficulty during the cost-of-living crisis)

1.12 Approve a rent increase of 7.7% from 1st April 2024 in line with the maximum increase for social rent set by the national rent policy, whilst noting that the Council continues to exercise its discretion under the rent restructuring policy to set rents for re-lets (both new tenants and transfers) up to formula target rent

1.13 Approve an increase of 6.7% to the fees charged for garages, sheds and parking (in line with CPI at September 2023) from 1st April 2024

1.14 Approve that tenant service charges be varied in line with estimated actual costs for 2024/25 from 1st April 2023

1.15 Note the HRA reserves and balances for the 5-year Business Plan (Table 5)

3. Reasons for decision

1.1 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 that avoids a deficit, whilst using robust and valid assumptions.

1.2 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.

1.3 The report also provides the approval needed to set HRA tenant rents and other charges for the financial year 2024/25. The City Council is required by law to give tenants at least 28 days' notice of any variation to the rent charged.

1.4 Finally, this report outlines how the Housing Investment Plan supports the delivery of the Council's Fairer Westminster vision, including its commitment to deliver new affordable homes whilst maintaining the condition of the existing housing portfolio.

4. Key Implications

1.5 The report seeks approval for the 2024/25 HRA revenue budget. The proposed budget represents a balanced position and will retain a minimum HRA reserve balance of £17.0m (to be maintained over the first 5 years of the plan). The budget is dependent on a maximum rent uplift of 7.7% being applied in 2024/25 in line with the limits set by The Rents for Social Housing policy.

1.6 It also seeks approval for the 5-Year HRA Capital Programme which includes total expenditure of £920.52m. This includes £431.37m of investment in existing stock (supporting key priorities around fire safety and climate change) and £489.15m of development investment which supports the delivery of 374 new homes for social rent over this period. This is supported by a range of funding sources but ultimately requires the HRA to borrow £279.60m, which will result in an estimated on-going interest cost of £15.12m to be covered by the HRA revenue budget from 2028/29 onwards.

1.7 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 safeguard 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. Fairer Westminster

5.1 The funding plans earmarked in the HRA Business Plan will make a significant contribution to the delivery of the Council's Fairer Westminster vision. A summary of the proposed outputs under each strategic theme is shown below:

5.2 Fairer Housing

- Deliver 1,084 new council homes for social rent from 2024/25 onwards to expand access to truly affordable housing across the City.
- Undertake an expanded programme of stock condition surveys and earmark an additional £10m of capital investment per annum for major works to ensure all Council tenants live in homes that are of a decent standard.

5.3 Fairer Environment

- Provide funding for a £218m programme to retrofit existing homes and help the Council to achieve its ambition of net zero emissions by 2030 (with £207m remaining to be spent from 2024/25 onwards).
- Improve the energy efficiency of HRA stock to protect tenants and leaseholders against the impact of increases in energy bills and reduce the debilitating impact of fuel poverty.
- Earmark £75m of funding for internal network upgrades to improve energy efficiency as part of the wider PDHU replacement project.
- Deliver metering for all heat networks by the end of 2026/27 (in line with legislation) to ensure that network users only pay for the energy they use and can manage their energy usage accordingly.

5.4 Fairer Communities

- 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.

5.5 Fairer Council

- Increase the number of frontline housing officers and double the number of estate offices to ensure tenants can easily access the support that they need.
- Deliver an ambitious Housing Improvement Programme to transform housing services and improve outcomes for tenants and leaseholders.
- Digital investment to enhance the experience of tenants when they engage with the Housing service (including an upgrade to the Orchard system).

5.6 Fairer Economy

- Cultivating vibrant communities by improving social infrastructure and delivering new local retail, leisure and enterprise space.
- Maximising procurement opportunities to use the local supply chain and deliver social value commitments as part of delivering the investment programme.

6. Background

1.1 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.

1.2 Preparing the 30-year HRA Business Plan involves a long-term assessment of the funding needed to deliver landlord duties alongside wider strategic housing objectives. This involves detailed modelling of operating resource requirements, capital investment plans and external funding streams against wider environmental factors such as macro-economic assumptions and potential legislative changes. This creates a detailed financial outlook for the HRA which is summarised in **Sections 8-10** of this report (with detailed schedules included in Appendices 2-4).

1.3 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 is making strategic decisions about appropriate levels of cover to ensure that the HRA remains resilient in the face of an ever-changing economic. This approach is outlined in **Sections 12-13**, which also includes sensitivity analysis to test what level of financial shock the HRA could be expected to absorb without compromising deliverables.

7. The operating context for the HRA

1.1 Preparing the HRA Business Plan requires careful consideration of a range of external factors that have the potential to materially alter the level of resources that the HRA has at its disposal. The key considerations for this iteration of the business plan are briefly outlined below.

1.2 <u>**Inflation**</u>

1.2.1 The UK has experienced high levels of inflation over the last 2 years. Whilst the Consumer Price Index (CPI) has reduced from the levels experienced in 2022/23, where it was consistently running into double figures, it has remained stubbornly high in 2023/24 and the Bank of England has lengthened its projections for when it will return to the target of 2%. The impact of inflation on the HRA is exacerbated by its exposure to sectors such as construction and utilities which have experienced much starker inflationary pressure.

1.2.2 The previous iteration of the business plan took steps to address this by ensuring that there were adequate inflation provisions within both the capital and revenue budgets. Despite this, the repairs budget has continued to experience upwards pressure in 2023/24 and inflation remains a significant risk in this area.

1.2.3 The Bank of England now projects that CPI will reduce to the 2% target by the end of 2025. The business plan has been prepared on the prudent assumption that CPI will move towards the target on a phased basis over the next 18 months. This ensures that sufficient revenue allowances are made for the next financial year, including an inflation contingency of £2.7m across the operating cost base. This is based on an inflation assumption of 3% for 2024/25 (covering both pay and contractual spend). There is also an inflation contingency of £45.0m included across the 5-year capital programme.

1.3 **Social Rent Policy**

1.3.1 There was no announcement in the Autumn Statement regarding the extension of the social rent cap that was enforced for 2023/24 (where a limit of 7% was applied to social rent uplifts from 1st April 2023). This means that the existing rent policy comes back into force, which allows for a maximum annual rent uplift of CPI+1% (based on CPI in the September preceding the new financial year).

1.3.2 Based on the existing rent policy, the maximum uplift for 2024/25 is 7.7% (given that CPI was 6.7% in September 2023). The Council intends to adopt the maximum rent uplift to ensure that it has the resources it needs to absorb the impact of inflation and deliver on other key statutory obligations (see below).

1.3.3 The Council is acutely aware that a 7.7% rent increase has the potential to put pressure on household income levels for its tenants, especially in the context of a cost-of-living crisis. A large proportion of tenants are in receipt of housing benefit and are therefore expected to see a corresponding increase to manage the rent increase. To help remaining tenants that may require financial assistance, the Council has committed to extending its Rent Support Fund into 2024/25 and has made an additional £1.050m available to provide targeted financial support to households in need.

1.3.4 The new financial year (2024/25) represents the final year that is covered by the current national rent policy. This ran for 5 years from 2020/21 to 2024/25 and stipulated a limit of CPI+1% on annual social rent increases (with the 7% cap superseding this policy in 2023/24). The government has yet to consult on the new rent policy that will come into force from 2025/26 onwards. The Westminster business plan ensures that assumptions about future rent increases remain prudent.

1.4 **Legislative Changes**

1.4.1 The HRA is always exposed to the impact of new requirements being imposed on social landlords as a result of new legislation. Resources have been allocated to cover new duties created by the Building Safety Act 2022. This includes £1.927m of recurring budget to support the required annual inspection regime (along with one-off reserve funding of £1.6m to help the Council to achieve initial compliance in line with statutory deadlines).

1.4.2 Finally, the Social Housing (Regulation) Act 2023 is another piece of legislation that will alter the way in which housing services are delivered in the future and which may result in a need to fundamentally alter the way in which resources are allocated within the business plan. The resources allocated to the Housing Improvement Programme are geared towards ensuring that the Housing service is ready to meet regulatory requirements in this area.

1.5 **Interest Rates**

1.5.1 The Bank of England's response to the inflation challenge has been to take swift action to increase interest rates. This is a critical assumption within the HRA business plan given the impact that it has on the HRA's ability to borrow in order to fund the capital programme.

1.5.2 As part of the refresh of the business plan, the Council has opted to maintain the same assumption for interest rates as the previous plan (2.6%). The Council has a forward borrowing facility that will safeguard this rate of interest for at least a couple of years, with the business plan prepared on the basis that interest rates will stabilise at the end of that period. Nonetheless, if interest rates continue to rise and this is sustained for a longer period then the HRA's borrowing capacity will be reduced as a result.

8. HRA Revenue

1.1 The HRA Business Plan is underpinned by the objectives that form the basis for the Council's Fairer Westminster strategy. It therefore provides an important vehicle for allocating resources to the delivery of this vision. The following investments have been factored into the HRA revenue budget from 2024/25 onwards.

1.2 **Improve the quality of the Housing service**

1.2.1 The business plan provides an additional £0.597m to support an increase in the number of frontline housing officers. This is underpinned by the expansion of estate offices across the borough to make it easier for residents to contact housing officers, with the number of office locations doubling (from 4 to 8).

1.2.2 The business plan also provides significant funding the Housing Improvement Programme (with £4.550m earmarked within HRA reserves). This will provide additional short-term capacity across all aspects of the housing service. It will also seek to deliver longer-term transformation of services to improve outcomes for tenants and leaseholders.

1.2.3 The improvement programme has been informed by:

- Recommendations made earlier this year by the Future of Westminster Commission.
- The findings of the Housing Ombudsman, which has recently highlighted cases where our services have regrettably failed residents, so that we can ensure that these cases are not repeated.
- The lived experience of our residents, including learning from complaints.

1.2.4 Structural changes have already been made within the council t provide additional senior leadership focus and capacity in housing. In June 2023, a new stand-alone Housing and Commercial Partnerships directorate was established. The effects of these changes mean that Housing Services have closer accountability to the Chief Executive, have increased senior capacity (with two additional directors now supporting the service), and is supported by a significant transformation budget to enable the delivery of real change. These changes underline that improvement in housing is a key priority for the council. The service will remain focussed on supporting our housing teams to deliver the best possible services for our residents and communities, with the experience and feedback from residents being used to inform continual service improvement.

1.3 **Improve the condition of existing stock**

1.3.1 A proportion of the funding allocated to the Housing Improvement Programme will be dedicated to increasing the volume of surveying activity across the housing stock. This will focus on internal condition (including damp and mould).

1.3.2 An additional £10m per annum has also been allocated within the business plan for the Major Works programme. This ill ensure that the service have sufficient capital resources to respond to the outcomes from the surveying activity as well as the requirements laid out in the Housing Asset Management Plan.

1.4 **Improve safety of housing stock**

1.4.1 An extra £620k was allocated in the previous iteration of the business plan to expand the in-house Health & Safety function. This was in response to the additional landlord duties placed on the Council under the Building Safety Act (particularly in relation to high-rise blocks).

1.4.2 This has been increased by £1.927m in the revised plan in recognition of the recurring inspection obligations that the Council is required to meet each year and the potential need for remedial repairs. This includes fire risk assessments, cladding surveys, structural assessments and a raft of specific inspection duties (including legionella, asbestos and gas safety). It underlines the Council's commitment to ensuring that its tenants and leaseholders feel safe in their homes.

1.4.3 The plan also includes a one-off fund of £1.6m to help the Council to accelerate some of the new compliance requirements that come with statutory deadlines as part of the Building Safety Act.

1.5 **<u>Supporting tenants during the cost-of-living crisis</u>**

1.5.1 Finally, the Council has committed to extending its Rent Support Fund by a further £1.050m for 2024/25 (which is funded by HRA reserves). This will provide flexibility for the Housing Service to be able to target support towards households experiencing difficulty with paying rent because of pressures created by the cost-of-living crisis. This is on top of the £1.010m that was allocated for 2023/24 and saw a strong level of take-up across the last 12 months.

1.6 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.

1.7 The five-year revenue outlook for the HRA includes an expectation that rents will increase by 7.7% in 2024/25 (as laid out in the current rent policy). It assumes that the current ceiling of CPI+1% will remain for a further 3 years but will revert to CPI from 2028/29 onwards. These assumptions are entirely subject to what the government announces in relation to future rent guidance. Based on the current rent roll, the proposed 7.7% rent increase will generate approximately £6.5m in additional rental income in 2024/25. There is an expectation of a further £1.5m of income to be generated by the addition of new social homes from the development programme. The key assumptions used to set the 2024/25 budget and long-term business plan are set out at Appendix 1. The table below (Table 1) shows the 5-year revenue outlook for the HRA.

1.8 Rent assumptions are a critical element of the HRA Business Plan. There are no guarantees about the accuracy of future assumptions, but Westminster tries to ensure that its assumptions are sufficiently prudent. The decision to increase the rent assumption from CPI to CPI+1% for 3 years within the plan (2025/26 to 2027/28) has been made due to the increased investment requirement being placed on the HRA (particularly in relation to stock condition and the replacement of the PDHU). If this does not materialise within the future rent policy, then the HRA has several options at its disposal to help it re-balance and remain sustainable. The assumption beyond this short period remains that rent uplifts will maintain parity with CPI. This is considered one of the resilience measures built into the plan given that it could benefit from any upside that comes from the national rent policy in the future.

1.9 The five-year HRA revenue outlook also includes an expectation that the HRA will see a net increase in stock numbers of 374 homes. This boosts income from rents but also generates increased management costs (the impact of which need to be monitored closely to ensure that new units meet the operational assumptions included in the business case for each development scheme). This assumption also creates a corresponding financial risk for the HRA if schemes experience delays and units are handed over later than profiled which would reduce projected income levels for the HRA in any given year.

1.10 To help mitigate revenue risks, a flexible revenue contribution to capital is built into the revenue budget (as shown in Table 1). Its primary purpose is to reduce HRA debt levels over the life of the business plan, but there is also flexibility for it to be used as a revenue contingency if the revenue budget comes under pressure or additional borrowing is needed at any given point. 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). This represents an important metric for ensuring that HRA borrowing plans are sustainable and the HRA is resilient to unforeseen risks.

Table 1 – 5 Year HRA Business Plan

	1 2024/25	2 2025/26	3 2026/27	4 2027/28	5 2028/29
	£m	£m	£m	£m	£m
Dwelling Rents	(93.348)	(98.137)	(101.560)	(104.245)	(108.280)
Non-Dwelling Rents	(0.881)	(0.898)	(0.916)	(0.935)	(0.953)
Commercial Rents	(7.800)	(7.878)	(7.957)	(8.116)	(8.278)
Service Charges	(23.613)	(24.145)	(24.677)	(25.229)	(25.805)
Heating & Hot Water Charges	(6.753)	(6.888)	(7.026)	(7.167)	(7.310)
HRA Investment & Other Income	(2.446)	(2.495)	(2.545)	(2.596)	(2.648)
TOTAL INCOME	**(134.841)**	**(140.441)**	**(144.681)**	**(148.287)**	**(153.274)**
Staff	25.854	26.359	26.874	27.399	27.935
Repairs & Maintenance	27.999	28.840	29.521	30.263	31.092
Supervision & Management	9.806	10.002	10.202	10.406	10.927
Estate Services	11.086	11.308	11.534	11.765	12.000
Heating & Hot Water Expenditure	6.753	6.888	7.026	7.167	7.310
Rents, Rates and Commercial Charges	0.679	0.692	0.706	0.720	0.735
Regeneration	2.575	2.627	2.679	2.733	2.788
TMO Allowances	1.683	1.716	1.751	1.786	1.821
Support Costs	11.094	11.316	11.542	11.773	12.008
Depreciation	21.638	22.442	23.114	23.504	24.275
Capital Financing Costs	8.817	9.307	10.204	12.321	15.117
TOTAL INCOME	**127.984**	**131.498**	**135.153**	**139.837**	**146.009**
HRA OPERATING (Surplus)/Deficit	**(6.857)**	**(8.943)**	**(9.528)**	**(8.450)**	**(7.265)**
Revenue Contribution to Fund Capital (RCCO)	6.857	8.943	9.528	8.450	7.265
HRA TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Interest Cover Ratio	**1.78**	**1.96**	**1.93**	**1.69**	**1.48**

1.11 The table demonstrates that the HRA revenue budget will be balanced over the medium-term, despite the impact of high inflation over the past two years and the need for budget growth to respond to growing statutory requirements (i.e. health & safety inspections). The proposed rent uplift helps to offset the impact these items, along with the £3.1m of budget savings that were delivered in 2023/24. The Housing Improvement Programme will also seek to deliver a full review of HRA budgets to ensure that resources are allocated as effectively as possible towards the delivery of tangible service outputs.

1.12 Furthermore, the balance on the HRA general reserve (which is covered in more detail in **Section 11**) will be held at a minimum of £17m for the duration of the first 5 years of the plan. This is consistent with the minimum level set in the previous iteration of the business plan and represents 11-13% of total HRA turnover over this period. This will increase the financial strength of the HRA during the main building phases of its development programme, as well as increasing resilience in the face of a volatile economic environment, with high levels of cost inflation, labour and materials shortages, and interest rate increases. 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 never drops below £15m over the life of the business plan.

9. HRA Capital and Stock Investment Plan

1.1 The HRA capital programme will see £920.52m of capital expenditure committed over the next five years (2024/25 – 2028/29) on the development of new build affordable housing, the regeneration of estates, and on maintaining the condition of existing housing stock. 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 5. **Section 10** sets out in more detail the financing of the capital programme.

1.2 **Planned Maintenance Programme (£1.804bn)**

The 2024/25 HRA Capital Programme includes investment in existing stock totalling £80.43m. The business plan projects a total of £1.804bn 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 analysis 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 2 – HRA Planned Maintenance Programme

Scheme Name	1 2024/25 £000	2 2025/26 £000	3 2026/27 £000	4 2027/28 £000	5 2028/29 £000	6-30 2029/30 to 2053/54 £000	TOTAL £000
Voids and Aids & Adaptations	6,441	6,441	6,441	6,441	6,441	155,925	**188,130**
Electrical and Mechanical	5,144	2,773	2,627	2,460	2,460	58,120	**73,583**
Major Works	40,000	40,000	40,000	40,000	40,000	452,450	**652,450**
Health & Safety (incl. Fire Safety)	4,489	4,159	1,340	1,810	1,360	26,290	**39,448**
Asset Mngt & Minor Works	2,750	2,750	2,555	2,255	2,255	28,875	**41,440**
Domestic Heating & Hot Water	1,030	1,030	900	900	900	18,400	**23,160**
Lifts	3,250	2,148	2,613	1,835	1,835	40,780	**52,461**
Climate Works (Retrofit)	9,977	10,000	10,000	10,000	15,000	152,304	**207,281**
PDHU	2,466	1,305	14,897	14,405	14,000	28,000	**75,072**
Heat Network Metering	3,367	3,367	3,367	0	0	0	**10,100**
Inflation Allowances	1,520	3,245	5,879	7,690	11,054	411,919	**441,307**
Planned Maintenance TOTAL	**80,434**	**77,217**	**90,618**	**87,795**	**95,305**	**1,373,063**	**1,804,432**

A short summary of each element of the planned maintenance capital programme is provided below.

1.2.1 **Voids and Aids & Adaptations (£188.130m)** – this is a demand led budget, with £4.6m earmarked annually for the refurbishment of voids and £1.8m provided for adapting properties to meet the accessibility needs of residents (including grab rails, converting bathrooms into wet rooms, baths into showers, installing stair lifts, etc).

1.2.2 **Electrical & Mechanical Services (£73.583m)** – this budget covers the renewal of estate lighting, door entry systems, communal boilers, lateral mains, and lightning conductors.

1.2.3 **Major Works (£652.450m)** – 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, and therefore schedules the replacement requirements for each (including roofs, windows, communal decorations, etc).

1.2.4 **Health & Safety (£39.448m)** – Fire Risk Assessments (FRA) are periodically completed for all buildings that are more than 6 storeys (with frequency dependant on the risk associated with each building). The actions emanating from these are placed into a programme of works, which includes things such as the renewal of fire door and the installation of sprinkler systems. Ultimately, this budget helps to ensure that the Council is compliant with the requirements of the Building Safety Act (although there is crossover with the works delivered under the wider Major Works programme).

1.2.5 **Asset Management & Minor Works (£41.440m)** – Damp and condensation are critical issues for aging housing stock and are a specific focus of improvement works at Westminster. The installation of internal wall insulation, secondary or double glazing and cavity wall insulation assists in tackling these issues and contributes towards the Council's drive to reduce carbon emissions.

1.2.6 **Domestic Heating & Hot Water (£23.160m)** – This budget delivers the 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.

1.2.7 **Lifts (£52.461m)** – This budget covers the management of Westminster's 363 lifts in high rise blocks, with a planned programme of renewal and refurbishment.

1.2.8 **Climate Works (£207.281m)** – The Council has set itself a challenging target to become a carbon neutral council by 2030. Achieving this requires major investment to retrofit its housing assets and upgrade its communal heating systems. The overall budget for the Climate Action Plan remains £218m (with spend already incurred over the last 2 years). This includes an ambitious assumption that 50% of this can be funded from external grants (although the government continues to release grants on a piecemeal basis).

1.2.9 **PDHU (£75.072m)** – The Council is committed to replacing the Pimlico District Heating Undertaking (PDHU), which is the Council's largest district heat network and largest emitter of carbon. A Strategic Outline Case (SOC) was approved in January 2023. This identified that the PDHU had to be replaced (i.e. Do Nothing was not a viable option) and agreed to take forward the development of a range of options for the future of the PDHU. The development of these options will consider a range of factors, including value for money for residents, carbon reduction, and levels of disruption to residents and the wider area. This is expected to require significant capital investment, with the funding needed for internal network upgrades expected to fall on the HRA. Until a preferred option for replacing the PDHU has been identified (which will be identified in the Outline Business Case due in 2024) the figures included in the HRA Business Plan are estimates. They have been included to ensure that financial planning within the HRA takes account of such a critical project.

1.2.10 **Heat Network Metering (£10.100m)** – As a heat supplier, the Council is required under legislation (the Heat Network (Metering and Billing) Regulations 2014, which were amended in 2020) to install meters and bill residents according to actual consumption and to formally report status to Government on a quad annual basis.

1.2.11 **Inflation Allowances (£441.307m)** – The Planned Maintenance programme includes an inflation provision to ensure that budgets remain fit for purpose to deliver the investment in existing homes required over the life of the 30-year business plan. These allowances also provide uplifts to support additional maintenance costs generated by new units as the size of the HRA portfolio grows.

1.3 Development & Regeneration Programme (£688.239m)

Table 3 – Development & Regeneration Programme

BP Year >> Scheme Name	1 2024/25 £000	2 2025/26 £000	3 2026/27 £000	4 2027/28 £000	5 2028/29 £000	6-30 2029/30 to 2053/54 £000	TOTAL £000
Luton Street	30	0	0	0	0	0	**30**
Ashbridge	602	0	0	0	0	0	**602**
Ashmill	20	0	0	0	0	0	**20**
Cosway	1,168	799	0	0	0	0	**1,967**
Carlton Dene	14,803	11,954	20,752	211	16	79	**47,816**
Queens Park Court	1,880	893	0	0	0	0	**2,774**
Lisson Arches	1,223	0	174	0	0	0	**1,397**
Parsons North	464	0	0	0	0	0	**464**
Ebury Acquisitions & Decants	11,043	0	0	0	0	0	**11,043**
Ebury - Phase 1	25,456	3,999	2,654	0	0	0	**32,109**
Ebury - Phase 2	13,661	50,605	2,587	96,464	42	13,514	**176,872**
Pimlico (Churchill Gdns)	13,460	6,442	3,785	1,206	0	0	**24,893**
Infills	4,963	655	150	150	0	0	**5,918**
Church St Acquisitions	11,448	0	0	0	58,515	24,924	**94,887**
Church St - Site A	34,985	14,893	164	4,729	30,982	0	**85,753**
Church St - Site B	0	0	0	1,208	931	99,614	**101,753**
Church St - Site C	0	0	0	0	0	42,758	**42,758**
Lisson Grove	0	0	0	0	0	11,840	**11,840**
Westmead	0	0	4,841	0	0	0	**4,841**
Cundy St Quarter	1,000	7,000	0	0	0	0	**8,000**
West End Gate (Block H)	0	3,696	0	0	0	0	**3,696**
291 Harrow Road	0	0	0	0	6,819	0	**6,819**
Contingency	4,495	3,331	1,159	3,431	3,211	6,360	**21,986**
Development & Regen TOTAL	**140,702**	**104,267**	**36,267**	**107,399**	**100,516**	**199,088**	**688,239**

1.3.1 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 programme and safeguard the planned delivery of affordable homes. A programme-wide contingency is included to help mitigate potential cost pressures or shortfalls in expected funding.

1.3.2 The programme remains under constant review, and each scheme is subject to a detailed viability assessment to ensure the Council is always delivering value for money. 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.

1.3.3 The Development & Regeneration programme is spread across the General Fund and the HRA, but it is the HRA element that is most critical to the Council's commitment to delivering affordable housing (as it funds the delivery of all social housing within the programme). Following the Truly Affordable Housing Review that was conducted in 2022, an additional 318 homes for social rent were identified across a range of schemes and further GLA funding was successfully bid for.

1.3.4 The total number of homes for social rent being delivered by the programme as a whole from 2024/25 onwards is currently estimated to be 1,084. This includes two new schemes that have been added to the programme in the revised business plan: (West End Gate Block H and 291 Harrow Road). These schemes are at an early stage of development but will add social units to the totals being delivered in the current programme.

1.3.5 Further details of some of the prominent schemes within the Development & Regeneration programme are provided below.

- **Church Street** – 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. The regeneration proposals have since been the subject of a successful ballot (held in December 2022). This provides resident support for the proposed scheme and allows it to attract c.£19m of GLA grant funding which will enable the delivery of greater numbers of affordable housing in line with the Council's Fairer Westminster commitment that aims to ensure that 70% of the affordable housing delivered on its own developments comes in the form of social rent. A joint venture partnership is still the preferred delivery route for Site A and will be progressed further during 2024/25.

- **Ebury Bridge Regeneration** – The Ebury Bridge Estate is one of the priority areas 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 (delivering 226 new homes by 2025). The first tranche of Phase 1 private sale homes launched in September 2023. Significant additional GLA grant was awarded in 2022/23 as a result of the positive outcome of the ballot held for the wider regeneration in February 2023. This supported tenure changes across the scheme and the delivery of additional homes for social rent. Procurement is underway for Phase 2 of the programme and is expected to be completed by autumn 2024.

- **Westmead** – Following the Truly Affordable Housing Review, this scheme will now deliver 100% affordable housing to include 34 social and 31 intermediate units.

- **Carlton Dene** – 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. Site demolition completed in July 2023. The main construction contract is expected to be awarded in 2024/25.

- **Balmoral** – The demolition and redevelopment of the Balmoral Public House, Darwin House and associated garages which will provide 52 new affordable homes in two phases, including 34 community supportive housing units that will enable the decant of Darwin House residents. First phase construction is underway and progressing well.

- **West End Gate (Block H)** – The Council will acquire 45 affordable homes from the second phase of the West End Gate development being delivered by Berkeley Homes. A proportion of these will be purchased by the HRA for social rent.

- **Luxborough** – Delivery of 7 social and 7 new intermediate homes, commercial space and improvement and landscaping works to areas surrounding Luxborough Tower.

10. Capital Programme Funding

10.1 The HRA business plan utilises multiple sources of finance 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 overall.

1.2 The HRA business plan encompasses 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 7-10% of the total income generated from rents (over the first 5 years of the business plan) 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 along with sufficient allowances for repaying debt to ensure that the level of borrowing it commits to is sustainable. The 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 total borrowing costs. It also means that this allowance is available to either finance capital or pay down debt in the event that a swing in interest costs does not materialise.

1.3 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).

1.4 The various HRA financing options are explained in further detail below.

1.5 **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).

1.6 **Affordable Housing Fund (AHF)** – Payments received from developers on planning schemes in lieu of affordable housing obligations are held in the Council's Affordable Housing Fund. These funds are 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.

From February 2023, Westminster stipulated that AHF funding would be exclusively applied to schemes on the HRA capital programme to maximise the delivery of social housing. The Council held an AHF balance of £129.9m as at 1st April 2023 and a further £43m was received over the course of the financial year. The current balance therefore stands at £172.9m and this is sufficient to cover commitments that have been made within the existing development programme (which totals £156.8m from 2023/24 onwards).

Future AHF receipts are dependent upon new planning applications, for which changes to the Council's planning rules have seen a significant drop-off in the number of schemes involving an AHF contribution (due to developers being obliged to provide affordable housing directly). Nonetheless a future projection of £40m has been built into the revised business plan over the next 5 years. This is captured within then general funding assumptions for the HRA capital programme but has yet to be allocated to specific schemes.

1.7 **Community Infrastructure Levy (CIL)** – Developers are required to make CIL contributions as part of the planning requirements for most schemes. The Council is only able to apply CIL to fund clearly defined activities within its overall capital programme. An exercise has been undertaken to maximise the amount of CIL that can be applied within the HRA capital programme. The most obvious qualifying expenditure is the public realm elements of the major regeneration schemes but works on the PDHU (as energy infrastructure) and the provision of community assets elsewhere have also been identified.

1.8 **Capital Receipts** – The HRA generates capital receipts for transfers of land or disposal of property which can be recycled to finance the capital programme. Many development schemes also 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. Scheme viabilities are always prepared from the outset using conservative estimates on property values, which is critical in the current housing market. Valuations are subsequently undertaken throughout the development process to monitor any fluctuations in value and allow mitigating action to be sought if required.

1.9 **Right to Buy Receipts** – 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 partially used to fund the delivery of a replacement affordable home under the terms of the "one-for-one" agreement held with DLUHC. 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 two years.

1.10 **Major Repairs Allowance** – 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 level of the MRA contribution must be equivalent to the depreciation calculation for HRA stock. This ensures that a minimum level of investment is made in the existing stock to keep assets fit-for-purpose.

1.11 **Leaseholder Contributions** – 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. The Council continues to work hard to offer flexible payment plans for leaseholders to help them manage the impact of recharges. It is also reviewing its approach to life-cycle asset management in order to reduce the volume of high bills driven by large major works schemes (that encompass multiple elements).

1.12 **Borrowing** – Any capital expenditure not covered through any of the funding routes noted above will require borrowing. In broad terms, 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 £597.48m over the course of the revised 30-year plan (equating to £619.04m if 2023/24 is included). This equates to almost 24% of the entire HRA capital programme and represents a £118m increase on the level of borrowing included in the previous iteration of the business plan. Nonetheless, this level of borrowing can be supported by the revenue budget with an appropriate level of resilience (see below).

1.13 Capital Programme – Financial Overview

The table below summarises the overall expenditure and financing position for the HRA Capital Programme.

Table 4 – Capital Programme Financing Plan

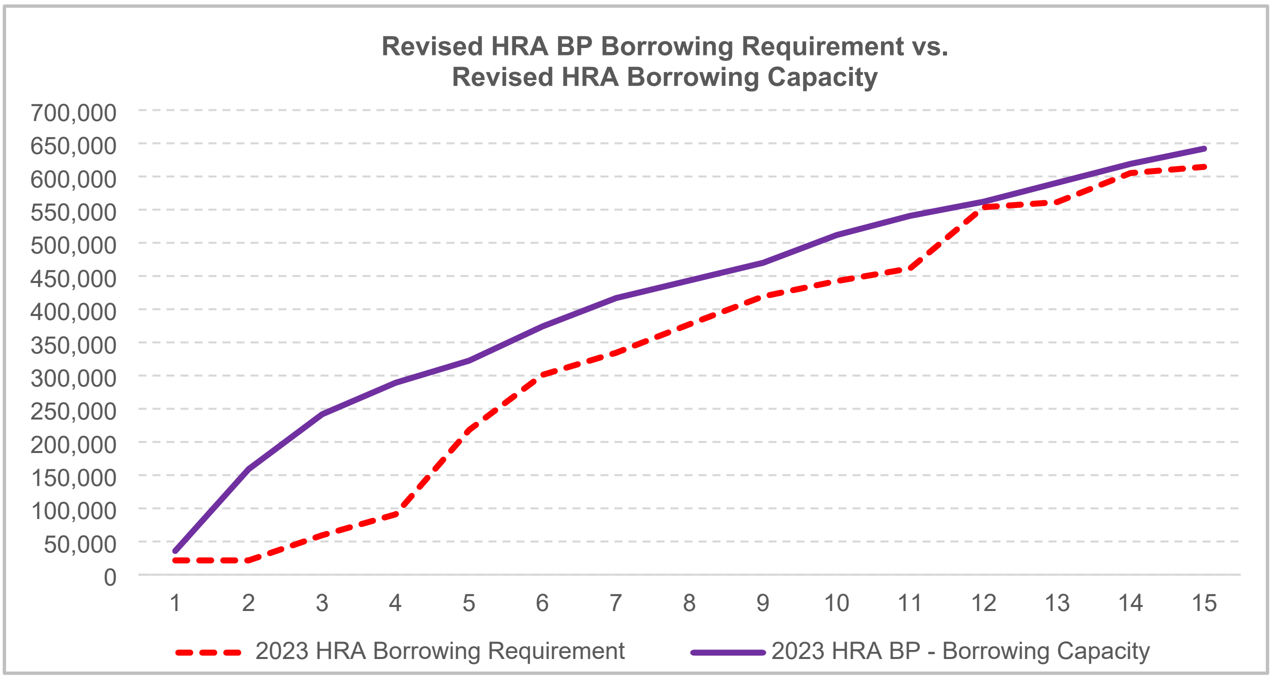
HRA BP Year >>	1	2	3	4	5	6-30	TOTAL
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30 to 2053/54	
	£000	£000	£000	£000	£000	£000	£000
Planned Maintenance	80,434	77,217	90,618	87,795	95,305	1,373,063	**1,804,432**
Development and Regeneration	140,702	104,267	36,267	107,399	100,516	199,088	**688,239**
TOTAL HRA Capital Programme	**221,136**	**181,485**	**126,885**	**195,194**	**195,821**	**1,572,151**	**2,492,671**
Funded by:							
Government Grant	16,411	3,662	8,508	2,114	16	1,325	**32,036**
Affordable Housing Fund (AHF)	64,568	22,753	16,136	10,000	43,353	0	**156,809**
Capital Receipts	95,380	44,272	15,757	0	0	0	**155,409**
Community Infrastructure Levy (CIL)	11,547	1,305	897	405	11,489	24,397	**50,039**
Right-to-Buy Receipts	1,261	2,785	1,295	3,031	3,157	53,911	**65,440**
Climate Grants	4,989	5,000	5,000	5,000	7,500	76,152	**103,640**
L/H Contributions	15,076	15,600	15,012	15,485	15,626	222,467	**299,266**
Major Repairs Allowance (MRA)	11,905	32,175	23,114	23,504	24,275	803,918	**918,891**
Revenue Contribution to Capital	0	16,017	9,655	8,535	7,351	72,103	**113,661**
New Borrowing	0	37,915	31,512	127,119	83,053	317,879	**597,479**
HRA FUNDING TOTAL	**221,136**	**181,485**	**126,885**	**195,194**	**195,821**	**1,572,151**	**2,492,671**

1.14 The opening debt balance for the HRA as of 1st April 2023 was £325.836m. Based on the future borrowing requirements built into the proposed HRA capital programme, HRA debt is projected to peak at £944.87m by 2038/39. This debt is ultimately supported by the £1.6bn of assets held in the HRA (and underpinned by the income generating potential that these assets hold).

1.15 No new borrowing is projected in 2024/25 due to excess external funding (mainly capital receipts). This reduces the growth required within the HRA revenue budget and leaves it needing to cover a total capital financing cost of £8.82m. New borrowing is assumed to come with a 2.6% cost of finance based on the use of forward borrowing deals that has secured £400m of financing for Westminster at preferential rates (and which is projected to last for at least two years within the Council's treasury projections). It is forecast that the high interest rates currently in place will drop as inflation falls and therefore it is prudent to assume 2.6% over the longer term. This will be reviewed annually.

1.16 Even though the HRA no longer has a formal debt cap, borrowing is still constrained by the ability of the HRA revenue budget to cover the cost of borrowing (i.e. interest costs). As part of the business planning work, an assessment is made of the maximum borrowing capacity that the HRA has over the next 15 years (which covers the bulk of the Housing Investment Plan). Chart 1 shows that the £597m that is now required from 2024/25 onwards is right at the limit of what the HRA can support. Whilst the business plan has reasonable levels of borrowing headroom over the first 11 years, the borrowing requirement hits the borrowing capacity from Year 12 onwards which acts as a constraint on any further borrowing over the course of the preceding period.

<u>Chart 1 – HRA Borrowing Requirement vs. HRA Borrowing Capacity</u>



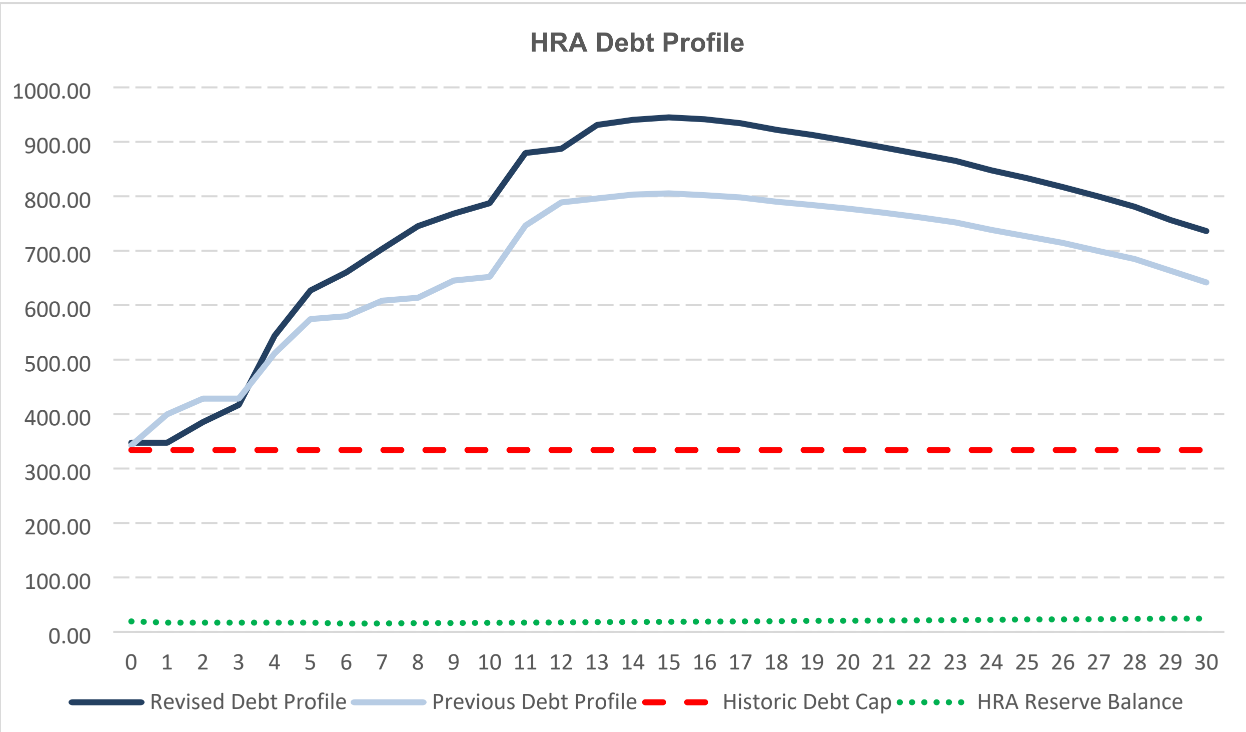
1.17 The HRA is projected to generate surpluses over the second half of the business plan, largely because the Development capital programme does not extend beyond the first 15 years. It is assumed that these surpluses will be available to pay down debt, and therefore help to manage the capital financing burden placed on the HRA revenue budget (which grows to £25.18m per annum once the HRA hits its peak debt level in 2038/39). The total value of the available surpluses in the business plan is £208.75m. There is no requirement for the HRA to pay down debt, and this approach is subject to the ability to re-finance within the various debt instruments used. If debt cannot be re-paid surpluses would go into the HRA reserve and the revenue budget would have to continue to cover interest costs at the peak level.

1.18 Chart 2 shows the revised HRA debt profile (the darker line) versus the previous iteration of the HRA business plan (the lighter 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 dotted line) would be maintained at the proposed minimum.

1.19 The lines on the chart represent the following:

- **Current Projected Debt (dark line)** - Borrowing rises from the current level of £325.836m (as at 1st April 2023) and peaks in 2038/39 at £944.87m based on the borrowing need within the revised HRA business plan. The lighter line shows the equivalent profile from the previous iteration of the business plan and demonstrates a greater level of borrowing in this iteration of the plan.
- **HRA Reserve Balance (dotted line)** - The HRA business plan seeks to maintain a minimum reserve balance of £17m over the first 5 years and no less than 10% of turnover from Year 6 onwards, which works out at no less than £15m over the life of the plan (see **Section 11**). If the HRA was unable to pay down debt (which is assumed within the downward trajectory of the blue line from Year 16) the reserve balance would increase accordingly.
- **Debt Cap (dashed line)** – This represents the debt cap previously imposed on the Westminster HRA (£334m) and demonstrates the increased borrowing flexibility generated by the business plan (that is being used to drive growth)

<u>Chart 2 – HRA Debt Profile</u>



2. HRA Reserve Position

11.1 The opening balance on the HRA general reserve at the start of the 2023/24 financial year was £19.6m. There was also £8.2m held in earmarked reserves (i.e. to cover identified requirements). HRA reserve balances are primarily designed 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.

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 a level of £17m over this period (which is consistent with what was set in the previous iteration of the business plan) to provide cover against economic volatility being experienced both nationally and more specifically within the housing sector. The reserve position will be reviewed on an annual basis in line with the overall HRA business plan.

Table 5 – Medium-Term Reserve Projection

	1 2024/25	2 2025/26	3 2026/27	4 2027/28	5 2027/29
	£m	£m	£m	£m	£m
Opening Balance	17.000	17.000	17.000	17.000	17.000
Planned Contribution/(Drawdown)	0.000	0.000	0.000	0.000	0.000
Proposed Reserve Balance	**17.000**	**17.000**	**17.000**	**17.000**	**17.000**
% of HRA Turnover	13%	12%	12%	11%	11%

11.4 The small surplus within the general reserve (above the minimum requirement of £17m) is forecast to be drawn down in 2023/24. The table below provides a breakdown of the HRA earmarked reserves. These are largely being used to support the strategic initiatives outlined in **Section 8** and are expected to be fully utilised by the end of 2025/26.

Commitment	Earmarked Reserves (£m)
Rent Support Fund	2.060
Housing Improvement Programme	4.550
Health & Safety (Initial Compliance)	1.600
TOTAL	**8.210**

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 is effectively at the limit of its borrowing capacity overall (see Chart 1 above) in terms of being able to cover the cost of interest within its revenue budget. Clearly the consequence of this is a reduction in the ability of the HRA to absorb or manage the financial impact of unforeseen 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 several 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. The primary area in which prudence has been exercised is on future rent assumptions, which have been held at CPI from 2028/29 onwards. A more favourable settlement within any future rent policy would therefore create headroom within the HRA business plan and increase flexibility in terms of its ability to absorb risk.

12.3 The second aspect of the risk management approach is to actively build financial cover into the business plan that would allow the HRA to absorb the impact of any adverse movements 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 £6.86m in 2024/25). 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 be used to permanently adjust the revenue budget and cover ongoing pressures. If risks emerge on the capital programme, it can also be diverted to provide additional borrowing capacity. The £6.86m included in 2024/25 could support £250m+ of additional borrowing if it was all diverted to cover interest costs (although this would have consequences for HRA debt levels and the ability of the HRA to pay down debt in the future).

c) **Capital Contingency** – a programme-wide capital contingency of 3.3% is included in the business plan for the Development and Regeneration 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. If 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 an adverse 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 in the event of a significant HRA funding shortfall.

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 component 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. Sensitivity Analysis

13.1 A summary of the sensitivity analysis referenced in **Section 12** is outlined below. This is designed to stress test the HRA Business Plan and identify the limits to which the plan could be pushed (in terms of risks crystallizing) before it would become unsustainable and therefore require more drastic risk mitigation measures to be implemented (as outlined in paragraph 12.4 above).

13.2 It is important to note that the sensitivity analysis undertaken takes each risk scenario in isolation (and pushes that particular risk to the limit of sustainability within the business plan). In reality, risks are not mutually exclusive and one or more of them could easily occur simultaneously. Clearly the combination of multiple risks will have a bigger impact on the HRA and reduce the indicative limits outlined in Table 6. However, what the sensitivity analysis demonstrates is that short-term risks and shocks can be managed, but this does reduce HRA resources over the longer term and this may impact its ability to deliver services or investment plans.

Table 6 – HRA Sensitivity Analysis

Test	HRA BP Failure Point	Comments
Rent limits	**Lower than CPI** rent uplift ceiling from 2025/26	▪ The HRA BP includes an optimistic income outlook for 2025/26 and 2026/27 (assuming the rent uplift ceiling of CPI+1% will remain for 2 further years). ▪ The plan can tolerate a CPI only increase from 2025/26 onwards (under a new rent policy). However, this adds £36m of additional borrowing and a higher residual debt level at the end of the 30 years. ▪ The plan cannot tolerate a below inflation rent uplift.
Increased interest rates	**>5%** average interest rate (over first 5 years)	▪ 47% of all new borrowing is over the first 5 years of the plan. ▪ The HRA BP could tolerate an average interest rate of 5% on new debt over that 5-year period and remain viable. ▪ This would utilise a large proportion of the revenue contribution to fund capital (which would drive significant additional borrowing). This allowance doubles up as interest cover and can therefore be utilised to manage spikes in interest rates (buying time to restructure the HRA budget in order to manage debt, if necessary).
Capital programme inflation	Planned Maintenance - **>7%** (over first 3 years) Development – **>4.5%** inflation (on existing cost estimates)	▪ The HRA BP could tolerate inflation of 7% on the Planned Maintenance programme over the next 3 years and remain viable (albeit with substantial amounts of additional borrowing required). ▪ With the scheme completions delivered in 2023/24, almost 75% of the remaining HRA development programme is not yet in contract. This means it is exposed to the impact of cost inflation. The programme contingency can support 4.5% of cost inflation on the current scheme estimates. ▪ The HRA BP could tolerate both scenarios above simultaneously (and, by definition, a worse outcome on one where the other is more favourable).

14. Financial Implications

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

15. 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 in 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 29th 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 also 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 The council has declared the Climate Emergency a key priority and set ambitious targets to achieve carbon neutrality for the council by 20230, across Westminster and our communities.

15.2 Significant initiatives supported by the HRA include:

- Retrofit of Council homes - Reviewing the environmental credentials of our portfolio of HRA homes and delivering the retrofit scheme for which the business plan supports total investment of £218m.

- Building efficient new homes – Ensuring that the Development and Regeneration programme delivers high-specification new build housing schemes will are designed to reduce the Council's carbon impact.

- PDHU Replacement – The HRA business plan includes earmarked funds to support the investment required to deliver the future PDHU strategy (once a preferred option has been identified). Whilst there are a number of different considerations that will drive the options appraisal, carbon emissions will be a critical part of that assessment.

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 as well as input from the relevant Cabinet Members. The proposals for 2024/25 have also been subject to review by the Budget Scrutiny Task Group. Regard is made throughout 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 the 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 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: HRA Business Plan Key Assumptions

	Assumptions	Notes
Inflation	2024/25 – 3% 2025/26 Onwards – 2%	▪ 2024/25 reflects a minor reduction in CPI versus the current level (although a retrospective CPI rate is used for some items within the plan based on contractual mechanisms) ▪ The rates used for 2025/26 reflect OBR and BoE projections for when CPI will return to the 2% target
Dwelling Rents	2024/25 – 7.7% 2025/26 to 2026/27 – CPI+1% 2027/28 Onwards – CPI Only	▪ Maximum rent uplift assumed for 2024/25 (as per national rent policy) ▪ Assumes that the ceiling in the existing rent policy will remain for at least 2 further years (i.e. CPI+1%) ▪ More cautious assumption from 2027/28 onwards (in the absence of any formal announcement on future rent policy)
Voids	2%	Same as previous BP
Bad Debt	0.61% in 2024/25, 1% from 2025/26 onwards	Same as previous BP
Service Charges	£7.48 as the opening average weekly charge (uplifted in line with inflation rates applied to rechargeable costs)	▪ Opening rate based on most recent SC estimates (i.e. 2023/24) ▪ The approach adopted for inflating the service charge estimates is the same as the previous BP
Non-Dwelling Rents	Linked to CPI from 2024/25	Same as previous BP
Repairs and Maintenance Costs	Based on an adjusted CPI estimate to reflect higher inflation in this sector	▪ A higher rate of inflation is assumed for 2024/25 (as contractual mechanisms apply a CPI retrospectively) ▪ The prevailing rate of CPI is applied for 2025/26 onwards
Interest Rates	2.6% on External Borrowing	▪ Same as previous BP ▪ This reflects an expectation that the Council's forward borrowing facility will support investment in the short-term and provide time for interest rate volatility to settle
Pay Award	2024/25 - 3%	Consistent with General Fund (and over-arching CPI assumption)
RtB Sales	15 per annum	Same as previous BP

Appendix 2: HRA Business Plan Risks, Impacts & 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.	HRA borrowing doesn't hit capacity until Year 12 of the business plan. Up to this point there is sufficient headroom to manage delays to the timing of receipts. In order to manage potential shortfalls, valuations will be regularly undertaken for schemes with units for sale in order to closely monitor projected receipts. Alternative options may be sought to keep schemes viable. A development contingency is also included to cover shortfalls of this kind and keep the capital programme within available funding parameters.
Availability of External Funding	The Climate Works programme is assumed to be 50% externally funded (i.e. government 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. However, it is likely that a more permanent mitigation would be required that would require a flattening of capital spend profiles or even exiting from investment activity that is not formally committed (and revising priorities accordingly).
Rent Policy	The existing 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 there will be a reduction in HRA income.	Lobbying, with other RPs, is key to the success of preventing this. However, the level of contingency built into the HRA revenue budget (as interest cover) and the balance on the HRA reserve provides a mitigation to reduce the

Risk	Impact	Mitigation
		potential impact of rent uplifts being lower than modelled (as covered in the sensitivity analysis within the report).
Interest Rates	The rates assumed are 2.6% on new borrowing throughout the plan (based on current forward borrowing arrangements). If interest rates were to rise significantly this would have an adverse impact HRA borrowing capacity.	The revenue budget includes an interest cover ratio of at least 1.20 in any given year. This ensures that the revenue budget can absorb the impact of interest rate increases (up to a point). Stress testing of the business plan indicates that it could potentially absorb the impact of an increase of up to 2.4% over and above the rate assumed (for the first 5 years of the plan when almost half of all new borrowing is committed).
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. This would reduce the available revenue contribution and cause a need for additional borrowing to support the capital programme. 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 that is also linked to CPI (e.g. rents and services charges). 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.
Cost of Living Crisis	The increased strain on household incomes undoubtedly increases the likelihood that levels of rent arrears will grow. If this becomes bad debt, available HRA resources will reduce. This	More active/proactive debt management action will undoubtedly be required, mainly to get an early warning on emerging trends.

Risk	Impact	Mitigation
	has yet to materialise to any significant degree but may become more prevalent when government support ceases.	The Council's Rent Support Fund is designed to help tenants that may be experiencing difficulty with rent and will also provide an opportunity for early intervention to prevent arrears from building. This has been extended fort a further 12 months.
Impact of Brexit/Economic uncertainty on construction prices	Price inflation is being experienced within the construction/maintenance sector driven by the availability of materials and labour (arising from global inflation, barriers to supply, additional costs applied to imports, and changes in the value of sterling). This could continue to drive a need for increases to the HRA borrowing requirement or adversely impact delivery profiles within the capital programme.	A detailed review of inflation exposure within the HRA capital programme was undertaken in 2022/23 and mitigating allowances were made in the business plan. Ultimately, the contingency built into the capital programme will continue to be the key mitigation, but where schemes become unviable as a result of cost increases there may be a need to terminate or delay.

Appendix 3: 5-Year HRA Revenue Budget

	1 2024/25	2 2025/26	3 2026/27	4 2027/28	5 2028/29
	£m	**£m**	**£m**	**£m**	**£m**
Dwelling Rents	(93.348)	(98.137)	(101.560)	(104.245)	(108.280)
Non-Dwelling Rents	(0.881)	(0.898)	(0.916)	(0.935)	(0.953)
Commercial Rents	(7.800)	(7.878)	(7.957)	(8.116)	(8.278)
Service Charges	(23.613)	(24.145)	(24.677)	(25.229)	(25.805)
Heating & Hot Water Charges	(6.753)	(6.888)	(7.026)	(7.167)	(7.310)
HRA Investment & Other Income	(2.446)	(2.495)	(2.545)	(2.596)	(2.648)
TOTAL INCOME	**(134.841)**	**(140.441)**	**(144.681)**	**(148.287)**	**(153.274)**
Staff	25.854	26.359	26.874	27.399	27.935
Repairs & Maintenance	27.999	28.840	29.521	30.263	31.092
Supervision & Management	9.806	10.002	10.202	10.406	10.927
Estate Services	11.086	11.308	11.534	11.765	12.000
Heating & Hot Water Expenditure	6.753	6.888	7.026	7.167	7.310
Rents, Rates and Commercial Charges	0.679	0.692	0.706	0.720	0.735
Regeneration	2.575	2.627	2.679	2.733	2.788
TMO Allowances	1.683	1.716	1.751	1.786	1.821
Support Costs	11.094	11.316	11.542	11.773	12.008
Depreciation	21.638	22.442	23.114	23.504	24.275
Capital Financing Costs	8.817	9.307	10.204	12.321	15.117
TOTAL INCOME	**127.984**	**131.498**	**135.153**	**139.837**	**146.009**
HRA OPERATING (Surplus)/Deficit	**(6.857)**	**(8.943)**	**(9.528)**	**(8.450)**	**(7.265)**
Revenue Contribution to Fund Capital (RCCO)	6.857	8.943	9.528	8.450	7.265
HRA TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Interest Cover Ratio	**1.78**	**1.96**	**1.93**	**1.69**	**1.48**

Appendix 4a: 30-Year HRA Business Plan

	1 2024/25	2 2025/26	3 2026/27	4 2027/28	5 2028/29	6 2029/30	7 2030/31	8 2031/32	9 2032/33	10 2033/34
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Dwelling Rents	(93.348)	(98.137)	(101.560)	(104.245)	(108.280)	(111.801)	(116.455)	(116.754)	(120.037)	(123.213)
Non-Dwelling Rents	(0.881)	(0.898)	(0.916)	(0.935)	(0.953)	(0.972)	(0.992)	(1.012)	(1.032)	(1.052)
Commercial Rents	(7.800)	(7.878)	(7.957)	(8.116)	(8.278)	(8.444)	(8.613)	(8.785)	(8.961)	(9.140)
Service Charges	(23.613)	(24.145)	(24.677)	(25.229)	(25.805)	(26.366)	(27.451)	(27.501)	(28.118)	(28.748)
Heating & Hot Water Service Charges	(6.753)	(6.888)	(7.026)	(7.167)	(7.310)	(7.456)	(7.605)	(7.757)	(7.912)	(8.071)
HRA Investment & Other Income	(2.446)	(2.495)	(2.545)	(2.596)	(2.648)	(2.701)	(2.755)	(2.810)	(2.866)	(2.923)
TOTAL INCOME	**(134.841)**	**(140.441)**	**(144.681)**	**(148.287)**	**(153.274)**	**(157.740)**	**(163.870)**	**(164.619)**	**(168.926)**	**(173.148)**
Staff	25.854	26.359	26.874	27.399	27.935	28.482	29.040	29.609	30.189	30.780
Repairs & Maintenance	27.999	28.840	29.521	30.263	31.092	31.776	32.435	33.044	33.885	34.746
Supervision & Management	9.806	10.002	10.202	10.406	10.927	11.145	11.368	11.408	11.636	11.869
Estate Services	11.086	11.308	11.534	11.765	12.000	12.240	12.485	12.734	12.989	13.249
Heating & Hot Water Expenditure	6.753	6.888	7.026	7.167	7.310	7.456	7.605	7.757	7.912	8.071
Rents, Rates and Commercial Charges	0.679	0.692	0.706	0.720	0.735	0.749	0.764	0.780	0.795	0.811
Regeneration	2.575	2.627	2.679	2.733	2.788	2.843	2.900	2.958	3.018	3.078
TMO Allowances	1.683	1.716	1.751	1.786	1.821	1.858	1.895	1.933	1.972	2.011
Support Costs	11.094	11.316	11.542	11.773	12.008	12.248	12.493	12.743	12.998	13.258
Depreciation	21.638	22.442	23.114	23.504	24.275	25.227	25.796	26.282	26.858	27.697
Capital Financing Costs	8.817	9.307	10.204	12.321	15.117	16.717	17.821	19.030	19.971	20.606
TOTAL INCOME	**127.984**	**131.498**	**135.153**	**139.837**	**146.009**	**150.744**	**154.603**	**158.278**	**162.223**	**166.176**
HRA OPERATING (Surplus)/Deficit	**(6.857)**	**(8.943)**	**(9.528)**	**(8.450)**	**(7.265)**	**(6.996)**	**(9.267)**	**(6.341)**	**(6.704)**	**(6.972)**
Revenue Contribution to Fund Capital	6.857	8.943	9.528	8.450	7.265	6.996	9.267	6.341	6.704	6.972
HRA TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Interest Cover Ratio	**1.78**	**1.96**	**1.93**	**1.69**	**1.48**	**1.42**	**1.52**	**1.33**	**1.34**	**1.34**

	11 2034/35	12 2035/36	13 2036/37	14 2037/38	15 2038/39	16 2039/40	17 2040/41	18 2041/42	19 2042/43	20 2043/44
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Dwelling Rents	(125.673)	(131.019)	(131.485)	(134.103)	(136.772)	(139.491)	(142.260)	(147.871)	(147.954)	(150.880)
Non-Dwelling Rents	(1.074)	(1.095)	(1.117)	(1.139)	(1.162)	(1.185)	(1.209)	(1.233)	(1.258)	(1.283)
Commercial Rents	(9.323)	(9.509)	(9.699)	(9.893)	(10.091)	(10.293)	(10.499)	(10.709)	(10.923)	(11.141)
Service Charges	(29.354)	(30.568)	(30.641)	(31.287)	(31.947)	(32.620)	(33.308)	(34.664)	(34.727)	(35.459)
Heating & Hot Water Service Charges	(8.232)	(8.397)	(8.565)	(8.736)	(8.911)	(9.089)	(9.271)	(9.456)	(9.645)	(9.838)
HRA Investment & Other Income	(2.982)	(3.042)	(3.102)	(3.164)	(3.228)	(3.292)	(3.358)	(3.425)	(3.494)	(3.564)
TOTAL INCOME	**(176.638)**	**(183.630)**	**(184.609)**	**(188.324)**	**(192.110)**	**(195.970)**	**(199.904)**	**(207.358)**	**(208.000)**	**(212.165)**
Staff	31.384	32.000	32.628	33.268	33.922	34.588	35.268	35.961	36.668	37.390
Repairs & Maintenance	35.398	36.169	36.956	37.650	38.356	39.076	39.809	40.556	41.317	42.092
Supervision & Management	12.106	12.348	12.595	12.847	13.104	13.366	13.634	13.906	14.184	14.468
Estate Services	13.514	13.784	14.060	14.341	14.628	14.920	15.219	15.523	15.834	16.150
Heating & Hot Water Expenditure	8.232	8.397	8.565	8.736	8.911	9.089	9.271	9.456	9.645	9.838
Rents, Rates and Commercial Charges	0.827	0.844	0.861	0.878	0.896	0.914	0.932	0.950	0.969	0.989
Regeneration	3.139	3.202	3.266	3.332	3.398	3.466	3.535	3.606	3.678	3.752
TMO Allowances	2.051	2.092	2.134	2.177	2.220	2.265	2.310	2.356	2.403	2.451
Support Costs	13.523	13.794	14.070	14.351	14.638	14.931	15.229	15.534	15.845	16.162
Depreciation	28.219	28.751	29.453	30.009	30.575	31.151	31.739	32.337	32.947	33.568
Capital Financing Costs	22.154	23.506	24.207	24.936	25.120	25.180	25.180	25.180	25.180	25.180
TOTAL INCOME	**170.549**	**174.887**	**178.795**	**182.525**	**185.768**	**188.946**	**192.126**	**195.367**	**198.672**	**202.041**
HRA OPERATING (Surplus)/Deficit	**(6.089)**	**(8.743)**	**(5.815)**	**(5.799)**	**(6.343)**	**(7.024)**	**(7.778)**	**(11.991)**	**(9.329)**	**(10.124)**
Revenue Contribution to Fund Capital	6.089	8.743	5.815	5.799	6.343	7.024	7.778	11.991	9.329	10.124
HRA TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Interest Cover Ratio	**1.27**	**1.37**	**1.24**	**1.23**	**1.25**	**1.28**	**1.31**	**1.48**	**1.37**	**1.40**

	21 2044/45	22 2045/46	23 2046/47	24 2047/48	25 2048/49	26 2049/50	27 2050/51	28 2051/52	29 2052/53	30 2053/54
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Dwelling Rents	(153.860)	(156.897)	(159.991)	(166.280)	(166.354)	(169.624)	(172.955)	(176.350)	(183.266)	(183.331)
Non-Dwelling Rents	(1.309)	(1.335)	(1.361)	(1.389)	(1.416)	(1.445)	(1.474)	(1.503)	(1.533)	(1.564)
Commercial Rents	(11.364)	(11.592)	(11.823)	(12.060)	(12.301)	(12.547)	(12.798)	(13.054)	(13.315)	(13.581)
Service Charges	(36.206)	(36.969)	(37.748)	(39.285)	(39.356)	(40.185)	(41.031)	(41.896)	(43.601)	(43.679)
Heating & Hot Water Service Charges	(10.035)	(10.236)	(10.440)	(10.649)	(10.862)	(11.079)	(11.301)	(11.527)	(11.757)	(11.993)
HRA Investment & Other Income	(3.635)	(3.708)	(3.782)	(3.857)	(3.935)	(4.013)	(4.094)	(4.175)	(4.259)	(4.344)
TOTAL INCOME	**(216.409)**	**(220.736)**	**(225.146)**	**(233.520)**	**(234.224)**	**(238.893)**	**(243.653)**	**(248.505)**	**(257.731)**	**(258.492)**
Staff	38.126	38.876	39.642	40.422	41.219	42.031	42.860	43.705	44.567	45.447
Repairs & Maintenance	42.882	43.686	44.505	45.340	46.190	47.056	47.938	48.837	49.752	50.685
Supervision & Management	14.757	15.053	15.354	15.661	15.974	16.293	16.619	16.952	17.291	17.636
Estate Services	16.473	16.803	17.139	17.481	17.831	18.188	18.552	18.923	19.301	19.687
Heating & Hot Water Expenditure	10.035	10.236	10.440	10.649	10.862	11.079	11.301	11.527	11.757	11.993
Rents, Rates and Commercial Charges	1.009	1.029	1.049	1.070	1.092	1.114	1.136	1.159	1.182	1.205
Regeneration	3.827	3.903	3.982	4.061	4.142	4.225	4.310	4.396	4.484	4.574
TMO Allowances	2.500	2.550	2.601	2.654	2.707	2.761	2.816	2.872	2.930	2.988
Support Costs	16.485	16.815	17.151	17.494	17.844	18.201	18.565	18.936	19.315	19.701
Depreciation	34.201	34.846	35.503	36.172	36.854	37.549	38.256	38.977	39.712	40.460
Capital Financing Costs	25.180	26.047	27.105	27.146	27.189	27.232	27.276	27.321	27.368	30.123
TOTAL INCOME	**205.475**	**209.843**	**214.471**	**218.151**	**221.903**	**225.729**	**229.629**	**233.605**	**237.658**	**244.499**
HRA OPERATING (Surplus)/Deficit	**(10.934)**	**(10.893)**	**(10.675)**	**(15.369)**	**(12.320)**	**(13.165)**	**(14.024)**	**(14.900)**	**(20.073)**	**(13.993)**
Revenue Contribution to Fund Capital	10.934	10.893	10.675	15.369	12.320	13.165	14.024	14.900	20.073	13.993
HRA TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Interest Cover Ratio	**1.43**	**1.42**	**1.39**	**1.57**	**1.45**	**1.48**	**1.51**	**1.55**	**1.73**	**1.46**

Appendix 4b: 30-Year HRA Reserve Projection

	1	2	3	4	5	6	7	8	9	10
	2024/25	2025/26	2026/27	2027/28	2027/29	2027/30	2027/31	2027/32	2027/33	2027/34
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Opening Balance	17.000	17.000	17.000	17.000	17.000	17.000	15.330	15.645	16.259	16.398
Planned Contribution/(Drawdown)	0.000	0.000	0.000	0.000	0.000	(1.670)	0.315	0.614	0.139	0.384
Proposed Reserve Balance	**17.000**	**17.000**	**17.000**	**17.000**	**17.000**	**15.330**	**15.645**	**16.259**	**16.398**	**16.782**
% of HRA Turnover	13%	12%	12%	11%	11%	10%	10%	10%	10%	10%

	11	12	13	14	15	16	17	18	19	20
	2027/35	2027/36	2027/37	2027/38	2027/39	2027/40	2027/41	2027/42	2027/43	2027/44
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Opening Balance	16.782	17.128	17.470	18.151	18.252	18.615	19.032	19.461	19.910	20.600
Planned Contribution/(Drawdown)	0.346	0.342	0.681	0.101	0.363	0.417	0.429	0.449	0.690	0.093
Proposed Reserve Balance	**17.128**	**17.470**	**18.151**	**18.252**	**18.615**	**19.032**	**19.461**	**19.910**	**20.600**	**20.693**
% of HRA Turnover	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

	21	22	23	24	25	26	27	28	29	30
	2027/45	2027/46	2027/47	2027/48	2027/49	2027/50	2027/51	2027/52	2027/53	2027/54
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Opening Balance	20.693	21.118	21.547	21.979	22.484	23.265	23.371	23.845	24.334	25.773
Planned Contribution/(Drawdown)	0.425	0.429	0.432	0.505	0.781	0.106	0.474	0.489	1.439	0.076
Proposed Reserve Balance	**21.118**	**21.547**	**21.979**	**22.484**	**23.265**	**23.371**	**23.845**	**24.334**	**25.773**	**25.849**
% of HRA Turnover	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

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Appendix 5: 30-Year HRA Capital Programme

Scheme Name	1 2024/25 £000	2 2025/26 £000	3 2026/27 £000	4 2027/28 £000	5 2028/29 £000	6-30 2029/30 to 2053/54 £000	TOTAL £000
Electrical Services	843	1,427	1,427	1,260	1,260	28,120	**34,336**
Major Works	40,000	40,000	40,000	40,000	40,000	452,450	**652,450**
Aids & Adaptations	1,800	1,800	1,800	1,800	1,800	39,900	**48,900**
Voids	4,641	4,641	4,641	4,641	4,641	116,025	**139,230**
Minor Works	2,445	2,445	2,250	1,950	1,950	21,250	**32,290**
Asset Management	305	305	305	305	305	7,625	**9,150**
Health & Safety	4,489	4,159	1,340	1,810	1,360	26,290	**39,448**
Lifts	3,250	2,148	2,613	1,835	1,835	40,780	**52,461**
Domestic Heating	1,030	1,030	900	900	900	18,400	**23,160**
PDHU	2,466	1,305	14,897	14,405	14,000	28,000	**75,072**
Climate Works (Retrofit)	9,977	10,000	10,000	10,000	15,000	152,304	**207,281**
Mechanical Services	4,301	1,346	1,200	1,200	1,200	30,000	**39,247**
Heat Network Metering	3,367	3,367	3,367	0	0	0	**10,100**
Inflation Allowances	1,520	3,245	5,879	7,690	11,054	411,919	**441,307**
Planned Maintenance TOTAL	**80,434**	**77,217**	**90,618**	**87,795**	**95,305**	**1,373,063**	**1,804,432**
Luton Street	30	0	0	0	0	0	**30**
Ashbridge	602	0	0	0	0	0	**602**
Ashmill	20	0	0	0	0	0	**20**
Cosway	1,168	799	0	0	0	0	**1,967**
Carlton Dene	14,803	11,954	20,752	211	16	79	**47,816**
Queens Park Court	1,880	893	0	0	0	0	**2,774**
Lisson Arches	1,223	0	174	0	0	0	**1,397**
Parsons North	464	0	0	0	0	0	**464**
Ebury Acquisitions & Decants	11,043	0	0	0	0	0	**11,043**
Ebury - Phase 1	25,456	3,999	2,654	0	0	0	**32,109**
Ebury - Phase 2	13,661	50,605	2,587	96,464	42	13,514	**176,872**
Pimlico (Churchill Gdns)	13,460	6,442	3,785	1,206	0	0	**24,893**
Infills	4,963	655	150	150	0	0	**5,918**
Church St Acquisitions	11,448	0	0	0	58,515	24,924	**94,887**
Church St - Site A	34,985	14,893	164	4,729	30,982	0	**85,753**
Church St - Site B	0	0	0	1,208	931	99,614	**101,753**
Church St - Site C	0	0	0	0	0	42,758	**42,758**
Lisson Grove	0	0	0	0	0	11,840	**11,840**
Westmead	0	0	4,841	0	0	0	**4,841**
Cundy St Quarter	1,000	7,000	0	0	0	0	**8,000**
WEG Block H	0	3,696	0	0	0	0	**3,696**
291 Harrow Road	0	0	0	0	6,819	0	**6,819**
Contingency	4,495	3,331	1,159	3,431	3,211	6,360	**21,986**
Development TOTAL	**140,702**	**104,267**	**36,267**	**107,399**	**100,516**	**199,088**	**688,239**
HRA CAPITAL TOTAL	**221,136**	**181,485**	**126,885**	**195,194**	**195,821**	**1,572,151**	**2,492,671**

Funding	1 2024/25 £000	2 2025/26 £000	3 2026/27 £000	4 2027/28 £000	5 2028/29 £000	6-30 2029/30 to 2053/54 £000	TOTAL £000
Government Grant	16,411	3,662	8,508	2,114	16	1,325	**32,036**
Affordable Housing Fund (AHF)	64,568	22,753	16,136	10,000	43,353	0	**156,809**
Capital Receipts	95,380	44,272	15,757	0	0	0	**155,409**
Community Infrastructure Levy (CIL)	11,547	1,305	897	405	11,489	24,397	**50,039**
Right-to-Buy Receipts	1,261	2,785	1,295	3,031	3,157	53,911	**65,440**
Climate Grants	4,989	5,000	5,000	5,000	7,500	76,152	**103,640**
L/H Contributions	15,076	15,600	15,012	15,485	15,626	222,467	**299,266**
Major Repairs Allowance (MRA)	11,905	32,175	23,114	23,504	24,275	803,918	**918,891**
Revenue Contribution to Capital	0	16,017	9,655	8,535	7,351	72,103	**113,661**
New Borrowing	0	37,915	31,512	127,119	83,053	317,879	**597,479**
HRA FUNDING TOTAL	**221,136**	**181,485**	**126,885**	**195,194**	**195,821**	**1,572,151**	**2,492,671**

City of Westminster

Cabinet

Decision Maker:	Cabinet
Date:	19 February 2024
Classification:	General Release
Title:	WCC Pay Policy 2024/25
Wards Affected:	All
Policy Context:	Annual publication of the Council's Pay Policy for 2024/25
Key Decision:	No
Financial Summary:	No financial implications
Report of:	Parveen Akhtar, Executive Director of Democracy, Law, and People

1. Executive Summary

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

1.2. The Pay Policy brings together all of 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.

1.3. This report appends the proposed Pay Policy Statement for 2024-25. All pay data in the Pay Policy Statement uses the snapshot date as of 31 March 2023 unless stated otherwise.

1.4. There are no major changes compared to last year's policy

2. Recommendations

2.1. That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 6 March 2024:

- Approve the Pay Policy Statement 2024/25

3. Reasons for Decision

3.1. The draft Pay Policy Statement is fully compliant with all the legal requirements set out in the statement and therefore should be approved and published by 1 April 2024 on our external website.

4. Background, including Policy Context

4.1. Councils are required, under Section 40 of the Localism Act 2011, to produce Pay Policy Statements articulating the authority's policies towards a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

A Pay Policy Statements must be prepared for each financial year, beginning with 2012/13, and must be approved by Full Council.

5. Financial Implications

5.1. No financial implications.

6. Legal and Governance Implications

6.1. The legal implications are set out in the attached Pay Policy 2024.25

7. Climate Impact

7.1. No climate implications.

8. Equalities Implications

8.1. None.

9. Consultation

9.1. Not required.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:
Parveen Aktar, Executive Director of Democracy, Law and People

APPENDICES

1. WCC Pay Policy Statement 2024/25

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Westminster City Council
Pay Policy Statement 2024 - 2025

Introduction

Westminster City Council's (the Council) Pay Policy Statement 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 Statement annually, at the start of each financial year.

The Council's Pay Policy Statement was presented to full Council for approval on 6th March 2024 and is effective from 1st April 2024. 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. This Pay Policy Statement will be subject to review annually and in accordance with new or proposed legislation to ensure that it remains relevant and effective.

This statement does not apply to Council employees based in schools.

The Council is committed to diversity and inclusion, closing all pay gaps, celebrating and recognising the contribution of all our people in a fair and transparent way, and 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 Agency Worker Regulations 2010 and, where relevant, the Transfer of Undertakings (Protection of Employment) Regulations.

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 each individual's performance, behaviour, and contribution. In order to close the gender and ethnicity pay gaps, people leaders are expected to ensure fairness and equality within their teams both in recruitment decisions and when awarding step ups. At a Council wide level decisions on pay are monitored and where appropriate amended by Executive Leadership Team (ELT) to ensure alignment to our goal of closing our pay gaps.

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, staff who TUPE transferred into the Council and Soulbury staff.

Notes
[1] Excluding some employees in Schools, JNC Youth Workers, Public Health, and staff that 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, an annually reviewed Market Based Salary Supplement reflecting the difference between Council salary and market pay rates is paid as a time bound and non-contractual addition to salary.

Pay and Benefits – all staff

Recruitment

On recruitment individuals will be placed on the appropriate step salary within the evaluated grade for the job whilst also considering the Pay Gap impact.

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 should be in line with their skills, capability and impact on Pay Gaps. 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.

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).

Usual contractual full-time working hours are 36 per week.

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.

Notes

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

Broad Band Pay Progression

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

Impact on Pay Gaps must also be considered and reviewed quarterly.

Benefits

The Council believes that it has a responsibility to help support the health, wellbeing, and welfare of its employees to ensure that they are able to perform at their best. As part of this approach, and in common with other large employers it provides or makes arrangements for health, fitness and wellbeing benefits and discounts schemes which support the local economy.

Pension

All new starters are enrolled into the Local Government Pension Scheme (LGPS), subject to certain conditions, unless choosing to voluntarily opt out which is also subject to certain conditions (note that new teaching staff are enrolled into the national Teachers Pension scheme).

Pension payments will be released early in certain circumstances including redundancy and ill health retirements, provided the appropriate statutory regulations, scheme regulations and local pension policy criteria are met as appropriate.

Under the LGPS, eligible staff aged 55 or over and who have not reached their normal pension age may request flexible retirement whereby they can retire early but continue to work on a part-time basis with permanently reduced hours or with a permanent reduction in grade. Flexible retirement is not a right, it is subject to Council agreement.

Rewarding your contribution

This scheme currently 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.

Termination of Employment

On termination of employment with the Council, the Council's policies apply to all staff, including 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.

<u>Redundancy Compensation</u>

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 week's 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 Statutory Redundancy Payment (SRP).

ICP will be payable subject to statutory limits of 66 weeks' pay maximum 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) week's pay (actual but excluding overtime and honorariums)
(C) multiplying factor of 1.5
(A) × (B) × (C) = ICP

The statutory maximum week's 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 a case by case basis.

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

Special Severance Payments

In line with the Statutory Guidance on the making and disclosure of Special Severance Payments by local authorities in England, any exit payments of £20,000 or more that fall within the scope of the statutory guidance on special severance payments must be approved by the Chief Executive.

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 Officers

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 Directors, 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 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.

Chief Officer Remuneration

Chief Executive (Head of Paid Service)

The Chief Executive was paid a spot salary of £ 223,707 per annum as of 31st March 2023.

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 £113,100- £155,268 and for Band 7 is £158,949 - £218,361.

Heads of Services are paid at Band 5. The basic salary range for Band 5 is £74,688- £ 103,830.

The Council publishes salaries of Chief Officers and senior staff on the Council's website in line with the Local Government Transparency Code 2015 and Accounts and Audit Regulations 2015 (see the Westminster City Council's Annual Accounts, here).

Chief Officer Benefits

All Chief Officers and Heads of Services are currently entitled to the following benefits:

- Private Health Insurance (PHI).
- 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.

Additional Allowances

[3] Broad Band salary figures in the document are as at 1st April 2023 unless otherwise stated.

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

Pay Gaps

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 and median earnings across the organisation. It is expressed as a % of men's earnings.

The Council publishes its pay gaps report here.

Closing WCC's Gender and Ethnicity Pay Gaps

To close the pay gaps, people leaders are expected to ensure fairness and equality within their teams both in recruitment decisions and when awarding step ups.

At a Council wide level decisions on pay are monitored and where appropriate amended by the Executive Leadership Team to ensure alignment to our goal of closing our pay gaps.

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 was £25,359 as at 31st March 2023.

The Chief Executive's total pay (as at 31st March 2023) was £223,707, which was 8.8 times the lowest salary.

London Living Wage

In October 2023 the London Living Wage increased to £13.15. The Council's minimum full time equivalent hourly rate of pay to its employees (excluding apprentices) as of 1st April 2023 was £14.76, which exceeds the current LLW.

All London based apprentices are now paid above the London Living Wage, whilst those based outside London are paid in line with the National Apprentice Wage appropriate 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 2023 was 5.10 i.e., the Chief Executive at 31st March 2023 (£223,707) earned 5.10 times more than the Council's median full time equivalent total salary of £43,791.

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 2023. 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.