

Report of the Cabinet meeting held on Monday 15 February 2021

Present: Councillors Rachael Robathan (Chairman), Heather Acton, Timothy Barnes, Melvyn Caplan, Matthew Green, David Harvey, Tim Mitchell and Paul Swaddle, OBE

1. Medium Term Financial Plan 2021-22 to 2023-24

- (a) The medium-term financial strategy is key to supporting the delivery of the City for All objectives and outcomes. We have considered a detailed report attached as Appendix 1 to this report from the Section 151 officer that sets out the Council's medium-term plan for the next three years and proposes a budget for the 2021/22 financial year.
- (b) The report proposes a balanced budget for 2021/22, which includes a total council tax rise of 3.5% that consists of a general increase of 0.5% and a Social Care precept rise of the allowed 3%. At Band D this will result in an annual increase of £15.69 or an equivalent weekly amount of 30.2p per week. The total Westminster element of council tax will therefore rise from £448.21 to £463.90 at Band D.
- (c) The recommended General Fund budget of £182.745m is a net increase of £2.8m against last year. In broad terms this includes growth for service specific pressures of £29.1m (inclusive of changes to previously agreed savings) and other net changes of £5.8m, which is balanced with an increase in government funding of £15.9m (including additional Covid 19 core grant), new savings of £16.9m and a recommended increase in council tax which is expected to raise £2.1m of income.
- (d) After a balanced budget in 2021/22 (including the proposed increases to 2021/22 Band D council tax) the medium-term financial plan forecasts a net budget gap, after proposed savings from the current budget process, of £22.4m in 2022/23 and a further £20.7m in 2023/24. Over the three-year period to 2023/24 this amounts to a gap of £43.1m. This includes indicative assumptions of a negative outcome from future funding settlements, additional expenditure pressures and reduced income due to the long-term impact from Covid-19. This will continue to be kept under review and will form part of the planning process in the year ahead.
- (e) We have noted that the Council's financial performance in 2020/21 has been severely impacted by the pandemic. The main reasons for these are two-fold:
 - the reduced footfall in Westminster reducing economic activity and therefore income for the Council, and;
 - additional expenditure incurred for the Council to support the most vulnerable residents and businesses who have been impacted by the pandemic. However, once government funding through the general Covid grant is taken into account, together with the sales, fees and charges income reimbursement scheme, then the net variance is estimated to be between

£10-20m, based on continued restrictions until the end of March 2021. This will be funded by a drawdown from the general fund balance reserve.

- (f) The pandemic has also had a detrimental impact on the local economy due to the lockdown measures to control the virus which has significantly reduced activity in the City. In order to respond effectively to the importance of Westminster's economic recovery an additional City for All pillar has been introduced – Thriving Economy.
- (g) The Council has signed a climate emergency declaration and the green agenda is a key part of the City for All objectives. As outlined in the budget report last year the Council has set aside £5m in earmarked reserves to fund investment into this programme and is continually reviewing its revenue and capital budgets and priorities to ensure funding is available to meet this important strategic objective.
- (h) The Smart City, Digital and Innovation portfolio of activity is ambitious and bold, designed to make the most of digital and new ways of working to enable residents to enhance their lives - using technology to enable and continually improve services to make a positive impact on the City and for its residents and communities. The digital programme is taking a customer-focused approach to designing and delivering services, using digital as the option wherever possible whilst balancing the needs of diverse communities and ensuring no-one is left behind, and ensuring digital is a preferred choice when accessing council services.
- (i) In considering the proposals, we have noted a small error in Appendix 6 to the Section 151 officer's report where the council tax figures had been accidentally rounded down by 1p. This had been amended and a revised Appendix 6 had been published on the council's website.
- (j) At our meeting we heard from the Chairman of the Budget Task Group who concluded that the budget proposals presented to us to be robust.

*** Details of budget changes by Cabinet Member have been finalised following the changes to Cabinet announced at the start of January 2021 and are attached (see revised Appendix 4 to the report we considered) at the end of this report.**

We recommend to full Council:

Council Tax

- 1) That the council tax for a Band D property be agreed at £463.90 for 2021/22, an increase of £13.45 (3%) for the Social Care precept and £2.24 (0.5%) for general purposes;
- 2) That, subject to the consideration of the previous recommendation, the council tax for the City of Westminster, excluding the Montpelier Square area

and Queen's Park Community Council, for the year ending 31 March 2022, be as specified in the Council Tax Resolution in Appendix 6 to the Section 151 officer's report.

- 3) That the Precepts and Special Expenses be as also specified in Appendix 6 to the Section 151 officer's report for properties in Montpelier Square and the Queen's Park Community Council;
- 4) That the formal resolution for 2021/22 attached at Appendix 6 to the Section 151 officer's report including the council tax requirement of £62.078m be agreed;
- 5) To note the proposed Greater London Authority precept (Band D) of £363.66, an increase of £31.59 rise in the adjusted Band D Precept;
- 6) That the Council continues the Westminster Community Contribution to allow the most expensive (Band H) properties in the City to voluntarily contribute towards supporting discretionary services that support the three priorities of youth services, helping rough sleepers off the streets and supporting people who are lonely and isolated;

Revenue Budget

- 7) Note the views of the Budget Task Group set out in Appendix 7 to the Section 151 officer's report;
- 8) That the proposed General Fund net budget requirement of £182.745m summarised in Appendix 4 to the Section 151 officer's report.
- 9) That the savings and growth proposals for 2021/22 to 2023/24 set out in Appendix 1, 2 and 3 to the Section 151 officer's report is approved;
- 10) That the Equality Impact Assessments included in Appendix 5 to the Section 151 officer's report be received and noted to inform the consideration of the budget;
- 11) Note the Housing Revenue Account Business Plan 2021/22 and 30-Year Housing Investment Plan presented concurrently to Cabinet on 15 February 2021 that recommends the HRA budget and rent levels for 2021/22;

Capital Programme

- 12) Note the Capital Strategy 2021/22 to 2025/26, forecast position for 2020/21 and future years' forecasts summarised up to 2034/35 report also presented to Cabinet on 15 February 2021 that recommends the Council's capital programme and financing;

Reserves, Balances and Budget Estimates

- 13) Note the reserves policy as set out in section 13 of the Section 151 officer's report;
- 14) Note the views of the Section 151 Officer with regards to estimates underpinning the proposed budget changes and reserves levels in section 13 of his report;

Treasury Management and Investment Framework

- 15) Note the Treasury Management Strategy for 2021/22 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 2021/22 Integrated Investment Framework report also concurrently on this agenda, which sets out the policies and framework for future investment decisions for the Council.

2. Capital Strategy 2021/22 to 2025/26, Forecast Position for 2020/21 and Future Years' Forecasts Summarised up to 2034/35

- (a) The report from the Section 151 officer, which we considered and which is attached as Appendix 2 outlined the City Council's Capital Strategy and proposed expenditure and income budgets from 2021-2022 to 2025-2026 and future years up to 2034-2035.
- (b) Westminster City Council's refreshed vision, City for All, will provide the strategic context for the Capital Strategy and responds to the significant impacts of the COVID-19 pandemic on the city, our communities and the council. Three distinct themes within City for All shape the approach: i) Greener and Cleaner, ii) Vibrant Communities, and iii) Smart City.
- (c) These thematic areas are underpinned and enabled by key plans and programmes including Westminster's City Plan 2019 – 2040, the Customer Experience & Digital Strategy, Climate Action Programme and the delivery of affordable homes. The Capital Strategy is among these key plans. The Council has embarked on an ambitious capital programme with a plan to invest up to £2.862bn (general fund) over the next 15 years. The investment in capital and assets on this scale is a foundation in enabling the Council to achieve its City for All ambitions.
- (d) The general fund capital programme as detailed in Appendix A, proposes a gross budget of £2.862bn and a net budget of £1.629bn (including capital receipts). The capital programme of the Housing Revenue Account is set out separately in the HRA Business Plan which accompanies this report as part of the Council's annual budget setting process.
- (e) Guided by these principles, we will leverage technology to continually enhance how we deliver our services, as well as ensure our users are enabled to be digital by choice. 'Smart' interventions will be delivered against four wider themes which align with City for All commitments: ensuring extraordinary experiences, empowering people, supporting and driving an innovative economy and employing and testing CleanTech to target our Climate Emergency.
- (f) There are a number of key projects and programmes that require capital investment for the Council to achieve its strategic goals. These will always be delivered on all three pillars of City for All which are interlinked. These are detailed in the report and appendices we considered.
- (g) The programme's delivery objectives continue to take place against the background of financial challenges. Covid has had a significant impact on the Council, from delays caused to existing projects meaning budgets being reprofiled and reviewed. The programme reflects the Council's approach to

support the rebuilding of the economy and ensure all our residents have access to employment opportunities.

- (h) At our meeting we heard from a number of Cabinet Members who highlighted some of the significant projects and schemes that had been delivered over the previous 12 months and in challenging circumstances in line with the City for All strategy.

*** Details of the Capital Programme by Cabinet Member have been finalised following the changes to Cabinet announced at the start of January 2021 and are attached (see Appendix A(ii) to the report we considered) at the end of this report.**

We recommend:

That the full Council:

- 1) Approve the capital strategy as set out in Appendix 2 to this report.
- 2) Approve the capital expenditure for the General Fund as set out in Appendix A for 2021/22 to 2025/26 and future years to 2034/35.
- 3) Approve that all development and investment projects, along with all significant projects follow the previously approved business case governance process as set out in section 8 of Appendix 2 to this report.
- 4) Approve that no financing sources, unless stipulated in regulations or necessary agreements, are ring fenced.
- 5) Approve the council plans to continue its use of capital receipts to fund the revenue costs of eligible proposals (subject to full business cases for each project). This comes under the MHCLG Guidance on the Flexible Use of Capital Receipts (FCR).
- 6) Approve the proposed financing of the capital programme and revenue implications as set out in section 13 of Appendix 2 to this report.
- 7) Approve the financing of the capital programme being delegated to the Executive Director of Finance and Resources to provide sufficient flexibility to allow for the most effective use of Council resources.

3. Housing Revenue Account Business Plan 2021/22 and 30-Year Housing Investment Plan

- (a) We have considered a report (Appendix 3) which updates the 30-year Housing Revenue Account Business Plan and Housing Investment Plan agreed last year. The report addressed the income and expenditure on the Council's current housing stock and the investment in new housing, non-residential buildings and public realm in regeneration areas.
- (b) The report presented a 30-year Business Plan for the Housing Revenue Account with consideration for both the Capital and Revenue position. The Revenue Business plan, over a 5-year position, projects gross income of £589.51m and gross expenditure of £589.91m. The HRA Capital Position provides for a total capital investment of £952.30m over the next 5 years and a total of £2.09bn over the 30 years.
- (c) Westminster is engaged in an ambitious development programme that, in addition to building new homes, will redevelop and regenerate existing properties. The development programme will create new homes that will enrich and promote healthy neighbourhoods and communities via mixed use developments, proactive place shaping and providing greater support to local services and amenities.
- (d) As of November 2020, the Council owns 20,703 social dwellings of which 11,754 were tenanted (57%) and 8,949 were leased (43%). The stock numbers are expected to grow to 20,941 units by the end of 2021/22 with further increases to stock numbers as new build properties are completed.
- (e) The City for All target of 1,850 new affordable homes by year 2023 is on track. 999 of these affordable homes have so far been delivered with a further 571 units currently under construction. A further 436 homes are currently projected to start and complete by March 2023.
- (f) In addition to the Regeneration Programme, the Council is looking to spend £1.076bn on the Major Works capital programme. The Major Works capital programme will focus on maintaining and bringing the Westminster housing stock to decent standards and will include spending on fire safety, major decorations, electricals and mechanical works.
- (g) Whilst the HRA business plan is for a period of 30 years, more focus is on the medium-term (five years) as there is more certainty on costs, demands, resources and pressures, which will enable the prioritisation of housing investment. However, the view of the medium term is also considered in the light of the strategic objectives of the Council and the impact of Government policies on rents, disposals and regeneration.
- (h) At our meeting the Cabinet Member for Housing highlighted in particular the council's work in the next year and beyond on fire safety management following a number of fundamental Government policy decisions and potential legislative processes in progress as set out in section 6 of Appendix 3. The

Cabinet Member drew attention to the planned maintenance programme in section 8 of the report which included a budget provision for the council's best current assessment of what actions will be required on fire safety.

We recommend:

That the full Council:

- 1) Approve the HRA revenue budget for 2021-22 (Table 2 and Appendix 3 to the report we considered)
- 2) Note the HRA 5-year revenue budgets for 2021-22 to 2025-26 (Table 2 and Appendix 2 to the report we considered)
- 3) Note the HRA 30-year revenue budgets for 2021-22 to 2050-51 (Appendix 3 to the report we considered)
- 4) Approve the HRA 5-year Capital Programme for a total of £952.30m (Appendix 4 to the report we considered)
- 5) Note the 30-year Capital Programme for 2021-22 to 2050-51 (Appendix 4 to the report we considered)
- 6) Note a rent increase of 1.5% from April 2021 as applicable under the Welfare Reform and Work Act 2016.
- 7) Note the HRA reserves and balances for the 5-year Business Plan (Table 6 to the report we considered).

4. Treasury Management Strategy Statement for 2021/22 to 2025/26

- (a) Local Government Act 2003 and the Regulations made under the Act require the Council to have regard to the Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within the report we considered which is attached as Appendix 4.
- (b) The Act also requires the Council to set out a statement of its treasury management strategy for borrowing and to prepare an Annual Investment Strategy (as shown in Appendix 1). 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 Ministry for Housing, Communities and Local Government (MHCLG) and must be agreed by the Full Council.
- (c) The report we considered sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2021/22 to 2025/26, and Annual Investment Strategy (AIS) for the year ended 31 March 2022, together with supporting information. These are submitted for the Council's approval.

We therefore recommend:

That the full Council:

- 1. Approve the Treasury Management Strategy Statement;
- 2. Approve the borrowing strategy and borrowing limits for 2021/22 to 2025/26 set out in section 6 to Appendix 4.
- 3. Approve the prudential Indicators set out in section 8 to Appendix 4.
- 4. Approve the Annual Investment Strategy and approved investments set out in Appendix 1 to Appendix 4.
- 5. Approve the Minimum Revenue Provision Policy set out in Appendix 2 to Appendix 4

5. Integrated Investment Framework 2021-2022

- (a) On 4 March 2020, Full Council gave approval to implement a comprehensive strategic integrated investment framework for bringing together and managing its investments with the approval of an Integrated Investment Framework.
- (b) While the Council's assets are distributed across a range of areas, the complexity of the Council and its funding requirements means 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.
- (c) We received a report attached as Appendix 5 to this report which provided an update on the current range of Council assets. In summary, the Council holds £635.5m of short-term high grade, cash investments (as at 31 October 2020), managed under the Treasury Management Strategy, which passes through Scrutiny, Cabinet and Full Council on an annual basis. The Council also owns a significant number of investment properties, currently valued at £499.4m. It also owns various equity shareholdings. In addition, the Council is responsible for managing the Pension Fund which has net assets of £1.6bn and operates under the Investment Strategy Statement (ISS) set by the Pension Fund Committee.
- (d) The treasury investments are currently generating a forecast return of 0.47% in the current financial year 2020/21. The investment properties are currently generating around 4.35%, net of direct costs (based on 2019/20 return). The latest current inflation rate as measured by CPI is 0.60% (as at December 2020), and this must be accounted for alongside the current total portfolio yield.
- (e) The report we considered, attached as Appendix 5, 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, if agreed.

We recommend:

That the full Council:

1. Approve and implement the Integrated Investment Framework set out in Appendix 5.
2. Approve that the target for the overall return on Council investments should aspire to match inflation;

3. Approve that the benefits of investing in the Pension Fund should be used as a benchmark when evaluating other investments;
4. Adopt the asset allocation percentages set out in the Framework and work towards achieving these;
5. Agree that the overarching objective of this Framework is to achieve an overall return on Council investments aspiring to match inflation and to reduce costs and liabilities, whilst maintaining adequate cash balances for operational purposes, and not exposing the capital value of investments to unnecessary risk;
6. Approve that investments allocated to out-of-borough property developments should be considered individually and should outweigh the benefits of investing in-borough (which can have a number of non-commercial benefits, e.g., place making) and in a diversified property portfolio (acquisitions will be made out of borough only on an exceptional basis). Individual decisions should be subject to Cabinet Member approval;
7. Approve that the property and alternative asset allocation should focus on in-borough, with out of borough options being explored on an exceptional basis and subject to Cabinet Member approval;
8. Approve the Investment Executive to implement, monitor and report on the investment strategy.

6. Pay Policy 2021-2022

- (a) The Council is required to publish its Pay Policy by 31st March every year.
- (b) The Pay Policy brings together all the Council's existing policies on pay and must include details in relation to: all aspects of Chief Officer's remuneration, increases and additions to remuneration, bonuses, termination payments and remuneration on recruitment. It must also include information about the relationship between the remuneration of its highest paid officer (the Chief Executive) and the median salary of all employees (the "pay multiple").
- (c) The report we received (Appendix 6) proposed two minor changes to the Pay Policy compared to last year. At our meeting we were advised in respect of the first, which related to the government's reforms to public sector exit payments and the cap on payments, that the Government had subsequently withdrawn the legislation following concerns that the cap would have a number of unintended consequences. Therefore, the cap would be disapplied until new legislation is introduced.
- (d) The proposed minor change to the "Rewarding your Contribution" scheme is intended to provide a more equitable distribution of reward amongst staff.
- (e) The Pay Policy as amended, which is attached to the end of this report is recommended for approval.

We recommend:

That the full Council:

Approve the Pay Policy for 2021 – 2022 as revised and attached to the end of this report.

Rachael Robathan, Leader of the Council

Background Papers

Reports and Minutes of Cabinet Meeting: 15 February 2021