

Report of the Cabinet meeting held on Monday 13 February 2023

Present: Councillors Adam Hug (Chair), Tim Roca (attended virtually), Aicha Less Nafsika Butler-Thalassis (attended virtually), Geoff Barraclough, David Boothroyd, Paul Dimoldenberg (attended virtually), Liza Begum
Matt Noble

1. Business and Financial Planning 2023/24 to 2026/27

- (a) This report from the Section 151 officer brings together the Council's business and financial planning and looks forward over the next four years to set out how it will support the Council's objectives under the new administration's Fairer Westminster strategy, supported by a medium-term financial plan.
- (b) This report proposes a balanced budget for 2023/24, but still forecasts a gap of £56.8m over the following three years. Recognising the inflationary pressures and on-going cost of living crisis residents are experiencing it is proposed that for next year the budget includes a freeze 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 £9.37 or an equivalent weekly amount of 18p per week. When combined, the general element of council tax and adult social care precept, for Westminster, will rise from £468.54 to £477.91 at Band D.
- (c) The recommended General Fund budget of £193.611m is a net increase of £8.75m against last year. In broad term this includes significant inflation pressures of £32.2m (including a base increase rolled forward from the current year), Fairer Westminster/Cost of Living policy investments of £7.8m, service cost and income pressures of £19.5m, additional resources for adult social care of £6.8m and other changes of £9.9m; offset by net increased government funding of £14.0m, savings proposals of £25.9m and additional interest earnings of £20.8m. The balance is funded from the increase in the social care precept of council tax of £1.2m and £6.6m from earmarked reserves.
- (d) This report proposes a balanced budget for 2023/24 and shows a remaining forecast gap of £56.8m over the following three years.
- (e) We have noted that this year has seen significant economic instability within the UK and global markets driven by high rates of inflation created by the war in the Ukraine and the lingering challenges in the global supply chain post-pandemic and Brexit.
- (f) The challenges above have seen economic recovery stall following the pandemic and a requirement for additional government support for people and some businesses as the cost of living is now having an impact.
- (g) With inflation remaining at a 40-year high, 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.

- (h) Data analysis suggests that the cohorts of residents most affected are:
- Single people on low incomes (on benefits or in work)
 - Families with children
 - Pensioners
 - Those with disabilities
 - Residents in the most deprived wards in Church Street, Queen's Park and Harrow Road, although residents in all wards are affected
- (i) In July 2022 the Council launched a Cost-of-Living Strategy 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. In response a total package of £9m of support has been made available to date with an extra £1m proposed for 2023/24 giving a total of £10m. This support is funded from a variety of sources; both from Government and the Council.
- (j) At our meeting we heard from the Chair of the Budget Scrutiny Task Group who outlined the work undertaken this year to increase the transparency of the scrutiny process by choosing to livestream all the sessions on the Council website and by inviting members of the public to sit in the public gallery. The Chair concluded that the proposed Budget is financially robust with the potential to deliver on the strategic ambitions being pursued by the new administration.

We recommend to full Council:

Council Tax

- 1) That the council tax for a Band D be agreed at £477.91 for 2023/24.
- 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 2024, be as specified in the Council Tax Resolution in Appendix 6.
- 3) That the Precepts and Special Expenses be as also specified in Appendix 6 for properties in Montpelier Square and the Queen's Park Community Council.
- 4) That the formal resolution for 2023/34 attached at Appendix 6 including the council tax requirement of £64.974m be agreed.
- 5) Note the proposed Greater London Authority precept (Band D) of £434.14, an increase of £38.55 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 8.
- 8) That the proposed General Fund net budget requirement of £193.611m summarised in Appendix 4 is approved.
- 9) That the savings, pressures and investments for 2023/24 to 2026/27 set out in Appendix 1, 2 and 3, 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 2023/24 and 30-Year Housing Investment Plan presented concurrently to Cabinet on 13 February 2023 that recommends the HRA budget and rent levels for 2023/24.

Capital Programme

- 12) Note the Capital Strategy 2023/24 to 2027/28, forecast position for 2022/23 and future years' forecasts summarised up to 2036/37 report also presented to Cabinet on 13 February 2023 that recommends the Council's capital programme and financing.

Reserves, Balances and Budget Estimates

- 13) Agree the reserves policy as set out in section 10 of the Section 151 officer's report;
- 14) Note the opinion of the Section 151 Officer with regards to the robustness of the budget process, the estimates underpinning the budget and the adequacy of the reserves in section 10.

Treasury Management and Investment Framework

- 15) Note the Treasury Management Strategy for 2023/24 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 2023/24 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 2023/24 to 2027/28, Forecast Position for 2022/23 and Future Years Forecast to 2036/37

- (a) The report from the Section 151 officer, which we considered and which is attached as Appendix 2 sets out the Council's capital strategy from 2023/24 to 2027/28 and summarises the position up to 2036/37.
- (b) Westminster City Council's policy objectives are set out in the Fairer Westminster Strategy, which was launched in October 2022. This creates the overarching strategic direction that this Capital Strategy supports.
- (c) The general fund capital programme as detailed in Appendix A, proposes a gross budget of £2.740bn and a net budget of £1.377bn (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.
- (d) This year all existing projects within the programme were reviewed, with a view to ensuring that all the projects within the capital programme are affordable and in line with the Council's new Fairer Westminster objectives.
- (e) The report sets out an ambitious yet realistic capital programme with a plan to invest up to £2.740bn (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.
- (f) Examples of Fairer Westminster ambitions supported by the Capital Strategy include:
 - 1) Reviewing and changing the proportion of affordable housing in our developments in progress, as part of our efforts to increase the availability of affordable housing and reduce housing waiting list times.
 - 2) An additional £85m to support the Temporary Accommodation Acquisitions Programme which will fund the purchase of 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.
 - 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.

We recommend:

That the full Council:

- 1) Approve the capital strategy as set out in this report.
- 2) Approve the capital expenditure for the General Fund as set out in Appendix A for 2023/24 to 2027/28 and future years to 2036/37.
- 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 this report.
- 4) Approve that no financing sources, unless stipulated in regulations or necessary agreements, are ring fenced.
- 5) Approve the proposed financing of the capital programme and revenue implications as set out in section 12 of this report.
- 6) 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. 2023/24 Housing Revenue Account 30-Year Business Plan and Housing Investment Plan

- (a) We considered a report (Appendix 3) which updates the Housing Revenue Account Business Plan and Housing Investment Plan agreed last year. The report addressed 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.
- (b) The report presented 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 £701.87m and gross expenditure of £675.73m. The business plan includes total capital investment of £794.51m over the next 5 years and a total of £2.359bn over the full 30 years.
- (c) Despite a volatile economic backdrop that has presented the HRA with significant financial challenges, the proposed HRA Business Plan is sustainable from 2023/24 onwards. In working to produce a sustainable Business Plan all planned housing investment has been maintained whilst also increasing the delivery of social homes by 318 across its development programme. This is a significant achievement in the context of delivering the Council's Fairer Westminster vision.

- (d) As well as maximising the delivery of social housing, the plan supports investment in several other important objectives, including; increasing frontline staff and creating estate offices to ensure tenants can easily access the support that they need; improving the condition and safety of existing stock to ensure tenants live in homes maintained to a decent standard; and the provision of funding for a £218 million programme to retrofit existing homes and help the Council to achieve its ambition of net zero emissions by 2030.
- (e) The report also seeks approval for the HRA revenue budget for 2023/24 which includes a proposed rent increase as well as charges for garages and sheds. Given the current pressure on household incomes, the report also proposes to increase the Rent Support Fund from £0.575m to £1.010m to provide targeted support to tenants. Based on these proposals, the HRA will generate £126.17m across a range of income streams in 2023/24 (of which £85.23m comes from tenant rents). The 2023/24 expenditure budget is £123.48m, which leaves an operating surplus of £2.69m (which will be used to fund the capital programme)

We recommend:

That the full Council:

- 1) Approve the HRA revenue budget for 2023/24.
- 2) Note the HRA 5-year revenue budgets for 2023/24 to 2027/28 and HRA 30-year revenue budgets for 2023/24 to 2052/53.
- 3) Approve the HRA 5-year Capital Programme totalling £794.51m.
- 4) Note the 30-year Capital Programme for 2023/24 to 2052/53 totalling £2.359bn.
- 5) Approve the inclusion of all Fairer Westminster investments, including the expansion of the HRA Rent Support Fund to £1.010m in 2023/24 (to be earmarked to support tenants experiencing financial difficulty during the cost-of-living crisis).
- 6) Approve a rent increase of 7% from 3rd April 2023 in line with the social rent cap introduced by government for 2023/24, 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.
- 7) Approve an increase of 10.1% to the fees charged for garages and sheds (in line with CPI at September 2022) from 3rd April 2023.
- 8) Approve that tenant service charges be varied in line with estimated actual costs for 2023/24 from 3rd April 2023.
- 9) Note the HRA reserves and balances for the 5-year Business Plan.

4. Treasury Management Strategy Statement for 2023/24 to 2027/28

- (a) 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 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 of the report). 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.
- (c) The report proposes an updated Treasury Management Strategy Statement (TMSS) for the period 2023/24 to 2027/28, and Annual Investment Strategy (AIS) for the year ended 31 March 2024, together with supporting information.

We therefore recommend:

That the full Council:

- 1) Approve the Treasury Management Strategy Statement.
- 2) Approve the borrowing strategy and borrowing limits for 2023/24 to 2027/28 set out in section.
- 3) Approve the Prudential Indicators set out in section 8 of the report.
- 4) Approve the Annual Investment Strategy and approved investments set out in Appendix 1 of the report.
- 5) Approve the Minimum Revenue Provision Policy set out in Appendix 2 of the report.

5. Integrated Investment Framework 2023-2024

(a) On 2 March 2022, 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.

(b) The complexity of the Council and its funding requirements mean that there is a need for all assets held by the Council 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.

(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 total assets valued at around £3.725bn, comprising £1.780bn pension fund (as at 30 November 2022), £1.263bn short-term cash investments, £38m in Westminster Housing Investments Ltd, £28.5m in a property fund partnership and £463m of investment commercial property.

(d) The treasury investment portfolio is currently generating a return of 3.00% in the current financial year 2022/23. The investment properties are currently generating around 4.33%, net of direct costs (based on the final accounts for 2021/22). The latest current inflation rate as measured by CPI is 10.7% (as at November 2022), 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; and,
- actions to be taken in connection with implementing this framework.

We recommend:

That the full Council:

- 1) Approve and implement the Integrated Investment Framework set out in this report.
- 2) Approve that the target for the overall return on Council investments should aspire to at least meet forecasts for inflation over the medium term.
- 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 percentage ranges 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, 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.
- 6) 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.
- 7) Agree the Investment Executive to implement, monitor and report on the investment strategy

6. Pay Policy 2023-2024

- (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"). All pay data in the Pay Policy will use the snapshot date of 31st March 2022.
- (c) The report we received (attached as Appendix 6) outlined no major changes compared to last year's policy.

We recommend:

That the full Council:

Approve the Pay Policy for 2023 – 2024 as attached as Appendix 1 to this report.

Cllr Adam Hug, Leader of the Council

Background Papers

Reports and Minutes of Cabinet Meeting: 13 February 2023