



City of Westminster

Committee Agenda

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

Meeting Date: **Monday 6th March, 2017**

Time: **7.00 pm**

Venue: **Rooms 5, 6 & 7 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP**

Members: **Councillors:**

Brian Connell (Chairman)	Adam Hug
Paul Church	Adnan Mohammed
Nick Evans	Roca
Peter Freeman	Jacqui Wilkinson

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

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.00pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.



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, Reuben Segal; Senior Committee and Governance Officer.

**Tel: 020 7641 3160; email: rsegal@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 Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

The Head of Legal and Democratic Services to report any changes to the membership.

2. DECLARATIONS OF INTEREST

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

3. MINUTES

To sign the minutes of the previous meetings on the 9 and 19 January 2017 as correct records of proceedings.

(Pages 1 - 16)

4. WORK PROGRAMME

(To Follow)

5. UPDATE FROM CABINET MEMBERS

(Pages 17 - 24)

An update from the Cabinet Members on key areas within their portfolios are attached.

The update from the Cabinet Member for Housing to follow.

(To Follow)

The Cabinet Member for Housing will be in attendance to answer questions from the Committee.

6. HOUSING REGENERATION - REVIEW OF PROGRESS

(Pages 25 - 38)

Report of the Director of Housing and Regeneration

7. HOUSING INVESTMENT STRATEGY AND HOUSING REVENUE ACCOUNT BUSINESS PLAN 2017/18

(Pages 39 - 52)

Report of the Executive Director of Growth, Planning and Housing

8. ANY OTHER BUSINESS

Charlie Parker
Chief Executive
24 February 2017

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CITY OF WESTMINSTER

MINUTES

Housing, Finance and Corporate Services Policy and Scrutiny Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Housing, Finance and Corporate Services Policy and Scrutiny Committee** held on **Monday 9th January, 2017**, Rooms 5, 6 & 7 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Brian Connell (Chairman), Peter Freeman, Richard Holloway, Gotz Mohindra, Jacqui Wilkinson, Adam Hug, Barbara Arzymanow and Tim Roca

Also Present: Councillor Daniel Astaire, Cabinet Member for Housing, Regeneration, Business and Economic Development, Steve Mair (City Treasurer), Pete Carpenter (Director of Pensions and Investments), Barbara Brownlee (Director of Housing and Regeneration), Guy Slocombe (Director of Property, Investments and Estates), Tara Murphy (Scrutiny Officer) and Reuben Segal (Senior Committee and Governance Officer)

1 MEMBERSHIP

- 1.1 It was noted that Councillor Paul Dimoldenberg had replaced Councillor Adam Hug.

2 DECLARATIONS OF INTEREST

- 2.1 Councillor Holloway declared that he is a board member of CityWest Homes.

3 MINUTES

- 3.1 **RESOLVED:** That the minutes of the meeting held on 7th November 2016 be signed by the Chairman as a correct record of proceedings.

4 WORK PROGRAMME AND ACTION TRACKER

4.1 RESOLVED:

1. That the agenda items for the next meeting on the 6th March be agreed. The item on Estate Regeneration Programme Review would include information regarding the provision, circumstances and mechanism for out of borough social housing placements.

2. That the responses to actions and recommendations as set out in the tracker be noted.

- 4.2 **ACTIONS:** Provide members with the results of the “Your Voice” Staff Survey and the action plan produced to address issues of concern raised (**Tara Murphy, Scrutiny Officer**)

5 UPDATE FROM CABINET MEMBERS

5.1 The Committee received written updates from the Cabinet Member for Finance and Corporate Services and the Cabinet Member for Housing, Regeneration, Business & Economic Development on the key aspects of their portfolios.

5.2 The Cabinet Member for Housing, Regeneration, Business & Economic Development responded to questions on the following issues:

Regeneration

5.2.1 Church Street - The Committee noted that discussions are taking place with the Metropolitan Police regarding their taking a long term void shop on Church Street as a base for their neighbourhood teams serving Westminster. This will replace the facility at Paddington Green until new facilities are provided as part of that development. The Cabinet Member was asked about the development at Paddington Green. He explained that the Church Street discussion related to a local neighbourhood initiative and was different to the policing operations that were provided at Paddington Green. The latter was an issue for the Metropolitan Police and the Mayor’s Office for Policing and Crime (MOPAC).

5.2.2 Ebury Bridge & Tollgate Gardens_-The Committee asked why the Council was still developing options for delivery of the Ebury Bridge Project when a vote by residents had taken place in 2013 and a planning decision obtained in 2014. The Cabinet Member explained that property markets rise and fall while the Council’s social housing lists change and increase. He stated that there was a need to reconsider how best to balance the community’s needs whilst also maximising the use of the land to ensure that the Council delivers the best regeneration possible. He stated the Council will continue to look at the available options and will then revert to residents for their views.

In response to a supplementary question, the Cabinet Member stated that he shared member’s frustration that regeneration has taken longer than expected. However, much had been accomplished. This included a nursery being built at Orchardson Street, Affinity Sutton taking possession of the Tollgate Gardens site, community space being provided in Church Street and ongoing consultation with residents on the Green Spine. While the regeneration of Ebury Bridge, Tollgate Gardens and Church Street were moving forward these were complex projects with many different elements. Unfortunately, some partner developers had withdrawn from projects which was out of the Council’s control.

- 5.2.3 Lessons Learned – The Cabinet Member was asked what, on reflection, he would do differently in relation to housing regeneration. He advised that he would not tie the regeneration schemes to a resident vote on the basis that the Council is bound by the outcomes. This prevents the Council from amending schemes where required or to take alternative decisions for wider benefits.
- 5.2.4 Housing Zone - Members asked for clarification on the funds allocated to Westminster under the Housing Investment Programmes provided by the GLA. Barbara Brownlee, Director of Housing & Regeneration, advised that the Council would not be losing any funding following the review by the Mayor of London of all commitments made under the Housing Investment Programme. The first funding agreement, which related to Lisson Arches, will be signed in the next few months. This had been delayed due to genuine development issues which had now been resolved. The second agreement was taking longer to complete as the Council was negotiating for a grant rather than a loan with a value of £23.5 million. She was confident that the Council would obtain the former. The GLA was also in discussions with the Council about the provision of additional funding.

Affordable Housing

- 5.2.5 The Cabinet Member was asked whether the Westminster Home Ownership Accelerator Scheme was in operation. The scheme enables tenants to build up an equity stake in home ownership at the end of their three-year tenancy in an intermediate rented home. The Cabinet Member reported that the scheme which is being delivered by Dolphin Living is open. He recommended that members visit the organisation's website where they could view a video on how the scheme works.

Housing and Planning Act 2016

- 5.2.6 In response to a request for clarification on the higher value void levy, expected to start in 2017/18, Barbara Brownlee explained that this was indefinitely delayed.

Out of Borough Social Housing Placements

- 5.2.7 The Cabinet Member was asked whether the recent decision to purchase housing accommodation in Hounslow whilst also disposing of housing assets within Westminster represented value for money. He considered that it had been as it maximised the amount of housing the Council could provide. He clarified that the housing purchased in Hounslow is being used to provide affordable rented property and not temporary accommodation. He advised that the accommodation would be to a quality and delivered in a timeframe that could not be provided for the same price in Westminster. The accommodation was required in part because some regeneration projects were behind schedule and existing properties on the Ebury Estate which were in occupation were not fit for use.

In response to a supplementary question Barbara Brownlee stated that the City Council had discussed its plans with the London Borough of Hounslow. It had asked the Council not to place homeless or problem families in the borough and the Council had kept to this agreement.

Mayoral Consultations

- 5.2.8 The committee noted that the Mayor of London had published two documents for public consultation relating to Affordable Housing and Viability and a “Good Practice Guide” to Estate Regeneration. Members asked whether the resulting guidance was likely to see the Council having to revisit any of its regeneration plans. The Cabinet Member was of the opinion that it would not and that the Mayoral Strategy would support the Council in what it is attempting to deliver.

CityWest Homes

- 5.2.9 The Cabinet Member was asked whether a clause was required in the new repairs and major works contracts on improving communication with residents given how contentious these services are known to be for residents. He was also asked how quality service provision will be maintained when responsibility for the Intermediate Housing Service is transferred to and delivered by CityWest Homes. Councillor Astaire advised in respect of the former that the letting of new contracts will enable the Council to retain more control over works via a framework mechanism. The intention is to include as part of the contract terms proper monitoring KPIs so that performance issues can be addressed promptly. Good communications with residents would also feature as part of the contract. The Cabinet Member stated in response to the latter that a primary feature of the Council’s housing policy is to increase the availability of intermediate housing. He considered that the contract would ensure that the provision of services to facilitate this would be of the highest standard.

Employment

- 5.2.10 The Committee noted that the Council had achieved the 8th highest fall in the numbers of long-term unemployment in the 5 year period February 2011 to February 2016. The Cabinet Member was asked whether the Council was looking at how long-term unemployment is being tackled successfully in other in boroughs. He advised that it was. It was also engaging with other organisations such as the West End Partnership as well as seeking expert advice from service areas within the Council on addressing the particular challenges facing those who are long-term unemployed.

Broadband

- 5.2.11 In response to questions on broadband Barbara Brownlee advised that three providers had now expressed an interest in providing broadband to CityWest Home Estates. The City Council was also in discussions with BT about re-visiting the provision of broadband connectivity in the West End.

Berwick Street Market Procurement.

- 5.2.12 The Cabinet Member outlined the rationale for the decision to contract out the running of the market to an experienced private operator before summarising the timetable for the procurement. He explained that while he would have liked to have evaluated the tenders, due to proposed Executive portfolio changes, this would be a matter for the new executive member with responsibility for markets.

5.3 The Committee then submitted a number of questions in relation to the update from the Cabinet Member for Finance and Corporate Services.

5.3.1 Members asked for details of the New Homes Bonus grant that the Council was due to receive from central government. Steve Mair, City Treasurer, reported that the Council would receive £3.5m less in 2017/18 compared with 2016/17. However, the Council was due to receive an additional £1.3m in social care grant which reduces the net overall budget impact to £2.2m. He advised that officers had worked on the assumption that there would be a loss in the New Homes Bonus grant and had submitted manageable savings proposals to ensure that the Council budget for 2017/18 will balance. Details of this will be included in the budget papers to be considered by the Budget Task Group.

5.3.2 Members asked for an update on the Moxon Street development. Guy Slocombe, Director of Property, Investments and Estates stated that the decision to sell the site took place in 2013. The contract agreement for the sale of the land to Ridgeford included two conditions. The first is an implementable planning permission following resolution of any potential judicial review. The second related is a successful resolution of any right-to-light claims by neighbouring property owners. He advised that two judicial reviews in relation to the planning permission had been resolved and this condition has been discharged. Discussions relating to rights-of-light were taking place primarily with the Howard de Walden estate. In response to a supplementary question, Steve Mair advised that the anticipated capital receipt from the sale is incorporated in the draft budget for 2017/18.

5.4 **ACTION:**

- (i) Provide Members with details of the current and projected year-end underspend in the Council budget and the reasons for this (**Action for: Steve Mair, City Treasurer/Martin Hinckley, Head of Revenue and Benefits**)
- (ii) Provide an analysis of the likely impact of the new business rateable values for West End businesses. Will this require any changes to the Council's Discretionary Rating Appeals scheme and what changes are anticipated in the number of hardship applications this year? (**Action for: Steve Mair, City Treasurer/ Martin Hinckley, Head of Revenue and Benefits**)

6 **LUXBOROUGH STREET DEVELOPMENT**

6.1 The committee received a report that outlined the events which led to the council's decision to withdraw from proceeding with the development of the new Marylebone library at Luxborough Street.

6.2 The report responded to questions raised following a request by a member to scrutinise the issue. These included the purpose of the project, details of the abortive costs involved, which costs are judged to be applicable to a future scheme on the site and why the project was aborted and the lessons learned.

- 6.3 The Committee considered the report and raised a number of questions: (i) how confident the Committee could be that the expenditure to date that would not be written off to revenue and could be re-used was accurate; (ii) what responsibility has been taken for the identified failures around the project; (iii) why Mace, who were awarded the contract to deliver the project, were able to participate in a second procurement after withdrawing their initial tender.
- 6.4 Guy Slocombe, Director of Property, Investments and Estates, advised that the estimated £832,000 of expenditure that would not be written off to revenue and could be re-used had been verified by the Council's Finance team. In response to a question whether any officers had lost their jobs following the withdrawal of the development, Guy Slocombe responded that it was the contractor that caused the scheme to fail but that the Director that led the scheme and the two Procurement officers working on it were no longer with the Council. Mace were able to participate in the second procurement as it was determined, following the first procurement, that none of the bidders could have delivered the project based on the terms. This was because shifts in the market made the contract unprofitable by the time matters were ready to progress. It was determined that Mace should be able to tender under the second procurement as it was not their fault that they couldn't deliver on their original bid. Following their withdrawal of their second tender and on the grounds that they did not evidence and sufficiently justify why they could not proceed, the Council took the decision that Mace would no longer be able to bid for any Westminster construction contracts.
- 6.5 The Committee noted the lessons learned which were set out in the report. The Committee asked whether there were any further changes in procurement processes. Mr Slocombe advised that a more rigorous and robust approach has been developed by the Procurement team. A dynamic procurement system has been developed which provides greater flexibility to determine which developers are suitable to bid for particular contracts. The procurement system has also been expanded to enable and encourage a broader range of suppliers to tender for projects such as this.
- 6.6 Mr Slocombe stated that while the Council could not predict the vagaries of the market, such as build cost inflation of 20-25% in this case, officers were confident that problems of this kind are less likely to be repeated in future. He explained that for contractors the speed of execution in awarding contracts is quite critical. Markets do not want to wait six months for this to take place. Unfortunately, the public sector is not as flexible as the private sector in this respect where there are specific procurement requirements that have to be followed. He advised that the Chief Executive had commissioned a report to investigate the Council's programme management and delivery processes. The likelihood is that this will result in the creation of a programme management team that will be tasked to try and speed up project delivery. However, the Council will still be hindered by its procurement regime and prolonged business planning process.
- 6.7 Members asked about the processes in place for monitoring development schemes. Mr Slocombe advised that all development projects, of which there

were over 30, are constantly reviewed and each has a formal review on a quarterly basis.

6.8 The Committee asked about the next steps for the project. Members were informed that an options analysis for the site was being undertaken and this will be considered by the Property Investment Board and Capital Review Group once finalised.

6.9 **ACTIONS:**

1. The Committee has requested information on whether any other schemes with similar sized costs have been aborted in the last 4-5 years.
2. Subject to his views, Members would like sight of the Programme Management report commissioned by the Chief Executive. (**Action for: Guy Slocombe, Director of Property, Investment and Estates**)

7 **TREASURY PERFORMANCE HALF YEAR STATUTORY REVIEW**

7.1 The Committee considered a mid-year review report on the Annual Treasury Strategy for 2016-17 in accordance with the Council's Treasury Management practices.

7.2 The Committee noted that there had been two breaches of compliance with the Treasury Management Strategy Statement – (i) two tranches of investments placed between May and July 2016 with the National Bank of Abu Dhabi (NBAD) and Qatar National Bank (QNB) totalling £59.8m and (ii) exceeding the counterparty limit on the Lloyds bank account since August 2016 because of overnight balances.

7.3 Whilst the investments with NBAD and QNB met the Council's required counterparty credit rating and are included on the list of approved counterparties issued by the Council's treasury advisor, Capita, they were not included in the permitted country of domicile for banks.

7.4 The committee asked about the action that the Finance Service had taken to prevent re-occurrence of the breaches. Pete Carpenter, Director of Treasury and Pensions, explained that since the matters had come to light Treasury management practices had been reviewed and improved. Multiple signatories are now required for certain levels of investment to be placed while overnight limits with Lloyds will be managed by not reinvesting maturing funds with this bank.

7.5 The report included an update to the Annual Investment Strategy for 2016-17 that detailed ways in which the return from the Council's short-term cash portfolio can be enhanced while maintaining security and liquidity. The opportunities presented included; Green Energy Bonds, Building Societies, Local Government Association and Other Bonds.

- 7.6 Mr Carpenter was asked about the investment approach that the Council should consider in the current environment of low interest rates and returns. He stated that the Council had close to £1 billion of potential cash investments made up of £400m held for NNDR Business Rates Appeals, £200m in general fund reserves and £200m of funding for affordable homes. He explained that when considering how to invest the sums the Council would need to consider the grounds upon which it was holding the investment money, what it would ultimately be used for and when this would be needed. It would also need to consider the Prudential indicators of risk, duration and return. The Council had previously financially planned over the shorter term and it was considered that it should look at medium and long-term planning of around 10 to 15 years.
- 7.7 He advised that the London Borough of Newham had a strategy whereby they treated their cash balances in a similar manner to the cash investments in their pension fund. The City Treasurer advised that subject to the Council approving proposals set out in the budget in March Westminster would use cash balances in the short term to invest in the Council's capital programme rather than facilitate this through borrowing.
- 7.8 The Committee then discussed the new investment opportunities set out in the report. Members asked about the level of risk involved in investing in Green Energy Bonds as there was a perception that solar and wind farms had varying levels of success. The City Treasurer explained that before proceeding with any such investment, internal and external due diligence would be undertaken covering the financial, planning and legal aspects.
- 7.9 Some support was expressed for the Council lending money to the Local Government Association through borrowing from the Municipal Bond Agency on the grounds that the investment was deemed to be low-risk and included a guarantee. However, a number of members expressed unease about the Council providing loans to organisations delivering services for the Council, where this will lead to the enhancement of services to Westminster stakeholders. The report explained that the operator of Westminster's leisure centres was seeking to borrow £1.25 million from the Council to finance a refurbishment of the leisure centres. Members had concerns that lending to organisations which it had a contractual relationship with would blur the boundaries of such a relationship. If there were a need to impose a financial penalty on the contractor for failing to meet agreed targets this could impact on their servicing of the loan. Similarly concern was expressed about the potential risk if the organisation was unable to make relevant payments because anticipated revenue failed to materialise and the borrowing is unsecured. The City Treasurer explained that before proceeding with any such investment, internal and external due diligence would be undertaken.
- 7.10 A number of Committee Members expressed the view that as the Council was investing taxpayers' money it should focus on investments with a reasonable return based on reasonable risk. Members considered that there was insufficient detail on the Treasury opportunities in the report to come to a conclusive view on their merits. The City Treasurer advised that officers were

presently working up full appraisals which he would present to committee once ready.

- 7.11 Officers were asked about the possible impact of Brexit on the Council's investment opportunities. Mr Carpenter commented that one of the weaknesses faced by the Council, which had also been highlighted in the previous item, is that it is unable to take speedy decisions due to having to comply with protocols. Officers were referred to the fact that interest rates were anticipated to rise in the near future which would improve the Council's Treasury opportunities. The City Treasurer reported that in 2008 the Council made £23 million due to higher interest rates compared to £4 million last year. However, he highlighted that the counter to rising interest rates is rising inflation. This would have a negative impact as it would lead to increased costs for the organisation.
- 7.12 **ACTIONS:** That a task group should be established to consider the previously specified Treasury opportunities. Other Treasury opportunities not covered in the TMSS should also be presented for consideration as well as a review of the policy on the countries in which deposits/investments can be invested. (**Action for:** Tara Murphy, Scrutiny Officer)

8 DRAFT TREASURY MANAGEMENT STRATEGY 2017/18 TO 2021/22

- 8.1 The Council is required under the Local Government Act 2003 (as amended) and other regulations to approve an Annual Treasury Management Strategy to cover: Borrowing Strategy, Investment Strategy and set Prudential Indicators together with borrowing limits for the next three years. In addition, the Council must approve an annual Minimum Revenue Provision Statement.
- 8.2 The Committee considered the draft strategy and asked questions in relation to the proposed investment and borrowing strategies. As interest rates are low, Members asked whether the Council should borrow now to finance future capital requirements before they rise. The City Treasurer explained that there was a risk in borrowing before finance is required as if proposed developments do not come forward as planned the Council would be paying interest on a loan it did not need.
- 8.3 Officers were asked whether the Council compares its proposed investment and borrowing strategies with those of other local authorities. Mr Carpenter advised that the Council was undertaking such an exercise which it would share at the task group that is to be established. As an example he highlighted that the City of London manages the authority's cash investments of around £400m via two investment fund managers.
- 8.4 **RESOLVED:** That the report be noted.

The Meeting ended at 9.09 pm

CHAIRMAN: _____

DATE _____



CITY OF WESTMINSTER

MINUTES

Housing, Finance and Corporate Services Policy and Scrutiny Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Housing, Finance and Corporate Services Policy and Scrutiny Committee** held on **Thursday 19th January, 2017**, Rooms 5, 6 & 7 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Brian Connell (Chairman), Ian Adams, Barbara Arzymanow, Peter Freeman, Adam Hug and Roca

Also Present: Councillor Robert Davis, MBE, DL (Cabinet Member for The Built Environment), Councillor Tim Mitchell (Cabinet Member for Finance and Corporate Services), Ed Watson (Executive Director for Growth, Planning and Housing), Sarah Tanburn (Interim Head of Place Shaping), Philip Owen (Senior Asset Manager), Diana Barrett (Bi-borough Legal Services), Jennifer Muller (Bi-borough Legal Services), Muge Dindjer (Scrutiny Manager), Tara Murphy (Policy and Scrutiny Officer) and Reuben Segal (Senior Committee and Governance Officer)

Apologies for Absence: Councillor Gotz Mohindra and Councillor Jacqui Wilkinson

1 MEMBERSHIP

- 1.1 It was noted that Councillor Ian Adams had replaced Councillor Richard Holloway.

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations made.

3 CALL-IN: GARDEN BRIDGE TRUST ASSOCIATED AGREEMENTS

- 3.1 The Chairman welcomed those present to the meeting and explained its context, what a call in of a decision means, the scope of what could be scrutinised and the options available to the committee. He explained that one of the reasons why members requested an opportunity to scrutinise the decision was that it had been taken around the Christmas break and it had been difficult to obtain answers from officers on issues raised by residents and organisations.

- 3.2 The Chairman further explained that following the request to call-in the decision he had asked officers to prepare a paper on the subject showing how the decision sits in the overall Garden Bridge project and on the context of the decisions that are being reviewed.
- 3.3 Ed Watson, Executive Director for Growth, Planning and Housing, summarised the key elements in the committee paper. He notified the committee that the period by which the Garden Bridge Trust has to implement the planning consents had not yet started and that they should therefore ignore paragraph 14.1.2 of the report. He also explained that the dates in the leases by which GBT must start and complete works could be extended by the Council if it so wishes but that this was not a current proposition.
- 3.4 Councillor Robert Davis. MBE, DL, Cabinet Member for The Built Environment, addressed the Committee. He explained that the decision was taken just prior to Christmas as it had taken a number of months until both he and Councillor Mitchell were happy with the report. They had seen a number of earlier versions that they had not been entirely satisfied with and wanted additional legal advice to ensure that the Council's interests were protected and its liabilities were limited as far as possible.
- 3.5 Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services addressed the Committee. He clarified that the decision taken related to assembling the various interests around the acquisition and appropriation of land between the City Council and Transport for London. This would inform a further Cabinet Member report on disposing the land to GBT.
- 3.6 Members of the Committee then asked questions about various aspects of the decision taken by the Cabinet Members.
- 3.7 Members asked why the City Council should use its powers to facilitate the building of the bridge. The committee asked for details of the benefits that the scheme would deliver for the City of Westminster. Reference was made to the fact that in the examples where the Council had previously used such powers (Annex 2) these related to projects for the benefit of the Council.
- 3.8 Sarah Tanburn, Interim Head of Place Shaping, advised that it was open to the authority not to facilitate the land assembly to enable the bridge to be built. However, she stated that if it would not be unusual for a project of this kind for a local authority to use powers where the requester had done everything that it could to obtain the land itself and had been unsuccessful and could not proceed without the assistance of the Council. Through its planning powers the Council had considered that the scheme has sufficient merit and weight and therefore there is an expectation that it will continue.
- 3.9 Councillor Davis advised that both Councillor Mitchell and he had sat on the Planning Committee that gave planning consent to the scheme. The Committee having considered all of the issues felt that the proposal had benefits for the City. The report to the Planning Committee had been substantial and included a very detailed analysis of the scheme.

- 3.10 Sarah Tanburn clarified in respect of the examples set out in Annex 2 that the Development Site at Victoria was a purely private scheme and was analogous to the Garden Bridge.
- 3.11 The report stated that no formal position had been reached by the Council on the Garden Bridge project beyond the grant of planning permission in December 2014. It was suggested by some committee members that the decision taken by the Cabinet Members to use planning powers to appropriate land appeared to indicate support for the scheme. In response to questions, Councillor Davis clarified that there was no requirement for the Council to have adopted a formal position on the scheme before the decision was taken as under the Leader and Cabinet Model of decision-making individual Cabinet Members have the power to take decisions on matters that fall within the portfolios.
- 3.12 The Committee then considered the property and process costs and risks of costs to Westminster City Council. Sarah Tanburn summarised the acquisition and appropriation processes and the costs involved. She stated that there was a great deal of protection in place for the City Council both in terms of covering costs and against risks. She explained that the decision did involve some risks but that the Council had tried to mitigate these as far as reasonably possible.
- 3.13 Officers were asked whether the anticipated £340,000 cost of acquiring the Roof Terrace from London Underground Limited was fixed or fluid if the acquisition falls behind schedule. Ms Tanburn advised that she believed the payment to be a fixed sum but could not confirm this categorically. However, she clarified that even if this was not the case the cost to the authority would always be zero as payment for the land will be met by GBT.
- 3.14 The Committee asked how much confidence the Council has with the conclusions arrived at by Savills and Ardent that there would be no infringements on any rights to light to those adjoining and neighbouring the Garden Bridge and that the value of any potential compensation for such affect would be £nil. Officers stated that they had fair confidence in the opinions as they have been provided by professionals in this field. However, this was not to such an extent that that the Council did not ask for indemnity for costs that may be incurred through Judicial Review. The Cabinet Member for the Built Environment also highlighted that as the reports were commissioned by GBT the Council had asked and received duty of care letters from Savills and Ardent. Therefore, if their opinions are found to be incorrect the Council can take legal action against them.
- 3.15 In response to a supplementary question on how the sum of £250,000 to be held in escrow was arrived at, the Executive Director for Growth Planning and Housing explained that this was agreed following discussion with GBT and what the Trust advised was the maximum sum that they could put up for this particular issue at this time.

- 3.16 Councillors expressed concern about the risk of the bridge being left uncompleted. It was noted that while the lease agreements require GBT to return the land in the same condition in which they leased it members commented that GBT would not be able to do this if it runs out of funds.
- 3.17 Members asked whether the Council could include a condition within the leases that require the Trust to demonstrate to the Council that it has sufficient funds to complete the scheme before any construction begins. Officers explained that this was not part of the Council's present negotiation with GBT. The Cabinet Member for the Built Environment stated that this was something that would need to be considered if the decision was referred back to the Cabinet Members for reconsideration. Ed Watson stated that this would need to be undertaken in discussion with GBT to understand the issues. He stated that depending on the timing of any restrictive requirements placed on the Trust this might make it difficult for them to sign the lease under the s106 agreement which may in turn deter investors in funding the bridge.
- 3.18 Concern was also expressed at the level of contingency funds put aside by GBT which some considered insufficiently small compared to the overall cost of the project at this time.
- 3.19 The Committee noted that the GLA had agreed (although had yet to sign documentation) to act as guarantor should GBT default on their maintenance obligations under the terms of the s106 or are wound up/cease to exist. In such circumstances the guarantor will step in and undertake the GBT's maintenance obligations in full. Officers were asked to explain how this would operate and what prevents the City Council having a liability. Sarah Tanburn advised that the conditions of the planning consent for the bridge are extremely robust on this issue so that at no time shall the City Council be responsible in any way whatsoever for the maintenance of the bridge. She explained that in order to satisfy the s106 agreement GBT must produce an Operation and Management Business Plan to the satisfaction of the City Council and the London Borough of Lambeth. The essential part of that plan is that the Mayor of London takes responsibility for the operation and maintenance of the bridge as guarantor. That guarantee is dependent on GBT proving to the Mayor's satisfaction that it has a satisfactory funding strategy in place to operate and maintain the Garden Bridge for at least the first five years from its completion.
- 3.20 Members asked how the Council would ensure that the bridge if built is kept in good order. A number of members expressed the view that whilst the structure was not unique it was different to a building and would require significant maintenance. Sarah Tanburn advised that it had been the job of the Planning Committee to consider such matters, which it had at great length, and set the necessary requirements. The Cabinet Member for the Built Environment stated that there was no difference to building a bridge than any other structure in Westminster. Conditions are applied to the planning consent as necessary and if there are any breaches to these the City Council would undertake enforcement action. In this case the Council would go to the initial party, GBT, and then if necessary the guarantor.

- 3.21 In response to a further question about the possibility of having different enforcement responses as the bridge spans between two local authorities, Councillor Davis commented that this was true of any enforcement activity on a bridge that span the Thames in London.
- 3.22 The Committee then asked questions about the environmental and social well-being benefits of the bridge which were cited in the reasons for the decision.
- 3.23 Members asked whether as part of discussions relating to the acquisition and appropriation of the Roof Terrace any enquiries were made on the likely impact of the use of the underground facilities at Temple during either construction or upon completion. Mr Watson advised that there had not although he believed that the station would remain operational throughout.
- 3.24 Members asked whether as part of Planning Committee's decision any conditions were included regarding moving of any of the trees planted on the bridge. Councillor Davis advised that as a matter of policy it would be rare for the Council to agree to move trees from its side of the river not least because they do not ordinarily fair well. However, where it did it would require a replacement tree to be erected in the locality.
- 3.25 Members also asked whether the Planning Committee considered the broader environmental impacts that the bridge would have for the wider Temple area such as additional street cleaning, waste collection and possibly public order issues due to the projected large footfall? Sarah Tanburn stated that the report submitted to the Planning Committee included a section on the projected footfall and its impact. Whilst this was considered by the committee it did not directly consider the cost impact. Mr Watson advised that colleagues in City Management & Communities were consulted on this matter out of the time and they had advised that the proposition would not place any undue burden on their services.
- 3.26 Both Cabinet Members referred to the fact that the public realm in the roads leading up to the proposed bridge and the southern arm of Strand would benefit from improvement. Long standing discussions about undertaking major public realm improvements in the vicinity had already been held with a number of organisations including the local BID. This was an intention at present but there was a plan to include GBT in discussions on the North Bank Delivery Programme.
- 3.27 The Cabinet Members were asked what consideration they had given when taking the decision to the amount of public money being used to facilitate the scheme. Councillor Davis advised that it was not the Cabinet Members' responsibility to consider the overall financial costs of the bridge or the amount of money being provided by other public bodies. He explained that he was only required to assess the decision in front of him in so far as it related to Westminster and to do otherwise could render any decision taken unlawful.
- 3.28 The Committee then turned to the procedural matters set out in the report. The Cabinet Member for the Built Environment referred to a technical issue

relating to the decision. He advised that Section 122 (2A) of the Local Government Act 1972 requires advertisements for the decision to appropriate public open space for planning purposes. He advised that this would need to be undertaken if the Council was to proceed with the decision.

3.29 This concluded the committee's questions. The Chairman commented that the report before the committee had been very helpful in understanding the issues relating to the Cabinet Member decision and that it answered many of the questions where the Cabinet Member report lacked clarity.

3.30 The Chairman then asked the Committee for their views in order to come to a formal decision based on the options available to them as set out in the report.

3.31 **RESOLVED:**

1. The Committee agreed to refer the decision back to the Cabinet Members for reconsideration raising a number of concerns. It requests that these are examined and that a response on them is provided to the committee.
2. Members suggested that the Cabinet Members consider whether the City Council should require the Garden Bridge Trust to demonstrate that it has sufficient funds including contingency in place prior to construction starting on the bridge. This is in order to avoid the risk of having a half built structure if the funds run out and any costs for putting this right falling to the City Council.
3. Members were also keen to ensure understanding of the impact of the extra estimated 7m footfall that will result from the Bridge on the Council's public realm and on its services.
4. The committee also considered it essential that the Council advertises the proposed acquisition and appropriation of land as required and that it considers the responses to this consultation prior to taking a final decision on this matter.

The Meeting ended at 8.43 pm

CHAIRMAN: _____

DATE _____



Housing, Finance & Corporate Services Policy and Scrutiny Committee Briefing

Date: Monday, 6th March

Author: Cllr Tim Mitchell

Portfolio: Cabinet Member for Finance & Corporate Services

Please contact: Lucy Hoyte x 5729
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1. Corporate Finance

Business Rates

- 1.1 The City Council is currently finalising plans for the 2017/18 annual billing exercise. The Revaluation of business properties by the Valuation Office and the government's related NNDR Transitional Scheme has been completed. The Council is now just awaiting formal confirmation of the 2017 NNDR multipliers, which are now due on 22 February.
- 1.2 The government has now issued a second more technical Business Rate Retention scheme consultation. The City Council will consider and respond to the consultation.

Council Tax & NNDR Collection

- 1.3 Council Tax and Business Rate (NNDR) collection is going well, with both due to meet or exceed last year's collection figures (last year's collection figures were the best previously recorded for the City Council).

Discretionary Housing Payment Funding

- 1.4 The Council's Discretionary Housing Payment funding for 2017/18 has, to date, not been announced by the government and a decision is not now expected until towards the end of February 2017.

Debtors

- 1.5 Following the manual scheduling of statements and reminders, the Council has started the automated reminder process for sundry debtors, excluding ASC integrated Care (a separate process for invoicing exists). All unpaid invoices will be followed up with (up to) three reminder letters, sequenced two weeks apart. Separately, as part of the local recovery process, we are directly following up with large debtors to prompt payment / deal with queries.

No PO No Pay

- 1.6 The Council is moving towards a more automated and efficient invoice payment process by leading service areas and suppliers towards using purchase orders effectively. Mandatory “No PO NO Pay” will be fully effective in the new financial year. The efficiencies of the MSP are realised when invoices are managed automatically from submission to payment, whilst providing assurance and freeing up operational resources

Council Budget 2017/18

- 1.7 Council Tax and Budget Setting:
- Net savings of £35.4m (£46.2m savings and £10.7m pressures) have been put forward for Members’ consideration;
 - Only 1.3% of the gross service savings have resulted from service reductions (35% commercial opportunities; 29% efficiency; 20% transformation; 14% financing);
 - Should Full Council decide, Band D amount rises from £392.81 to £408.12 – a 3.9% increase (2.0% for ASC and 1.9% for general increase);
 - The total Band D increase of £15.31 is equivalent to a 29p per week increase;
 - Our 2017/18 Council Tax amount is likely to remain the lowest in the country.
- 1.8 Capital Strategy:
- We have improved our forecasting models to view capital requirement and revenue implications from five years to a fourteen year planning horizon;
 - The new capital programme exploits our balance sheet strength and opportunities for generating commercial income streams;
 - The programme is critically predicated on forecast capital receipts and resultant income being generated.
- 1.9 Treasury Management Strategy Statement:
- We are required under the Prudential Code to agree an annual Treasury Management Strategy to ensure our capital plans and investment strategy is prudent, affordable and sustainable.
 - External Borrowing remains below the statutory Capital Financing Requirement limit (allowing some scope to use internal cash balances to optimise borrowing costs);

- The long term capital programme remains affordable in terms of its impact on revenue resources and future projected budgets;
- The Housing Revenue Account 30-Year Plan remains within its capital borrowing limit;
- Potential to “borrow in advance of need” exists, should we see interest rates begin to rise sharply, would be subject to detailed modelling to ensure the best outcome;
- High cash balances (principally the result of NNDR appeals; Affordable Housing Fund and unspent capital contributions) are forecast to remain at significant levels over the next few years – the Treasury Management Strategy sets out the principles for managing these balances to ensure security, liquidity and return.

Local Government Finance Settlement

- 1.10 The Local Government Finance Settlement announced on 16th December 2016 remains “provisional”. We are expecting the “final” settlement to be announced at the end of February – this is later than normal and the potential for some last-minute adjustments remains a possibility, especially in light of information emerging around DCLG’s communications with Surrey County Council.
- 1.11 The impact of top-slicing New Homes Bonus to pay for an additional “one-off” 2017/18 Adults Social Care Grant has resulted in some unexpected consequences whereby a significant number of upper-tier authorities will be worse off. Across London, 21 boroughs have lost net funding as a result of this (including Westminster, with a net £2.3m reduction being the second worst affected in London).
- 1.12 With both business rate retention and Revenue Support Grant effectively crystalized because of the four-year settlement, any change in funding that emerges from the final settlement is likely to emerge from changes to the New Homes Bonus or by way of additional s31 grant allocations. The City Treasurer will provide a briefing on the day of the final settlement.

Accounts

- 1.13 Preparation of the Council’s accounts for 2016/17 continues. There have been two interim audits to date and the third runs from the 20th February to the 3rd March. To date there are no matters of concern to report.
- 1.14 The Council is working with CIPFA, the DCLG and others to review the presentation, preparation and pace of Council accounts to assist nationally.

Budget Monitoring

- 1.15 The Council’s budget monitoring is currently forecasting a revenue underspend of £14.7m, slippage in the capital programme and likewise an underspend in the HRA and slippage in the HRA capital programme.

1.16 This is being closely monitored and is anticipated to continue to the year end

2. Corporate Property

2.1 Of 367 properties that make up the investment portfolio, 16 are currently vacant, a void rate of 4.3%. 3 units are on the market, 3 are under offer and 10 are not on the market pending capital works. £350,000 of rent arrears was collected in November. The number of outstanding rent reviews and lease renewals on the portfolio fell from 16% in July to 12% in November and 10% in January.

City Hall Refurbishment

2.2 The Council has taken possession of both temporary sites pending decant of staff from City Hall to 5 Strand and Portland House. Staff will start to move from City Hall in March 2017 and the refurbishment works will start on at City Hall in July. Preparation works are underway at both sites to ensure they are ready to receive staff from 18th March. The project remains on time and on budget.

Corporate Property

2.3 Contractors have taken possession of the Council's Farm Street depot in Mayfair. Redevelopment of the site will provide a new street cleaning depot along with 14 affordable flats for intermediate lets. The cost of development is borne by the contractor.

2.4 Alison Yard has joined the Council as Head of Investment to manage the Council's property investment strategy and existing 900 tenant commercial property portfolio. She will report to Guy Slocombe, Director of Property, Investment & Estates.

3. Corporate Services

People Services

3.1 Feedback sessions following the 360 pilot started on the 6th December. These sessions provide all those who took part in the pilot the opportunity to review their reports with a designated coach and create a concise development plan.

3.2 The new recruitment branding for Westminster City Council was successfully launched on the 14th January.

3.3 A first cohort of 14 managers across all areas of the council have attended a 3 day "boot camp" which was delivered by our training partners. The aim of this opportunity was to develop our people who can then continue to help the People Services team deliver the Leading the Westminster Way Programme for staff promoted into more senior roles or new starters.

- 3.4 People Services presented three key papers at the Shared Services Board meeting on the 1st February: **Staff Survey Review 2017**; **Workforce Wellbeing Strategy Progress Update** and; the **Apprenticeship levy report** which outlined different approaches taken to the levy as well as potential opportunity for collaboration between different councils.
- 3.5 People Services have also been working with Tri Borough colleagues to develop a plan which is aimed at supporting the mental wellbeing of staff.
- 3.6 Following the meeting with the new Leader in January, the People Strategy has presented to the Policy & Scrutiny Committee Task Group.
- 3.7 The Westminster Way awards will be held again in 2017 for the second year running. These awards give the Council the opportunity to recognise our people, their work in their service areas and their contribution to our City for All.

Procurement

- 3.8 The Official Journal of the European Union (OJEU) notice for the new Housing Options Service contracts was published on Thursday 19th January. The procurement covers four key areas focusing on reducing the housing list and getting residents out of temporary accommodation.
- 3.9 On 20th January, Anthony Oliver, Chief Procurement Officer visited Belfast City Council (BCC). A presentation was made to the BCC Commercial Board, chaired by their Deputy Chief Executive on the operating model for Procurement Services in Westminster and the broader commercial opportunities in local government. A meeting also took place with the Director of Environmental Services to discuss Waste Management. The day concluded with discussions as to how BCC may engage Procurement Services through either Symbiance Procurement Services (the joint venture with 4C Associates Limited) or directly with Westminster Procurement Services our trading company for Procurement.
- 3.10 Procurement has now completed the Social Value pilots that have been running on a number of our procurements. Lessons learned have been incorporated into the new Responsible Procurement guidance documents that Category Managers and other officers involved in procuring goods and services across the council can use, to ensure that we maximise the Social Value outcomes from our contracts.
- 3.11 We have successfully delivered savings of £3.3M in this year which is above our annual target of £1.3M. Total savings (aggregated) across the life of the contract are of £9.4M against the annual target of £5.2M, with 37 waivers of the Procurement Code against the annual target of 100.

Legal Services

- 3.12 Tri-borough Legal Services continue to deliver high quality legal services at low cost. Although more and more work is being done in house reducing external

legal spend, the Council still continues to outsource large scale and complex matters. The Legal Service now wishes to build capacity to undertake some of these larger projects in house, which will help to further reduce external spend.

- 3.13 As mentioned in the previous report legal services have been contacting other local authority legal services to explore opportunities of sharing or trading legal work. This was an aim that was set out in our Business Case for Tri-borough Legal Services and now having fully established our shared service we are in a position to explore further opportunities for sharing.
- 3.14 We continue to simplify and standardise processes, especially the back office functions which have been a key area where progress has been made. Having a common MSP has helped in negotiating a single method of practice across the three separate finance teams. Harnessing the momentum of change, the service has begun reviewing its case management system and legal processes so that it might increase the digitisation of its information, automate workflow and enable a best in class, agile and resilient service.
- 3.15 As we become more reliant on electronic communication and file sharing we continue to focus on ensuring that our information is secure and there are no data breaches. Legal Services have established a departmental data protection champion who monitors compliance and reports back quarterly to management. We also provide on-going training to staff.

Managed Services

- 3.16 There continues to be concerns surrounding the delivery of the payroll and pensions recovery plan. Officers are working with BT to resolve this
- 3.17 Operational performance has shown signs of recovery following a dip in December/early January as a result of the addition of four additional resources.

ICT

- 3.18 The first meeting of the ICT Portfolio Board took place in February, bringing together a number of Business units across the council. At this meeting, ICT was able to validate their view of the various initiatives happening across the departments, update the departments on key initiatives being rolled out across ICT, and also provide assurance to the departments that we were on track to deliver projects on their behalf.
- 3.19 A number of applications have successfully been migrated from the old infrastructure and have either been decommissioned, or moved to new servers or the cloud as we prepare to decant from City Hall. This has provided dual benefits as we save money through the decommissioning, as well as making the applications more resilient through moving them to updated hardware.
- 3.20 A Digital platform has been procured and ICT will be playing a key part in delivering the functionality across the organisation.

- 3.21 Major power upgrade work took place at Lisson Grove on the 7th and 8th January– no disruption was expected but Council and WAES IT staff were present to handle any unforeseen issues that could have arisen.
- 3.22 The risk of malicious virus/hacking from external sources remains high, in line with the external threat profile. WCC continues to mitigate with the latest technical controls and renewed IT security policies which were recently published to all WCC staff (NetConsent).
- 3.23 The risk of service failure due to aged infrastructure is reducing as legacy datacentre services are decommissioned ahead of the City Hall decant.

Digital

- 3.24 The Digital Programme moved into Corporate Services in November 2016. Following an initial review by the Executive Director, concerns were raised over the proposed approach to delivering the Integrated Contact Centre (ICS).
- 3.25 Ember Services were asked initially to undertake a review of the procurement approach to ICS and the underlying business case. Subsequently, their brief was expanded to include a review of the whole of the Digital Programme.
- 3.26 Based on the feedback from Ember Services, a further internal review by senior managers within Corporate Services and a review of the business case by colleagues from Finance, a decision was made to pause the Programme as originally scoped, with the exception of the procurement of the Digital Platform for which a preferred bidder has been identified.
- 3.27 It is proposed to re-set the Programme around four key themes covering Platform, Web Portal, Procurement and Operating Model and at the same time to revise the governance and business case.

Wednesday, 22nd February 2017

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City of Westminster

Committee Report

Meeting:	Housing, Finance and Customer Services Policy and Scrutiny Committee
Date	6 th March 2017
Classification:	General Release
Title:	Housing Regeneration - Review of progress
Report of :	Barbara Brownlee – Director of Housing and Regeneration
Wards Involved:	All
Policy Context:	Housing Strategy
Financial Summary:	The report is for information only there are no financial implications
Report Author and Contact Details:	Barbara Brownlee bbrownlee@westminster.gov.uk 07506001387

1. Executive Summary

1.1 The Housing Renewal Strategy launched in 2010 has the following priorities

- To increase the supply and quality of affordable homes to meet a variety of local needs, including housing for families
- To improve the quality of the local environment with outstanding green and open spaces and housing that promotes low energy consumption and environmental sustainability
- To promote a high quality of life for people of all ages and backgrounds, in safe, cohesive and healthy neighbourhoods, supported by a range of high quality housing and excellent community facilities

- To enable people to maximise economic opportunity in Westminster with support for training, employment and enterprise, and housing tenures which help those in work to remain in the City
 - To create a more distinct sense of neighbourhood, ending the physical divide between Westminster's estates and surrounding local streets
- 1.2 The Housing Renewal Strategy has as its central focus improving the quality of life for residents. It is delivered in collaboration with residents and seeks to improve life chances across health, economic activity and social inclusion.

2.0 Matters for the committee to consider

The Policy and Scrutiny committee is asked to:

- 2.1 Note the programme of housing renewal and the commitment to supporting residents through the process of change
- 2.2 Reflect on learning from Church Street regeneration which may assist in subsequent regeneration schemes
- 2.3 Give their view on what issues should be considered when forming plans to increase housing supply in and out of the borough.

2. Housing Renewal - Church Street



1 Church Street Map

- 3.1 The regeneration of Church Street is a long term, complex task; prior to the resident vote, a vision for how the ward could evolve was created in consultation with residents and other stakeholders. Expectations were raised about swift progress on the transformation of the neighbourhood. Moving into delivery mode proved more challenging and this has led to some frustration and concern amongst residents. The regeneration team have sought to address this through being open and accessible to residents and their representatives, ensuring there is a regular flow of information through newsletters, and participation in local events.
- 3.2 Over the last 18 months, considerable efforts have been made to: learning that address the delays
- Identify and remove obstacles to progress, including providing additional resources to deliver the programme and try to set out a more logical plan
 - Complete projects that had stalled (for example the 3 demonstration flats in Orchardson Street and the Face Forward arts project)

- Pause projects that were being developed out of sequence (for example the design for Church Street East or the District Energy scheme).
- Develop and deliver a programme of complementary socio-economic projects (see details below)
- Reallocate sites where the proposed use was no longer needed (for example nursery at Orange Park, where the site is now part of the infill homes programme)
- Get to grips with complex projects including Lisson Arches, Luton Street, Cosway Street and Lilestone Street (details on each scheme given below)
- Refresh the community engagement approach and membership of the Futures Steering Group, including appointing a new chair
- Update the strategy set out at the time of the vote through a master planning exercise focused on how changes can be made
- Develop an outcomes framework, setting out what is being achieved and evaluating progress, helping to guide investment decisions
- Bring in new ideas and partners to stimulate activity (see updates below on Church Street lettings, Edgware Road and Housing Zone)

3.3 **Lisson Arches** - The site has a number of strategically important services, gas, water, electricity and telecommunications running through it, the bridge that carries Lisson Grove over the former railway line is in poor condition and the site is very tightly constrained adding to the difficulty of planning then implementing the works. However at the time of the vote proposals, this was identified as an early delivery site and so the utilities issues have become emblematic of wider delays. Added to this, residents in the sheltered accommodation at Penn House, who were told they would be moved into new flats in the scheme, have seen a lack of progress. Their current properties are having decoration work carried out to make them more habitable during the construction works.

3.4 **Luton Street** – This is another important project, again needing significant preparatory works, including building a new nursery and relocating some market facilities. The process to procure a development partner was complex. Following this, a dialogue with residents to develop the design then allowing completion of the development agreement. The agreement is due to be signed in January and a planning application submitted in late spring. As part of the project, £2.4M will be spent on six blocks adjacent to the development on improvements agreed with residents.

3.5 **Tresham Nursery** – This was completed on time using a modular construction system this building now houses two nurseries moved from the Luton Street site and a church moved from Dudley House, temporarily when the space will be used for a nursery or similar provision.

- 3.6 **Cosway Street** - The original proposal for this site was a private for sale scheme that led to developer interest. This resulted in a potential developer approaching the council with a proposal that needed to be explored in detail, delaying progress. As that proved unviable, the scheme is now back on track and a design team has been appointed.
- 3.7 **Lilestone Street** - Central to the transformation of the neighbourhood is improving the health of residents; Church Street is not a healthy place to live. Analysis of City wide public health spending demonstrates significantly higher costs in the area compared to the Westminster average. A pivotal project is creating a Community Health and Well Being Hub. This had been planned for a site at the corner of Lisson Grove and Lilestone Street to include a reprovided health centre (moved from Gateforth Street) and community facilities including a community café to provide advice on healthy eating, complementary therapies and counselling. This site will be vacated when the flats at Lisson Arches are completed and Penn House is decanted. Linked to this is the Lisson Grove/Frampton Street office site, which will be redeveloped for housing maximising the benefit of the canal side location. Discussions are taking place with Sanctuary Housing Association owner of the adjacent estate to see if a joint development would be possible and desirable, adding value to the neighbourhood.
- 3.8 **Masterplan** - The masterplan is building on the Futures Plan and subsequently. It has as its focus ensuring an aspirational and deliverable set of proposals. This includes phasing of works, managing construction processes and protecting the welfare and amenity of residents. It has linked to a detailed review of all the housing stock in the ward to understand its condition, the desirability of the accommodation and where appropriate opportunities for investment exist. A draft will be produced in late March that utilises information gathered from resident representatives, members and stakeholders and then a public engagement exercise will take place in Spring/Summer 2017.



2 Publicity for the Arts Fund

- 3.9 **Socio-economic projects** - Throughout the development of the Futures Plan and since, a number of complementary projects focusing on the local economy, health and wellbeing and cultural activities have been developed. Progress on these is detailed below:
- 3.9.1 **Arts Fund** – This funding scheme is designed to create a programme of creative activities open to local people of all ages and backgrounds. Examples of creative activities funded so far are theatre, film and photography, visual art, creative

writing, crafts. All activities must benefit the local Church Street ward or ward residents.

- 3.9.2 Green Spine – Design work for the first phases of a new green space, running from Lisson Street along Salisbury Street and through the new Luton Street development, is well advanced. This has attracted positive feedback from stakeholders. Detailed design development is now underway and there will be further opportunities for stakeholders to be involved in design and use of the space.
- 3.9.3 Community engagement – The contract with Vital Regeneration to provide support to the residents steering group and other engagement activities ended in January 2017 and a revised community engagement service is now being delivered by the regeneration team from our office at 99 Church Street. Work is taking place to transition the existing resident steering group to a new structure to ensure there is capacity to engage the communities of Church Street more fully on the range of projects that will be delivered in the coming years.
- 3.9.4 Neighbourhood Keepers – This is a crucial aspect of the promises made in the Vote Booklet and after a false start in 2015/16 a revised model is being developed that enables specific initiatives to be developed, the focus is on animating public spaces, community gardening and promoting lifestyles that are more active. The previous approach involved a third party organisation taking a management role in the project. However a decision has now been taken to bring this in house and operate a commissioning model, focusing the funding (from the Church Street Dowry) on smaller projects to allow a phase of testing and refining requirements. This will increase the local ownership and control of the programme, focusing it on meeting the evolving needs of Church, the communities who live there and the business that operate there.
- 3.9.5 Community Champions – These local people volunteer their time to connect friends, families and neighbours with local services, spreading important messages about health and wellbeing. The time and energy the Champions give is appreciated and repaid through access to training, support and guidance to help them progress their own careers and goals. The local insight and knowledge of Champions influences and shapes how local services are delivered. The Council and other housing providers fund the programme, which works alongside other community initiatives in Church Street.
- 3.9.6 Business engagement – The business community in Church Street is diverse, international architects and galleries to market traders, multi-generational family firms to new start-ups. We developing links that focus on what Church Street can and should be, moving away from discussing business as usual issues around parking, rents and cleaning. The team are backing initiatives to stimulate footfall and widen the appeal of Church Street, such as a music event linked to London Jazz Week and performances at the Cockpit Theatre. They are also working with partners such as the GLA to develop proposals for co-working space. The scheme at Lisson Arches will provide an enterprise space

3.9.7 Employment coaches – Two highly skilled coaches are working with people in Church Street who find it difficult to become economically active. This requires careful work with individuals to understand their specific needs and help them to address them. They work alongside other services in the neighbourhood to support tailored to individual needs.

3.10 As the above work has been progressing, interest in the area has been expressed by developers and others and officers continue these conversations to ensure there is a good level of interest in development opportunities. Church Street Ward is now part of the Edgware Road Housing Zone, along with areas of Little Venice Ward (identified on the plan below). This secures £25.5million in GLA funding to support enabling works at Lisson Arches and leaseholder buybacks across the area. Final terms are being agreed with GLA at present.



3 Edgware Road Housing Zone

3.11 Timetable

The table below gives some indicative milestones for Church Street. Due to the nature and complexity of the development programme, these always have a risk of change.

Spring 2017	<ul style="list-style-type: none">• Luton Street – planning submission• Masterplan - Consultation• Neighbourhood Keepers - projects commence• Green Spine – planning submission
Summer/Autumn 2017	<ul style="list-style-type: none">• Cosway Street – planning submission
Winter 2017/2018	<ul style="list-style-type: none">• Lisson Arches - new build commences• Luton Street - start on site• Green Spine - start on site• Ashbridge Street– planning submission
2018	<ul style="list-style-type: none">• Cosway Street – start on site• Lilestone Street – planning submission
2019	<ul style="list-style-type: none">• Lisson Arches – completion (Spring)• Lilestone Street – start on site• Ashbridge Street – start on site• Cosway Street – completion
2020	<ul style="list-style-type: none">• Ashbridge Street – completion

4. Housing Renewal - Ebury Bridge

4.1 Ebury Bridge has proved to be a complex and challenging project. It is one of the most valuable locations in the Council’s ownership, adjacent to Chelsea Barracks and the new Sir Simon Milton UTC.



4 Aerial view of Ebury Bridge Estate

- 4.2 After residents voted for regeneration the Council's architects prepared and secured planning for a scheme that met the residents' wishes for the site including refurbishment of 5 blocks funded from the development surpluses made by demolishing and rebuilding to a higher density 8 blocks (including properties that needed to be acquired from Soho Housing).
- 4.3 Work began with residents at Ebury Bridge in 2010 following launch of the Housing Renewal Strategy, this led to a vote for regeneration in 2013, then a planning application was approved in June 2014. In 2015, the project was soft market tested with the Councils' Development Partner Panel; there was no appetite amongst panel members to implement the scheme in the form proposed.
- 4.4 Since then the Council has looked at the scheme in considerable detail with the goal of delivering the promises made to residents within a deliverable scheme. A number of options have been considered and it seems clear that the way forward involves achieving a higher density on the site. This allows greater height along the railway frontage and a more straightforward phasing of the development.
- 4.5 A series of appraisal sensitivities are now being run on different tenure mixes to develop a scheme that is both commercially viable and maximises levels of affordable housing.
- 4.6 Running in parallel to this is a new Community Engagement strategy for Ebury Bridge which goes beyond the "bricks and mortar" elements of the regeneration and focuses on building a sustainable local community. Included in this will be health and wellbeing measurements around improvements in quality of life, reductions in social deprivation and enabling better collaboration between local service providers and third sector organisations. In the meantime, resident events built around the themes of employment and health are taking place on the estate.
- 4.7 As revised development options are being progressed there is the opportunity to embed lessons learnt from the Church St regeneration programme:
- 4.7.1 Site Investigation (SI) Works:** This involves the gathering of technical information about the proposed development site to ascertain ground conditions. Experience from Lisson Arches in particular demonstrates the need to conduct rigorous investigative works to identify important utilities, such as electrical cables, that may exist and assess the level of complexity and cost that may need to be added to the build. Exploratory investigative works, such as trial pits to better understand neighbouring foundations, existing structures etc, need to take place throughout the development. Experience from other sites also points to the value of early consultation with potential development partners on how to approach SI works. Of specific relevance to Ebury Bridge is its proximity to major railway tracks and former canals.
- 4.7.2 Design of Delivery Programme:** Experience from Church St, and indeed the original Ebury Bridge scheme, reinforces the need to plan out the construction logistics before mapping out the sequence of the delivery programme.

On Church St public realm design was carried out without consideration as to how it would be affected by future construction traffic required to serve later sites. The original Ebury Bridge scheme found limited interest from the development market partially due to the programme working into the site, rather than building out, which runs counter to the normal way of working. Soft market testing incorporating the design of the delivery programme is being undertaken on the revised Ebury Bridge scheme.

4.7.3 Resident and Community Engagement: On Church St an expectation was set around a rapid transition from the consultation phase to on site delivery. This is equally true on Ebury Bridge. This has led to understandable frustration from residents when programme timescales are not achieved. A clear learning outcome for Ebury Bridge is that whilst the resident and community voice is critical to designing the new vision, there is a need not to over promise about what can be achieved and by when. There is a need to balance community influence with realism on deliverability. Bringing forward revised development options on Ebury Bridge will be supported by a community engagement partner who is tasked with communicating with residents in a direct and honest way that builds trust by managing expectations.

5. Housing Renewal - Tollgate Gardens

5.1 The contract with Clarion (formerly Affinity Sutton) is now unconditional and Keepmoat, their design and build contractor is on site. Demolition has commenced, with a practical completion planned for 2019.

5.2 The scheme will provide:

- 195 new homes in total
- Of which 86 will be affordable homes including 10 shared equity loan homes for returning leaseholders (these are now 8 Shared Ownership being delivered by Clarion and 2 social rent as no leaseholder wished to take up the equity loan offer)
- A new larger community hall
- Remodelling to the existing Tollgate House to create three more flats and external cladding to improve thermal efficiency



5 Artist's impression of new development

- 5.3 The new development will ensure that there is no loss of social rented homes, there will be 27 more sub-market homes on the site when it is finished and that the quality of the homes retained within Tollgate House is improved. Planning permission for the recladding of Tollgate House has been approved; this will improve thermal efficiency, mitigate condensation risks and reduce heating bills for residents.
- 5.4 The new community centre will provide opportunities for community and social activities.

6. Infill Housing

- 6.1 A significant challenge is delivering new homes quickly and effectively, one option that is being pursued vigorously is to identify within the Council' housing assets opportunities to turn underused space into new homes for sale or rent. The types of asset being used range from basements to laundry rooms, offices and parking areas.
- 6.2 A revolving fund of £10m has been created within the HRA to enable projects to be identified, assessed and delivered. Some costs are recovered from sales of development opportunities for private development where the homes are either too small for our needs or in locations where Council ownership is low. Projects that can provide 2 bed homes or larger are developed for retention within the Council's stock at social or intermediate rents.
- 6.3 The programme delivers 26 social housing properties, creating 118 bed spaces, up to September 2018. This also includes obtaining planning permission for a further 8 units which will be disposed of in order to cross-subsidise the delivery of the new homes. Further opportunities are being progressed to ensure an on-going pipeline.
- 6.4 Programme meets its original key objectives of:
- Increasing the supply of affordable housing on HRA land

- Optimising the value of HRA assets
 - Improving the quality of the HRA portfolio
 - Creating a better match between housing need and housing supply
- 6.5 The Infill programme provides improved homes for families, in some cases these are wheelchair accessible, reducing overcrowding.

7. Alternative Approaches to Use of Assets

- 7.1 An example of rethinking the use of assets is through the Specialist Housing Strategy for Older People site at Beachcroft, Shirland Road site is a decant site for the existing residential care home facilities located at Carlton Dene and Westmead and once Shirland Road is completed and occupied by these residents, these donor sites will be developed separately. The existing facilities at Westmead and Carlton Dene are nearing the end of their designed usable life-cycle and as a result of this are experiencing increased maintenance and general upkeep costs. The Shirland Road site contains two existing buildings and a car park and walkway for Oak Tree house, all of which will be demolished. Once Beachcroft is complete Carlton Dene and Westmead will be redeveloped to provide further specialist accommodation.
- 7.2 When the new homes are completed at Lisson Arches the residents of Penn House will move to the new flats, allowing Penn House to be demolished. The site of Penn House will be developed as new offices, allowing the council office buildings at Lisson Grove/Frampton Street to be redeveloped as new homes. This development will provide a range of tenures with a focus on intermediate homes as has been agreed with the GLA through the Housing Zone programme.

8. Context for out of borough spending

- 8.1 Among the key themes of the council's draft Housing Strategy and its subsequent Housing Direction of Travel document is that Westminster, already among the most intensively developed places in the United Kingdom, does not have the space to meet all its housing needs, and what space there is extremely expensive.
- 8.2 While the demand for housing has continued to increase the resources we have to meet it have not grown commensurately. The consequence is that meeting the housing challenge (and that of delivering affordable housing in particular) require cross-London action. These imperatives are reinforced by an evolving policy context for housing, with major changes at national and London-wide level. This context gives us the imperative and the opportunity to look at innovative approaches and partnerships to deliver more affordable housing, more quickly to complement our programme to invest £1.5 billion in new and improved homes through the HRA.
- 8.3 The growth in demand is likely to continue as Westminster's population continues to increase and factors like welfare challenges keeps demand for social and affordable housing in Westminster at a comparatively high level. There are currently 4,500 people waiting for housing (of these, 2,500 are homeless households living in temporary

accommodation) but only 600-800 social rented homes become available for letting each year. This means that homeless households are likely spend long periods of time in temporary accommodation waiting for social housing. The estimated annual cost of this temporary accommodation is projected to rise from £4.3m in 2016/17 to £11.8m by 2020/21, a total of £33m over the period. Households waiting for family accommodation cannot expect to be allocated a home for many years; the average waiting time for 3 bedroom homes is 12.5 years and 25 years for 4 bedroom accommodation. Although we are refocusing our work to prevent homelessness in the first place, and have changed our homelessness policies to reduce dependence on temporary accommodation, need for affordable housing is likely to remain high and our ability to deliver on the scale required to meet this level of need in Westminster is constrained for the reasons given earlier.

- 8.4 National government policy – particularly proposed extension of the right to buy to be funded by required sales of high value voids and based on “two for one” replacement in London (with encouragement for replacement on a pan-London basis) and the ambitions of the Mayor to see a major increase in homebuilding in London have given boroughs greater encouragement to consider innovative, cross-boundary partnerships for expanded and accelerated delivery. London Councils has been considering a pan-London delivery vehicle and has been working with the Mayor to identify flexibilities and powers required to enable this kind of approach.
- 8.5 The decisions to acquire homes in Hounslow for council tenants and to state publicly how we prioritise homeless households for assistance, including where we can find accommodation for them are examples of how the Council is seeking to explore new options to meet the challenges.
- 8.6 In line with the desire to accelerate delivery new homes for households on modest incomes discussions are being held with a number of housing providers to explore where investment by Westminster in delivering homes would contribute to meeting their objectives. This could include supporting delivery of regeneration projects or unlocking stalled sites.
- 8.7 It is important to bear in mind that housing delivered in this way will be additional to the council’s plans to deliver in-borough, through its housing renewal programme and the use of its planning powers.

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Housing, Finance and Corporate Services Policy and Scrutiny Committee

Date:	Monday 6 th March 2017
Classification:	General Release
Title:	Housing Investment Strategy and Housing Revenue Account Business Plan 2017/18
Report of:	Barbara Brownlee, Director of Housing and Regeneration
Cabinet Member Portfolio	Councillor Rachel Robathan, Cabinet Member for Housing
Wards Involved:	All
Policy Context:	City for Choice / Heritage / Aspiration
Report Author and Contact Details:	Jake Mathias – 0207 641 3359 jmathias@westminster.gov.uk

1. Executive Summary

- 1.1 This report presents the Housing Investment Strategy and thirty-year Housing Revenue Account (HRA) Business Plan. This is the fifth such plan since the introduction of self-financing in 2012. The City Council's investment plans are ambitious and will deliver a range of lasting benefits for the City, its residents and the City Council. They will allow the City Council to realise much of its 'City for All' ambitions of aspiration and choice; delivering new homes and leveraging the value of our land assets to bring forward investment in some of Westminster's poorer neighbourhoods.
- 1.2 Since last year the recommended budget for investment (including both capital and revenue) in the Council's existing stock has been increased from £1.4bn over thirty years to £1.5bn. In the light of the uncertainties created by welfare reform changes and the Housing and Planning Act 2016 (HPA), a prudent approach to budget setting was adopted last year and it was signalled that officers would revisit the plans at this time. A budget of £1.5bn is viable but

minimum reserves are reduced to £10m, instead of £11m in two of the 30 years. This increase of c.£100m primarily relates to:-

- A revised 2% contingency allowance over the 30 year business plan period on major works to the existing stock; (c.£30m)
- Allowances to deal with contractor default and latent defects; (£4m)
- An anticipated increase in the number of units requiring void refurbishment works; (c.£8m)
- A re-profiling of capital expenditure as a result of new major works contracts; (c.£24m)
- New health and safety requirements; (c.£1.4m)
- One year's construction inflation from 2016/17 to 2017/18 (over 30 years). (£c.35m)

1.3 Key elements of the HRA capital investment programmes included are:

- Continued investment in existing housing stock (£1,034m);
- Investment in the housing estate regeneration programme (£509m);
- Other new supply schemes (£99m)
- Affordable Housing Fund expenditure on new supply over the 5 year period 2017/18 to 2021/22 (£114.37m including £58m on HRA schemes)

2. Key Matters for the Committee's Consideration

2.1 To consider the changes between the 2016/17 business plan and the 2017/18 business plan.

2.2 To consider the risk mitigations in Section 5.

3. HRA investment programme – expenditure on existing homes

3.1 The 2016/17 HRA Business Plan accepted that, because of the reduced income assumed as a result of Government rent changes, not all of the Council's housing stock would be able to be brought up to – or maintained at – the 'CityWest Standard'. Rather, a 30-year investment programme was set at £1.4 billion (£941m capital and £473m revenue), which would still enable the Council to meet the Government's Decent Homes standard.

3.2 Officers have continued to take a prudent approach to budget setting because of the on-going uncertainties arising from the HPA. However, following further review of necessary investment, an increase in the 30 year budget has been proposed as part of this year's Business Plan. Specifically, it is assumed that an additional c. £100m would need to be spent over the Plan period leading to a total projected spend of c. £1.5 billion (£1034m capital and £485m revenue).

- 3.3 Total expenditure on major works programmes in the first five years of the programme therefore amounts to c.£291m investment (capital and revenue), broken down as shown below.

Description	5yr Plan	30yr Plan
	£m	£m
Mechanical & Electrical	63	342
External	88	377
Major Voids	18	94
Kitchen & Bathrooms	8	68
Lifts	10	50
General	5	29
Fire precautions	14	38
Adaptations	6	36
Total Capital Improvements	211	1,034
Repairs & Maintenance	80	485
Total Investment	291	1,519

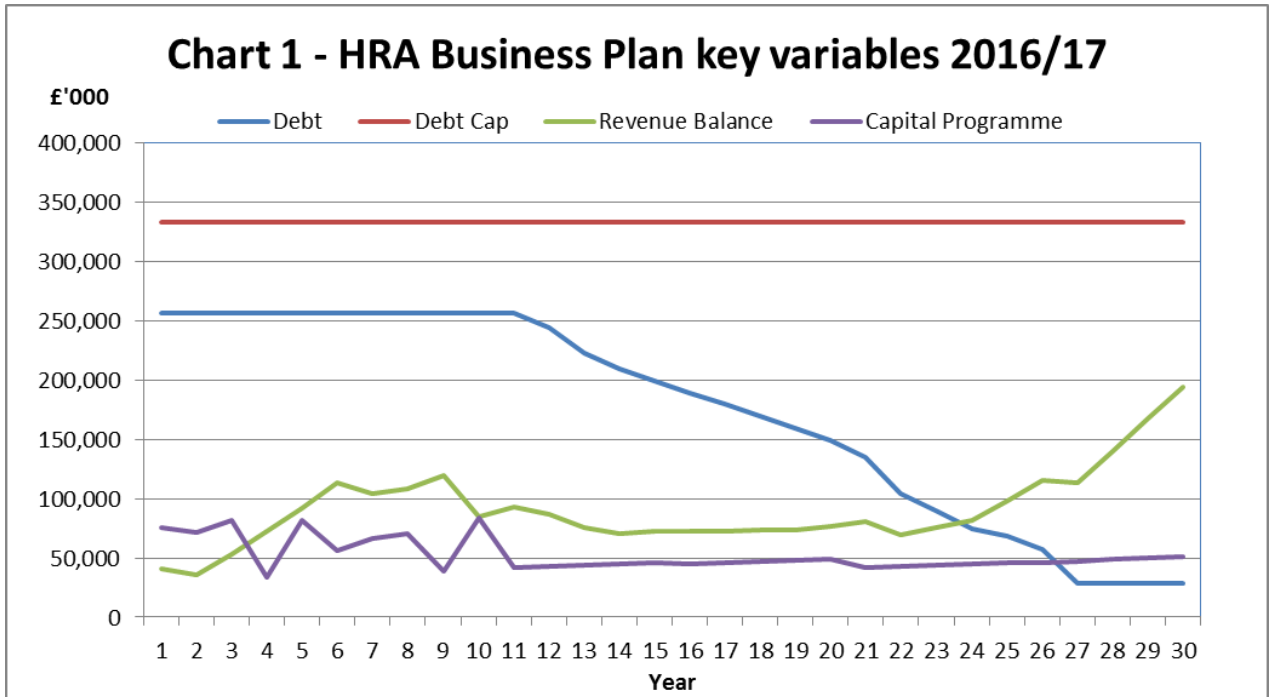
- 3.5 One of the key ways that CityWest Homes is seeking to ensure better investment and budget control is through its current procurement exercise. This involves long term service agreements with a limited number of contractors. CityWest Homes already has a 10 year term contract to provide responsive repairs works, but this is coming to an end in April 2017. The proposal is to grant a series of new contracts covering not just responsive repairs, but also major works. This will provide better value for money and drive a reduction in costs. As well as improved management a 2% (industry norm) contingency has been applied.
- 3.6 The contracts should mean that procurement is much more stream-lined with a shortening of the time period from project approval to 'start on site'. In the short-term, however, the procurement of the Term Contracts has meant that a number of projects have been delayed, to be captured under the new regime, which, along with the regeneration programme, is the reason for the higher capital investment profile in the first three years of the Plan.

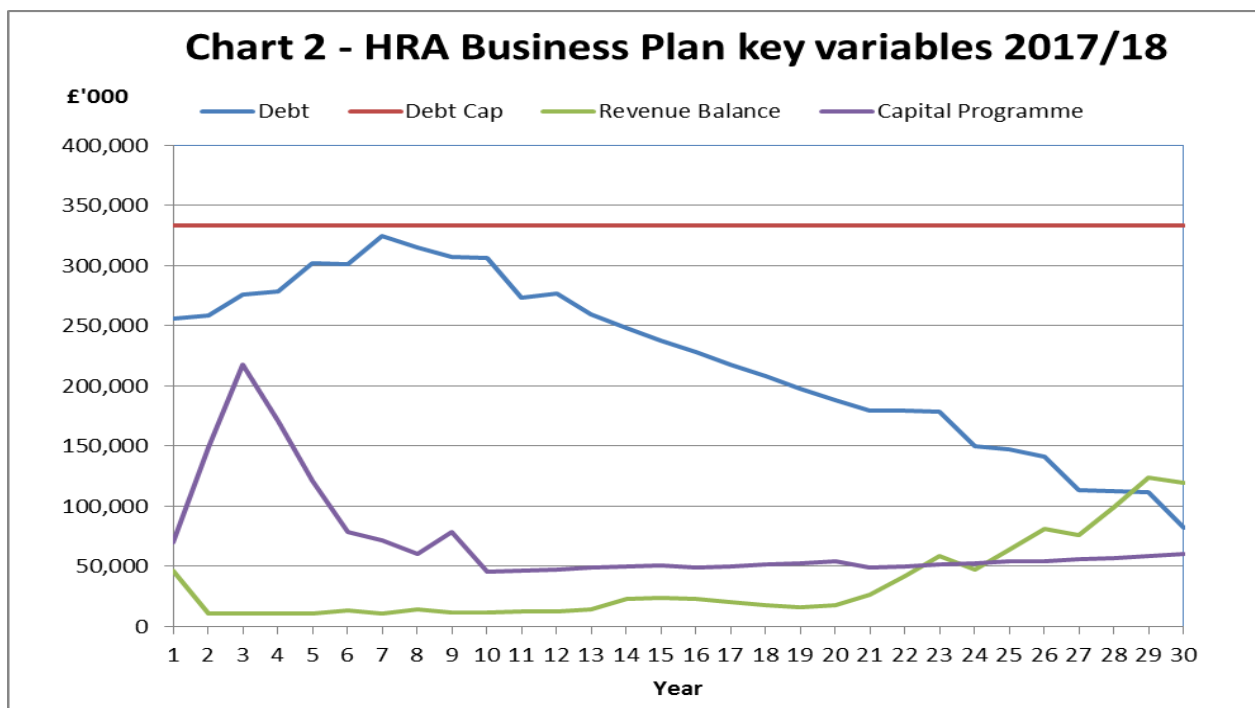
4. The HRA business plan base financial position

- 4.1 This report sets out the Council's Housing Revenue Account (HRA) Business Plan for the 30-year period 2016/17 to 2046/47. The base financial position will deliver the following:
- Investment in existing stock of £1.5bn, including major works capital expenditure of £1.034bn and revenue repairs and maintenance of £485m.
 - Investment in new affordable housing of £509m generating 992 new HRA units, along with improved public realm and community facilities.
 - Reduction in HRA debt in year 30 to £82m.
 - HRA Revenue balances in year 30 of £120m.

- Efficiency savings of £5.2m in the first five years which are reinvested in service delivery.

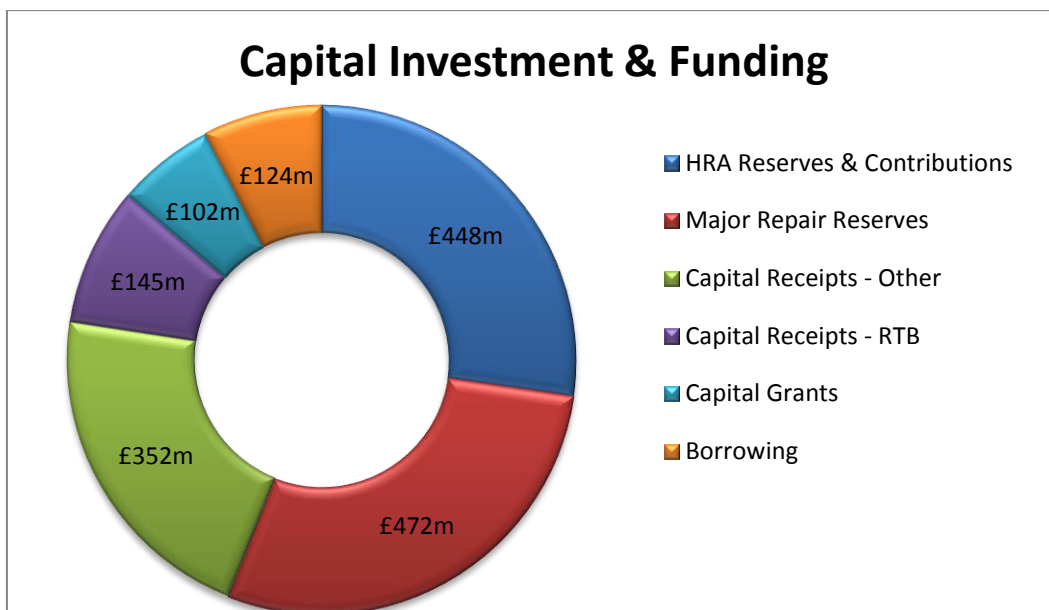
4.2 The charts below show the key variables of last year and the current year's Business Plans: the debt cap (set by government under the self-financing settlement); the debt (total borrowing requirement); capital programme expenditure; and the cash reserves balance. Each of these is explained further below. This shows that the HRA can fund the regeneration and other identified investment opportunities, with support from additional capital grants and receipts.





- 4.3 **Debt cap (red line)** - each local authority HRA has a debt cap, imposed by government as part of the 2012 self-financing settlement. This limits the amount of borrowing that the HRA can undertake. Westminster’s cap was originally set at £325m, but was increased in 2014/15 to £334m. As the chart shows, the borrowing limit remains the same over the 30 year period so the maximum amount the HRA can borrow is in line with government rules.
- 4.4 **Debt (blue line)** - As the chart shows, the Council is able to fund the investment programmes outlined in this report with additional borrowing. Borrowing peaks in Year 7 and reduces thereafter as most of the regeneration scheme are completed or near completion. The plan assumes that maturing debt will be re-financed as long term loans expire and where resources allow, the principal sums are progressively repaid. Debt levels are higher than that presented last year in the first 14 years because of the additional expenditure planned on maintaining the existing stock and increased expenditure on regeneration as shown by the rising blue line from year 1 to year 8 and its fall back to around £250m in year 14. This compares with the flat line at around £250m in last year’s projection. Borrowing is estimated to fall from £256m to £82m (£29m last year) over the life of the plan resulting in a net debt repayment of £174m (£228m last year) over the 30 year period. The borrowing headroom is estimated to improve from £78m (£77m last year) to £252m (£305m last year) at the end of the plan providing future investment capacity in the later years of the programme. The reduction in headroom of £53m compared to last year’s plan enables the HRA to access the additional borrowing required to fund the regeneration projects.

- 4.5 **Revenue balance (green line)** - A minimum reserves balance of £11m has been assumed in the plan as a contingency against unexpected expenditure and to mitigate potential risk. This largely arises from the dependency upon capital receipts which are dependent upon delivery of the regeneration programme and the continued buoyancy of the property development market. This continued level of reserves in this year's programme is felt to be prudent in light of the future uncertainty around Brexit, Government housing policy, rent policy, inflation, interest rates and cash flow. As the charts shows, the revenue balance is estimated to rise from £46m to £120m over the life of the plan. However, last year's plan saw balances rise from £40m to £194m. The balances are close to the minimum from year 2 to 10 then slowly increases thereafter as regeneration projects are completed or near completion. The reduction in balances of £74m from last year's plan have helped fund the higher capital programme.
- 4.6 **Capital programme (purple line)** - Total planned capital investment in the HRA totals £1.6bn (£1.2bn last year) over 30 years. This includes major works on existing stock of £1bn (£933m last year), regeneration £509m (£248m last year) and other new supply schemes £100m (£49m). The programme is estimated to rise sharply and peak in year 3 as a result of increased regeneration expenditure, then gradually reduce over the next 7 years and stabilise from year 10 onwards as the regeneration projects are completed or near completion. The amount of HRA expenditure on regeneration has increased compared with last year and it also happening earlier, hence, the large peak in expenditure in year 3 to 6. The higher regeneration programme will deliver 992 new affordable homes.
- 4.7 This will be funded mainly from: Reserves & Contributions of £448m; capital receipts of £352m generated from land and market sale of new homes; capital grants of £102m; RTB sales receipts of £145m, and borrowing where appropriate. This is shown in the chart below.



Key Business Plan assumptions

- 4.8 The key assumptions that underpin the business plan are set out below.
- 4.9 **Housing stock** – the Plan is based on a forecast of reducing tenanted stock numbers from 12,054 at the beginning of year 1, to 11,103 in year 30. This includes a total 992 new units, 765 RTB sales, 688 demolitions and 250 high value void sales.
- 4.10 **Dwelling rents** - average weekly rent per property is estimated to increase from £124.26 to £227.20 in year 30 of the plan. This reflects the 1% rent reduction in the first four years to 2019/20 in line with government regulation and an estimated 3% average rent increase for the next five years up to the end of the original 10 year rent policy. For subsequent years a prudent inflationary increase is assumed as Government rent policy beyond the initial 10 years rent policy period is still uncertain.

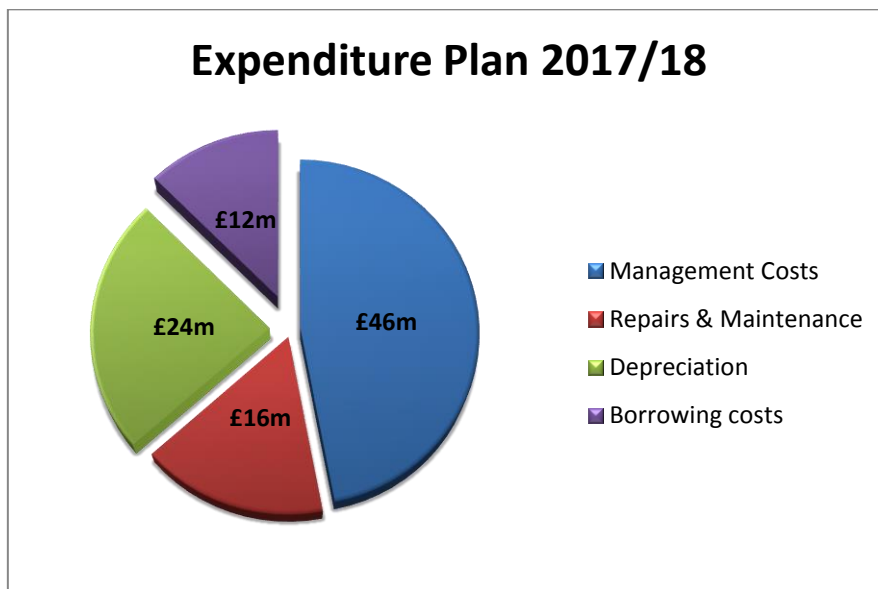
HRA stock movement

Tenure	Tenanted	Affordable / Intermediate	Leasehold	Total
Stock numbers at 01/04/2016	12,054	0	9,098	21,152
Additions	518	474	0	992
Demolitions	-454	0	-234	-688
Disposals - RTB	-765	0	765	0
Disposals - HVV	-250	0	0	-250
Stock numbers at 31/3/2046	11,103	474	9,629	21,206

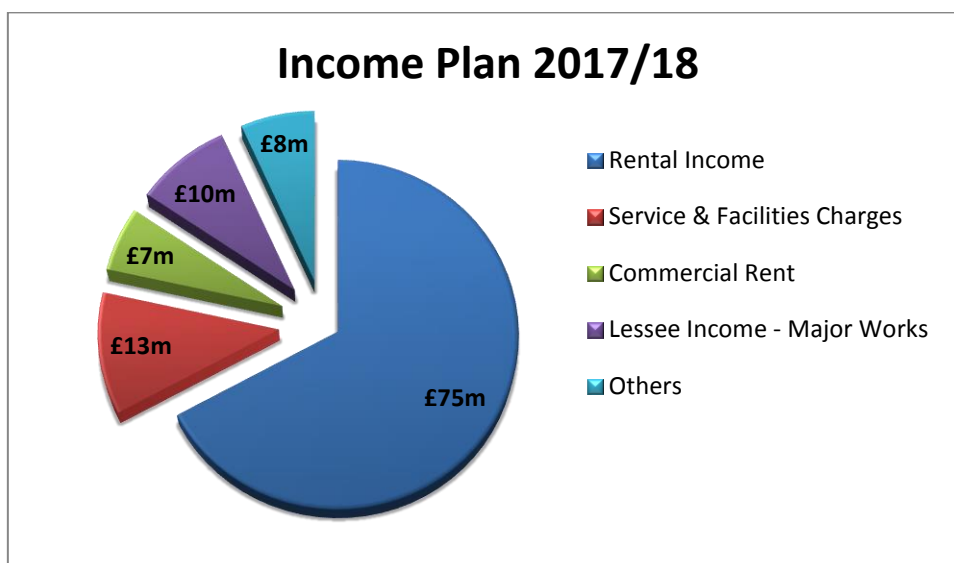
Assumed rent increases

Year	Year	Average Rent per week	Assumed Rent Increase	% (Decrease) /Increase	ent Increases
1	2016.17	£124.26	£-1.19	-1%	-1%
2	2017.18	£123.07	£-1.19	-1%	-1%
3	2018.19	£121.88	£-1.19	-1%	-1%
4	2019.20	£120.70	£-1.18	-1%	-1%
5-9	Annual increases in line with CPI +				1%
10-30	Thereafter annual increases in line with CPI +				0%

4.11 **Management Costs** – the chart below show the operating account expenditure for 2017/18. The total annual expenditure is £98m, the bulk of which is the housing management and service costs of £46m. £38m of the management costs represents direct estate management services for tenants and lessees delivered through City West Homes (CWH) and other providers, and support services delivered thorough other Council services. The balance of £8m consists of other costs such as communal heating & hot water provision and other estate services which are recoverable from tenants and lessees.



4.12 The chart below show the operating account income for 2017/18 in the Business Plan.



4.13 Being a 30-year plan, the HRA Business Plan is based on a number of assumptions about the future. We have been prudent in setting these assumptions so that risk is minimised. The key assumptions used in the plan are shown below. See section 5 for a discussion on how risks are managed.

Risk area	Assumption	Comment
Inflation	RPI at 2.5% CPI at 2%	Assumed long term inflation for planning purposes applied to expenditure items.
Rent policy	Y 1-3 1% reduction Y 4 – 9 CPI +1% Y10+ CPI only	A conservative approach to rent increases as local authorities have flexibility under the self-financing regime.
Void rates	1.5%	Assumed long term void rate for planning
Bad debt provision (BDP)	1.5% from Y2 onwards	Assumed long term BDP rate for planning
Interest on debt/balances	0.5% on balances; 4% on new and rescheduled debt	Reflects current rates available and historic evidence.
RTB Receipts	30 in the first three years, then 25 thereafter.	Best estimate based on historical sales trends and expressions of interest
Minimum cash balances	£11m	Approximately 10% of turnover. Prudent in light of current economic and market risks as a result of Brexit.
High Value Voids (HVV) - The HPA requires housing authorities to	250 sales over 3 years.	It is assumed the levy payment will be funded from capital receipts from units sold.

Risk area	Assumption	Comment
sell interest in any vacant higher value (HRA) housing and pay a levy to government		

4.14 Based on these assumptions, the business plan remains viable over the 30-year period; and the investment programmes are deliverable.

5. RISK MANAGEMENT

5.1 As the HRA headroom and financial capacity is fully utilised by the increase in the proposed capital programme over the immediate planning period the ability of the HRA to absorb and manage risk is reduced as HRA reserves will be at minimum levels.

5.2 This means that if any overspends occur or capital receipts are delayed or reduced this would necessitate mitigation through a range of management actions as the HRA is legally unable to run deficits.

5.3 The range of management options available within the HRA to mitigate any additional risks are as follows:-

1. Reduce expenditure
 - i. Reduce major works capex (e.g. from £1.5bn to £1.4bn over 30 years).
 - ii. Reduce Major works capex over the first ten years (when capex peaks).
2. Re-profile, extend or delay expenditure
 - i. Programme the regeneration spend so that schemes run sequentially rather in parallel or delay either some projects within Church Street or Ebury.
 - ii. Reprofile major works capex over the first ten years (when capex peaks).
 - iii. Reprofile and extend regeneration scheme programmes.
3. Dispose of HRA assets
 - i. Identify surplus assets or sell additional HRA properties (the average value of a dwelling is approximately £500k)
4. Vary HRA or Affordable rents
5. Increase funding from the Affordable Housing Fund (AHF)
 - i. The risk of increases in cost for the acquisition of affordable housing can be met from the AHF fund through reprioritisation of funding c£40m.
6. Lobby for an increase in the debt cap.

5.4 An analysis of the current regeneration capital programme shows that after excluding schemes that are either cash limited or contractually committed and excluding spend on new affordable acquisition where the affordable housing fund would pick up any potential increase in cost risk that an appropriate level of risk contingency of c.£50m has been provided for.

5.5 As noted in section 4 above, the base business plan uses prudent assumptions so that risk is minimised. Set out below is a summary of other potential risks to the stability of the business plan. Quarterly governance meetings are held between senior officers and elected officials, at which programme performance is reviewed and risks monitored.

Risk	Impact	Mitigation
Capital Receipts: The plan assumes estimated capital receipts of £352m will be recovered and used to fund the development of new homes.	Any significant slippage in the recovery of these receipts may pose a cash flow risk for the HRA.	Robust monitoring of the timing of the receipts will help inform management action to mitigate this risk. Management options identified above would need to be applied.
Rent Policy	If rents were to increase annually by CPI after 4 years, not by CPI+1% as modelled, the impact would be a cost of c. £330m and the plan would be unviable.	Management options above would need to be applied.
Interest rates	If interest rates were to rise to 6% the impact would be a cost of c. £62m. But the plan would still be viable.	Management options identified above would need to be applied.
Inflation	If RPI inflation were to increase above that assumed by 1% the impact would be that the Plan will no longer be viable. But the increase in costs would be partially offset by increased income as this is also based on CPI inflation.	Management options identified above would need to be applied.
Capital Costs	If the cost of construction and professional fees on the regeneration programme were to increase by 20% this would cost £50m.	This is provided for within the scheme budgets.
Welfare Reform: Implementation of Universal Credit, benefit cap and other welfare reform changes.	May increase rent arrears which impacts HRA income.	Robust monitoring of service activity and the HRA Business Plan.
Brexit - Adverse impacts on costs and values as a	There is increased uncertainty about the costs of projects due to changes in the cost of materials and labour arising	A selection of current projects are being reviewed to identify and seek to quantify the impacts based on the best

consequence of Brexit	from changes in the value of the pound relative to other currencies. Equally there are changes in the attractiveness of London as a residential investment, positively due to falls in the value of the pound and negatively from lack of access to Europe. These are highly uncertain and may lead to increased caution on the part of contractors and developers when bidding for work or assessing the risks/rewards of current projects.	evidence available to highlight areas where further measures need to be taken.
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6. FINANCIAL SUMMARY

- 6.1 This report relates to the Housing Revenue Account (HRA) Business Plan and overall Housing Investment Strategy. It is based on 30-year period. It has been updated to reflect the current position including the impact of known Government policies, funding arrangements and risk factors. All expenditure and income are included in Council budgets.
- 6.2 The capital programme proposed will see an increase in capital spend. The gross HRA capital expenditure required to deliver the plans within this investment strategy is £700m over the next five years. This will rely upon funding of £210m of HRA revenue resources, £381m from RTB & Other capital receipts, £58m from the Affordable Housing Fund and £52m of new borrowing or grant.
- 6.3 The funding of this programme is largely dependent upon the timing and value of asset disposals that underpin the regeneration programme.
- 6.4 Once these HRA funds are committed they will utilise all of the foreseeable headroom and financial capacity within the HRA. It will result in the HRA reserves being at around a minimum level of c.£11m for 20 years and borrowing peaking at £334m in year 7. This will limit the ability of the HRA to contribute major funds to any further housing development until around year 10, therefore the Strategic Housing Options study currently underway, is seeking alternative methods to build more homes.
- 6.5 As the plan repays debt the headroom will increase from year 7 and by year 13 the revenue reserves will also start to increase, which will allow for further new investment to begin again at this stage.
- 6.6 As the HRA is legally not allowed to run a deficit this means that if there is an overspend on the capital programme or elsewhere, or if capital receipts are reduced or delayed, the options available to contain these pressures will necessitate either reducing, reprofiling or stopping expenditure on the capital programme or realising funds through the disposal of HRA assets, or applying

more funding from the AHF. These options are identified within the risk management section above.

- 6.7 There remain a number of uncertain risks identified including interest rate, inflation and the impact of Brexit that will require close monitoring and the adoption of a range of management mitigations if they adversely impact upon the HRA.
- 6.8 The reduction in the capacity of the HRA and the potential impact of risk factors requires a strong risk mitigation strategy that can be quickly adopted if any of adverse risks materialise. The range of management options available to mitigate risk are outlined in detail.
- 6.9 The latest 30-year HRA Business Plan demonstrates that the investment proposals are fundable, subject to the assumptions within the plan, and that the HRA remains a sustainable and viable entity over the thirty year period.

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