Appendix 1 – 31Ten Report Options and Council Response

No.	Option	Homes Gained	Detail	Constraints	WCC Response	Action
1	**Intermediate Homes** Increasing London Living Rent (LLR) to Discount Market Rent (DMR)	+8	The Council could increase intermediate rents to above LLR. DMR at 55% of market rent would still cater for 25% of the intermediate waiting list while producing an additional £45k receipt per home to the Council.	The Council have committed to LLR as part of Fairer Housing and has secured grant from the GLA averaging £60k per home contingent on rents being no more than LLR across most of the programme. The loss of grant would not be mitigated by the increased receipt.	At this stage, the benefit of the grant outweighs the increased receipt. Alongside the Council's commitment to LLR this option will not be actively pursued.	Not taken forward.
2	**Value for Money** Adjusting the HRA's valuation methodology to increase value.	+7 to +9	When appraising schemes, the Council converts ongoing cashflows of rental income and expenditure into a single £ figure by applying a development yield. The Council could instead adopt a breakeven methodology which would increase that £ figure	While the Council generally uses development yields across the programme, both Church Street and Ebury as well as the HRA Business Plan use the breakeven methodology. Development yields are generally simpler and provide a buffer against adverse movements in assumptions.	The Council will reconsider how it values affordable homes. Historically the breakeven methodology has been used as a sensitivity in estate regenerations which carry significant deficits to evidence how the Council will afford these deficits.	To be considered through the HRA Business Plan setting
3	**Value for Money** Build at Private Sector Rates	+30	Based on current live schemes the Council builds new homes for an average cost of £750k. Benchmark data from Arcadis places private sector developers' build costs closer to £575k per home. Achieving this rate would significantly increase the number of homes built across the borough.	Like for like comparison is challenging with the Council's relatively few data points including schemes significantly above and below that figure. Many factors contribute to the Council's higher costs. The Council seeks to achieve a high specification beyond what the market would normally provide, including high sustainability, increasing build costs but generating life cycle savings. The Council approaches each site as a unique opportunity rather than having a set design and layout, creating higher quality communities but reducing	The Council will continue to monitor build costs and ensure best value; however, it retains its commitment to building high quality housing with strong sustainability credentials to support its zero carbon ambitions. The Council often manages a significant proportion of the homes its builds and the additional lifecycle costs can outweigh upfront savings.	Accepted but balanced against competing objectives

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				economies of scale. Council sites often would not be delivered by the market, either due to abnormal costs, constraints or significant vacant possession costs. Public procurement can limit the Council's ability to use SME contractors who may have lower overheads for smaller sites		
4	**Formula Rent** Increase Social Rents to Formula Rents	+3	While existing tenant's rents are fixed, only increasing annually, the Council can set rents for newly built homes based on the government's formula rent, up to a rent cap. The Council's appraisals use a blended average rent, which is below the rent cap.	This only applies to new tenancies and a significant amount of the Council's developments include returning tenants whose rents are maintained at existing levels.	While not reflected in the Council's appraisal methodology, Housing use formula rent for new build social homes. This has now been captured in the Council's appraisal. Due to the deficits being carried on a number of schemes this hasn't translated into additional homes but will allow future schemes to deliver more affordable homes.	Accepted
5	**Registered Provider** Engage RPs to acquire Council built affordable homes	+3	Engaging registered providers to forward fund, own and operate affordable homes built by the Council would reduce Council borrowing and increase receipts, as RPs will typically pay more than the Council can for affordable homes. The Council still retains nomination rights.	Most RPs operate in a wider geographical area than Westminster and have historically disposed of affordable properties in the borough in favour of homes outside. While the Council retains nomination rights, it does lose its ability to control the quality of management, which there are concerns about on homes delivered by RPs in Westminster, while remaining responsible to residents for their wellbeing.	Due to the relatively small gain in affordable housing, the non-financial advantage of managing the homes currently outweighs the capital return. These new homes also provide an opportunity to decant residents and assist with achieving vacant possession on regeneration sites.	Not taken forward but monitored

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6	**Additional Funding Sources** Utilising institutional funding as an alternative to the Public Works Loan Board (PWLB)	Tbc	Accessing finance which offers more flexibility than PWLB at the cost of an overall higher interest cost. Index linked borrowing enables the Council to align its interest costs against the net rent generated from the new homes it funds, enabling the Council, in the short run, to borrow more affordably.	Institutional finance can be more complex to arrange than PWLB, is project specific and will overall lead to higher interest costs. Index linked borrowing relies upon matched increases in rent, which may not always occur with regulated rents.	The Council currently has capacity in its forward borrowing arrangement which has enabled it to maintain a low cost of finance. The Council will consider project specific finance as opportunities arise; however, it is unlikely to be competitive with its forward borrowing in the current interest rate environment.	Accepted and to be explored further with appropriate schemes
7	**Street Purchases** Acquire in borough instead of building	+31	The Council could divert funding from building new homes to instead acquire existing street properties, refurbish them and let them at social or other affordable rents	While increasing the number of affordable houses it does not increase the total housing in the borough, its scalability relies on stock being available and may lead to rises in house prices in the borough. Dispersed street purchases can be more difficult to manage than a concentrated block of housing.	£85m of extra funding has already been allocated from the General Fund to purchase temporary accommodation homes both in and out of borough. At this stage the HRA does not have any further headroom to acquire homes and further investment would have an opportunity cost elsewhere in the business plan (e.g., reduced spend on new build development or increased commercialisation of schemes, for example). With in-house capacity being increased to support TA acquisition, the Council can choose to access this pipeline of purchases at any time and switch identified units to social rent if resources are available. Furthermore, modelling indicates that the current budget provision for the acquisition of homes for TA will, in effect, exhaust available supply over coming years. As	Actively Pursued through £85m funding

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					such, there is not capacity in the market to enable more homes to be acquired. The Council continues to explore options to acquire further S.106 homes, particularly where these support wider programme objectives.	
9	**Street Purchases** Buy Properties for TA Out of Borough	+38	Average houses prices are approximately 20% lower within a 5km radius of Victoria Street, compared to within the borough. By concentrating acquisitions to surrounding boroughs the Council could generate more affordable homes for its investment	Mainly political and perception. The Council does acquire out of borough currently. A key constraint to this proposal, however, is the much lower rental income available outside of the Central BRMA (under the HB Subsidy rules). This can massively restrict the break-even price point for out-of-borough purchases that are still within a politically palatable distance of Westminster.	£85m of extra funding has been allocated from the General Fund to purchase temporary accommodation homes both in and out of borough. This will almost double the planned future investment in TA acquisition. A catchment area has been agreed with members to target acquisition areas towards approved geographies.	Actively Pursued through £85m funding
10	**Street Purchase** Acquire out of borough instead of build	+59	The Council could benefit from an even greater differential between build costs and acquisition costs if homes were acquired out of borough.	Does not increase the overall housing in London but does increase affordable housing. May pose issues managing a dispersed portfolio. May cause political or perception issues. Reduces the ability for the Council to actively regenerate areas of the borough.	As noted against option 8 and 9, the Council has allocated funding to acquire TA both in and out of borough, and while non-TA affordable homes are actively pursued, this mainly driven by s106 acquisitions as the HRA does not have the headroom to acquire street properties for social rent. There are also non-financial benefits of building, such as regeneration and improving health and wellbeing outcomes.	Not taken forward, focus remains on building.