



City of Westminster

Cabinet Member Report

Decision Maker:	Cabinet Member for Finance, Property and Regeneration Cabinet Member for Housing and Customer Services
Date:	31 July 2018
Classification:	General Release
Title:	Westminster Community Homes – Funding requirements for spot purchases used as affordable housing
Wards Affected:	All
City for All Summary:	Delivering more affordable housing
Key Decision:	No
Financial Summary:	This project requires additional funding of £5.237m to be provided by the City Council from its Affordable Housing Fund. WCH will use this funding to acquire additional affordable units for use by City Council nominees.
Report of:	Director of Housing and Regeneration

1. Executive Summary

- 1.1 Westminster Community Homes (WCH) has been active in purchasing leasehold properties within the City Council's estates with two programmes, one in advance of regeneration activity and the second to grow the available affordable housing stock for City Council nominees in other non regeneration areas.
- 1.2 This programme was authorised by a June 2012 Cabinet Member decision where it was reported that the average full cost of a spot purchase property secured by WCH was likely to be in the region of £280K per unit and that the City Council would allocate £100K per unit through the Affordable Housing Fund to support these purchases.
- 1.3 34 properties have been purchased through this scheme supported by £3.26m of Affordable Housing Fund at £100K per property (the lower total amount reflects lower actual subsidy levels for 3 specific properties). However the total delivery costs of these properties has been £15.02m, an average cost per property of £443K, an increase of £168K per property than was originally estimated. This is reflective of both increased property prices during this period and the focus on purchasing properties on the Ebury Bridge Estate, a higher value area, to assist with the regeneration programme there
- 1.4 Reflecting this change in the market, in January 2018 the Cabinet Member took the decision that all future spot purchases secured by Westminster Community Homes (WCH) and eligible for funding through the Council's Affordable Housing Fund (AHF) could be funded at a rate of £250k per unit.
- 1.5 This report seeks a similar level of support from the AHF for the 34 spot purchases already secured by WCH increasing the AHF contribution from £100k to £250K per unit. This is in line with the January 2018 Cabinet Member report approving this amount for future purchases and reflects the difference between the forecast purchase price in the original report and the actual average cost.
- 1.6 WCH currently owns 432 homes and offers a range of affordable housing tenancies including social housing for rent, intermediate rent, shared ownership and temporary accommodation for homeless families. WCH provides 100% nomination rights to the City Council in perpetuity. If agreed this will enable WCH to deliver an additional 15-20 units to meet housing need, including to discharge the Council's housing duty reducing the Council's general fund homelessness spend. Recently WCH governance, shareholding and Board membership has

changed and WCH has become a City Council 'wholly controlled' Registered Provider, following legislative changes

- 1.7 The total cost to the AHF of providing additional funding towards these 34 spot purchases will be £5.237m.
- 1.8 Current balances held in the Affordable Housing Fund are £306m (as at the end June 2018), of which £76m is currently formally approved against existing affordable housing projects with all remaining funds pre-allocated against ongoing and future affordable housing projects , including this funding request for £5.237m.

2. Recommendations

- 2.1 That the financial appendices attached to this report be exempt from disclosure by virtue of the Local Government Act 1972, Schedule 12A, Part 1, paragraph 3, in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 2.2 That the Cabinet Member for Finance, Property and Regeneration and Cabinet Member for Housing and Customer Services approve;
 - 2.2.1 That a funding contribution of £5.237m be provided from the Affordable Housing Fund to Westminster Community Homes towards 34 properties purchased by Westminster Community Homes for use as affordable housing.

3. Reasons for Decision

- 3.1 The provision of funding by the City Council to Westminster Community Homes assists in the delivery of additional affordable homes in the city and also helps with land assembly in those areas of the City where regeneration is planned.
- 3.2 It is a permitted use of the Affordable Housing Fund to finance the delivery of new affordable housing in Westminster.

4. Background

- 4.1 Westminster Community Homes (WCH) was formed by the City Council in December 2008 as a Co-operative and Community Benefit Society (CCBS) with charitable objectives and is registered with the Financial Conduct Authority

(FCA). In December 2009 it became a Registered Provider of affordable housing regulated by Regulator of Social Housing.

4.2 On 19 February 2018 the Cabinet agreed that Westminster Community Homes should become a wholly controlled subsidiary of the City Council. WCH Board has also approved this approach and the necessary rule changes have now been approved by the Financial Conduct Authority.

5. Spot Purchases - New Funding requirements.

5.1 WCH has been active in purchasing leasehold properties within the City Council's estates with two programmes, one in advance of regeneration activity and the second to grow the available affordable housing stock for City Council nominees in other non-regeneration areas.

5.2 In June 2012 the Cabinet Member agreed an allocation of £9.44m to be made available to WCH from the City Council's Affordable Housing Fund to part fund a programme of 78 spot purchases and up to 56 units to be delivered from new build and other infill opportunities across the City.

5.3 At the time of the Cabinet Member decision it was reported that the average all in delivery cost of a spot purchase secured by WCH was likely to be in the region of £280,000 per unit and that the City Council would allocate £100K per unit through the Affordable Housing Fund to support these purchases.

5.4 34 properties have been purchased through this scheme supported by £3.26m of Affordable Housing Fund at £100K per property (the lower total amount reflects lower different actual subsidy levels for 3 specific properties.) However the total delivery costs of these properties has been £15.02m, an average per property of £443K, an increase of £168K per property than was originally estimated. This is reflective of both increased property prices during this period and the focus on purchasing properties on the Ebury Bridge Estate, a higher value area, to assist with the regeneration programme there

5.5 The impact of the higher delivery costs of securing spot purchases has meant that WCH was required to commit more financial resources to securing these homes than was estimated to be the case in the original June 2012 Cabinet Member report.

5.6 Reflecting this change in the market in January 2018 the Cabinet Member took the decision that all future spot purchases secured by Westminster Community

Homes (WCH) and eligible for funding through the Council's Affordable Housing Fund (AHF) could be funded at a rate of £250k per unit. This report seeks a similar level of support from the AHF for the 34 spot purchases already secured by WCH increasing the AHF contribution from £100k to £250K per unit. This is in line with the January 2018 Cabinet Member report approving this amount for future purchases and reflects the difference between the forecast purchase price in the original report and the actual average cost.

- 5.7 Increasing this funding rate to £250,000 will require a top up funding allocation of £5.237m to be provided from the City Council's Affordable Housing Fund. Appendix A to this report lists all those spot purchases secured by WCH in Westminster since 1 April 2014 including the total costs of delivering these units.
- 5.8 The funds released through this proposal will allow WCH, as set out in paragraph 4.2, now a wholly owned subsidiary of the Council, to support the delivery of key Council strategic goals. In particular this will include assisting with increasing the provision of good quality out-of borough properties that can be used to discharge the City Council's homelessness duty as well as options for in-borough provision of additional intermediate rented units. It is estimated that 15-20 units could be generated through these funds.

6. Financial Implications

- 6.1 A total contribution of £5.237m is requested by WCH from the Council's AHF at top up funding for 34 spot purchases secured since 2014.
- 6.2 Current balances held in the Affordable Housing Fund are £306m (as at the end of June 2018), of which £76m is currently formally approved against existing affordable housing projects with all remaining funds pre-allocated against ongoing and future affordable housing projects, including this funding request for £5.237m.
- 6.3 There are currently sufficient uncommitted balances held in the Affordable Housing fund to allocate £5.237m towards Westminster Community Homes affordable housing programme. The £5.237m has been included in current projections of AHF spend so will not create additional pressure to the position already reported.

7. Legal Implications

- 7.1 Generally, section 106 obligations relating to commuted affordable housing payments require the Council to use those funds to provide or secure the provision of affordable housing accommodation in the City of Westminster. Therefore, a contribution of £5.237m can be used to fund the delivery of affordable housing through Westminster Community Homes.
- 7.2 It is a legitimate use of the AHF to use monies for the provision of more affordable homes within the City of Westminster.

8. Staffing Implications

- 8.1 There are no staffing implications arising from this report.

9. Consultation

- 9.1 No Ward Member consultation will be required.

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

Fergus Coleman, Head of Affordable Housing and Strategy Tel: 0207 641 2129.

Email: fcoleman@westminster.gov.uk

For completion by the **Cabinet Member** for Finance, Property and Regeneration

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: **Councillor Rachael Robathan, Cabinet Member for Finance,
Property and Regeneration**

State nature of interest if any

.....
(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendations in the report entitled **Top up funding for Westminster Community Homes towards the delivery costs of securing spot purchases in Westminster for use as affordable** and reject any alternative options which are referred to but not recommended.

Signed

Councillor Rachael Robathan, Cabinet Member for Finance, Property and Regeneration

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
.....
.....
.....
.....

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City

Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.