

Housing, Finance and Regeneration Policy and Scrutiny Committee

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The Report Of: Councillor Melvyn Caplan, Deputy Leader and
Cabinet Member for Finance, Property and
Regeneration

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This report seeks to update the committee on matters pertaining to the Finance, Property and Regeneration portfolio focusing on:

1. COVID-19: Response and Recovery; and
2. Operational Updates.

1. COVID-19: RESPONSE AND RECOVERY

1.1 REGENERATION PROGRAMME

1.1.1 CHURCH STREET

The Church Street Regeneration Team has worked closely with Public Health to ensure that we are doing everything we can to encourage compliance to government guidelines. Our Community Development team will be going out on Thursday, Friday and Saturday of each week to hand out face masks to people in the market and reminding the public of the latest guidance.

1.2 REVENUE AND BENEFITS

Following on from the report submitted to the committee in September, we have now paid out all 492 available Discretionary Grants to business across Westminster. As a reminder, this scheme was devised to align with the Government's priority areas and offered £10,000 per business fully funded by the Government. As a Council, we received 1500 applications for the 492 available grants.

The Council continues to administer new applications under the Government's 'Enhanced Retail, Hospitality and Leisure scheme'. This has resulted in nearly £1billion of relief being awarded, which reduces the annual collectable national non-domestic rates (NDR) debit from £2.4billion to £1.4billion.

The Council's Revenue and Benefit's team supported payment facilities to enable purchasing, monitoring and reconciliations of spend on essential food supplies by staff and volunteers, for shielding residents. Approximately £18,000 worth of food shopping was purchased, of which £14,000 was refunded by residents.

From 28 September 2020, a Test and Trace Support Payment of £500 was made available for residents that are self-isolating because of COVID-19, and are either employed or self-employed. The payment is to support people on low incomes who are unable to work from home if they are told to self-isolate by

NHS Test and Trace and lose income as a result. As of 30 October 2020, the Council has received 80 applications, with 30 successfully receiving a payment.

1.3 PEOPLE SERVICES

1.3.1 REDEPLOYMENT

In preparation for a resurgence in London, work on redeployment increased to ensure that we have sufficient resources to support our Westminster Connects and contact tracing activity again with some 20 staff needing to be placed immediately.

1.3.2 RECRUITMENT

We streamlined the recruitment process in order to be agile in our approach to recruitment. People Service's would initially look at redeployment and deploying Agency (via Matrix) which were the first options and the quickest routes. If the candidates required were not available via these routes, we agreed with Integrated Business Centre (IBC) to mark these recruitment requests as 'emergency' and the relevant Human Resources Business Partner (HRBP) would then immediately flag the recruitment process as urgent to Hampshire. The "emergency recruitment" status would trigger a number of actions to ensure quick progress; for example, candidates are automatically initiated via the risk assessment route, which means they can start straight away whilst the pre-employment checks are run in the background. This agile approach to recruitment proved very successful with good feedback from hiring managers.

1.3.3 AGILE WORKING

We have enabled staff to sustain agile working with the support and equipment that has been supplied. This means that the Council can continue to operate at full capacity whilst offices have restricted space.

1.4 CORPORATE PROPERTY

The Corporate Property team has worked closely with People Services team to ensure appropriate social distancing and a safe working environment in our offices, informed by detailed risk assessments. There was a slow start to staff returning to the offices in July, even for those people that have expressed a desire to come back for wellbeing or practical reasons. Numbers are increasing weekly with active encouragement and reassurance in our internal messaging. There is currently a maximum of 315 workspaces at City Hall and approximately 60 at Lisson Grove for those that cannot, or find it hard to, work at home.

2. OPERATIONAL UPDATES

2.1 REGENERATION PROGRAMMES

2.1.1 CHURCH STREET

In September and October, a series of design review meetings have taken place on Site A, exploring details such as balcony design, brickwork patterns, building heights and the potential to create additional social rented homes. The Development Team aims to submit a hybrid planning application for Sites A, B and C in the spring of 2021.

Significant work has also taken place this month to consider the library proposals for Site A. Site A is the preferred library location for residents and stakeholders, however, there are a number of implications associated with this location and so the Project Team continue to work closely with colleagues in the Library Service to ensure we deliver what the community needs from their library.

The Vacant Possession Team is working towards achieving vacant possession for Site A by December 2021. This date assumes vacant possession is achieved through negotiation. Currently, the team has made considerable progress decanting Site A with 97 out of the initial 167 occupants remaining on Site A. To achieve this, the Council has made good use of the homes available as part of the new local

development, Lyons Place, to rehouse 32 Site A secure renewal tenants. Work is also ongoing on progressing the first shared equity purchases for Site A resident leaseholders who have expressed an interest. The team is also focused on achieving vacant possession for the Lisson Grove Programme, with work progressing on the purchase of 8-12 Lilestone Street acquisitions from Notting Hill Genesis.

In September the pre-planning application engagement strategy was approved for Sites A, B and C. The intention is to hold the engagement sessions at the beginning of 2021. The results of the consultation will be used to support the preparation of the hybrid planning application for Sites A, B and C.

There are lots of upcoming engagement at the beginning of 2021 with Sites A, B, and C consultations and Green Spine also starts on site so we will be engaging with those living close.

2.1.2 EBURY BRIDGE

Works at the Ebury Bridge Estate are progressing well with Phase One demolition nearing completion and the diversion of the extra-high voltage cable by UK Power Network (UKPN) on programme. Recently, we completed delivery on the meanwhile use 'Ebury Edge' at the end of September 2020.

Planning approval is being sought for early 2021 to enable the programme delivery of 224 Phase One homes. Active discussions are underway with our appointed demolition and design and build contractors regarding both early and enabling works packages that will maintain on site works delivery momentum.

2.1.3 TOLLGATE GARDENS AND TOLLGATE HOUSE

The new blocks on Tollgate Gardens are complete, with all new social housing blocks handed over to the Council at the end of September 2020. The Tollgate Gardens scheme has delivered 86 affordable homes, 109 private homes, the communal refurbishment of the retained block (Tollgate House), improved estate landscaping and a new Community Centre. The scheme has delivered a tenure-blind new estate with high quality homes for people from all economic backgrounds. At the new Tollgate Gardens, residents of social, intermediate and private homes will live side-by-side in modern homes. Residents who temporarily moved away to enable the regeneration to take place have already begun to move back to their new homes fulfilling the Council's commitment to a Right of Return. Tollgate Gardens is further evidence that affordable housing in Westminster is of the highest possible standards.

The developer (Clarion) is now focused on completing the refurbishment works to the existing, retained block (Tollgate House), the intention is to complete these works in February 2021.

2.2 DEVELOPMENT PROGRAMME

In the last quarter the team have worked hard to build on the success of the virtual and multi-channel public consultation process for schemes such as Westmead, Carlton Dene and Balmoral. The feedback and the data has been very encouraging, with more people engaging positively in the process.

Planning consent has been secured for the development sites at Adpar Street, Luxborough Street, 300 Harrow Road and Torrison House. Contractor procurement has already taken place, so the team are now focused on the detailed design and programming phase.

At the end of October, the planners received correspondence from lawyers representing the school adjacent to Torrison House; there is a suggestion that they will seek a judicial review of the decision. The content of the correspondence has been reviewed internally and with the external professional team, and there is still high confidence around the scheme.

The development sales programme continues to create interest and converts this effectively into strong performance in terms of sales. The programme, which is currently delivering 181 new homes for sale, is cross-subsidising the delivery of 165 affordable homes and dementia care beds, new leisure facilities, community space, community initiatives and landscaping across the Borough. At this time the agreed values for properties that have either been reserved, exchanged or completed is circa £78million, which is circa £2.6million above business plan forecasts.

The delivery team have secured Procurement Assurance Board (PAB) approval to award building contracts worth circa £32.5million for eight infill projects which will deliver 93 new homes as part of the 1850 by 2023 commitment. The team has concluded the tender exercise on a further 7 schemes which will deliver 88 units, and expect these to be reviewed by PAB in the coming weeks. This has been a very complex piece of work with extensive market engagement and numerous attempts at packaging the schemes to make them attractive in what is still a buoyant market.

There are currently 21 projects active on site, these units will deliver 694 affordable units. The longer-term impact of the pandemic on construction productivity is still being felt, but we have worked closely with the supply chain to establish robust processes and protocols which should mitigate the impact of future waves. Recently the project at Luton Street was affected by two positive cases, production reduced to 30% of expected for three days, but was quickly mitigated.

The Beachcroft and Masefield development in Shirland Road has now been completed, residents are now living in both the care home (Beachcroft) and the private flats (Masefield). The response to the quality of the buildings has been very positive. Sales remain strong on the Masefield with only 8 flats remaining, to date the development has generated income £1million over the business plan.

After a long enabling works phase, positive construction has now commenced on the Lisson Arches development site, the works are currently on track to achieve completion in June 2022.

Cosway Street demolition has completed, following a short delay after the discovery of asbestos below the ground. The team are working with colleagues in planning to resolve buildability issues with the original design, through a minor material amendment process. Full construction will commence on this site on 12 November 2020, as programmed.

Ashbridge Street is progressing in accordance with the programme, the contractor is undertaking excavations close to the retained British Telecoms (BT) facility, which requires close monitoring and smaller equipment than would normally be employed for the tasks.

The Parsons North development site continues to progress well in accordance with the programme, the site operations have been compromised as a result of needing additional welfare accommodation to maintain a COVID-secure workplace. The team have worked with the main contractor (Osborne) to review the programme and mitigate delays. The project is on target to complete in June 2021.

There are small schemes at Falkirk House, Edinburgh House, Sunderland House and John Aird Court which are being converted to six new flats. Works to these units has been slow to start, the team have held meetings with the directors of United Living to give clear feedback on their performance and agree a recovery programme, the situation will be monitored closely hereafter, the intention is to complete these projects by no later than March 2021.

Despite the recent COVID-related incident and interruption to productivity at Luton Street, the works are progressing well. The concrete frame is currently at first floor level in the private block. In terms of sales, we have exchanged on 29 flats already, and a further 17 are reserved.

Works to the second phase of the Moberly and Jubilee development programme are progressing in accordance with the agreed programme. The developer (EcoWorld) has appointed Bo'Shers as their main contractor and so far they have performed well. The developer has proved to be less adept at communications with the local community and this is requiring additional input from council officers.

At 300 Harrow Road, the temporary buildings for the Nursery have been craned into place, and are now being fitted-out, the project is on target for vacant possession of the main site in January 2021 and the commencement of full construction.

The Council have terminated the contract with the main contractor (Lowe Build) appointed to deliver the projects at Ordnance Mews, Helmsdale House and Melrose House. The termination was a result of concerns regarding the quality of workmanship as well as the contractor's financial stability. Since termination of the contract, the team have been working with a new contractor (H A Marks) to undertake detailed intrusive surveys, as well as undertaking essential remedial works to ensure that the incomplete structures are secure and watertight. The contractor, architect and engineer are currently completing detailed design based on the findings of the surveys.

Farm Street is continuing to progress, however the constrained site conditions and phase of build means that in order to comply with the Build UK Site operating procedures for COVID-19, there are limited personnel on site and productivity is well below what would normally be expected.

The four affordable units at Berwick Street are virtually complete, negotiations around the wider development agreement are continuing between the developer and the Council's Corporate Property team. Once the negotiations are complete the units will be handed-over.

2.3 REVENUE AND BENEFITS

The collection rate for both Council Tax and National Non-Domestic Rate (NNDR) is down when compared to the same point as last year; for example, at the of September, the Council had collected 57.3% of Council Tax and 49.8% of NNDR. When compared to last year, collection for Council Tax was 62.1% and NNDR was 59.6%. The current national economic issues resulting from the pandemic are obviously the key factor. However, the collection rate is also affected by the fact that the Magistrates' Courts are still locked down in relation to debt recovery, which means that no London local authority can seek Liability Orders to allow their normal recovery processes for 2020/21 debts.

2.4 TREASURY MANAGEMENT

The Council is aware that the ultra-low global interest rates for the foreseeable future will have an effect on the Treasury investment yield as money market rates near zero, and interest rates will possibly venture into negative territory in future years (UK Treasury Bills are now offered at negative yield). The Tri-Borough team has appointed a Treasury apprentice officer to enhance focus on business continuity and future cash flow planning to help plan future funding requirements.

The Council has a significant focus on maintaining comfortable liquid balances in accessible accounts to cover unforeseen demands on cash during the pandemic crisis. The team is also focused on exploring future borrowing opportunities to ensure optimum long term solutions on the future funding of capital expenditure.

2.5 PENSIONS

The Pension Fund Investment Strategy has been refined and implemented by the Pension Fund Committee post the 2019 actuarial valuation, and now focuses on cleaner and greener investments. This includes a refined approach to passive index-tracker global equities which tilts investment towards companies with better environmental, social and governance (ESG) outcomes and lower carbon creation. These new equity mandates will have been transitioned from the start of November 2020. A new Climate Financing Strategy will also be developed to be adopted alongside this new investment approach.

2.6 CORPORATE FINANCE AND COMMERCIAL & FINANCIAL MANAGEMENT

2.6.1 REVENUE

As of September 2020, services are projecting a variance to budget of between £50million to £60million. This is primarily due to income losses resulting from the pandemic, but also includes additional expenditure in various areas of the Council.

To date the Council have received £29.3m in general COVID-19 grant funding and have claimed a further £7.4million from the Government's income reimbursement scheme for local authorities. This means that the current net impact on the Council's finances ranges from £13million to £23million. This will further reduce as the council will receive additional amounts from the income reimbursement scheme.

The Housing Revenue Account (HRA) is currently projecting a variance of £0.8million against budget. This is due to a £4million variance from income losses related to COVID-19 but offset by underspends and additional income on business as usual activities.

It should be noted that there is still uncertainty around the Council's full year forecasts and the current position is based on what is known today and the final position will depend on events over the coming months.

The November lockdown and consequent set-back on costs and commercial income such as Parking and Commercial Waste, combined with further announcements of additional funding from Central Government, serve to demonstrate that this is still very much a moveable position which Finance will continue to monitor closely, providing support to frontline service areas through financial analysis, input into contract negotiations, financial implications review and decision support etc. as necessary.

2.6.2 CAPITAL

The General Fund Capital Programme is projecting a gross expenditure variance to budget of £98.3million as at Period Six. However, it should be noted that a small number of projects contribute to the majority of the variance.

The HRA Capital Programme is projecting a gross expenditure variance to budget of £68.8million as at Period Six. Again, a small number of projects are contributing to the majority of the variance.

2.6.3 OTHER INITIATIVES

The Finance teams are working in collaboration with Strategy and Intelligence and Service Heads to identify and quantify the next round of savings for the Council's 3-year Medium Term Financial Plan for 2021/22 to 2023/24. Work is ongoing to close the estimated gap and will present a full list of savings to Budget and Performance Task group in January 2021 in the lead up to budget approval at Full Council in March 2021.

2.7 PEOPLE SERVICES

2.7.1 STAFF AWARDS, LONG SERVICE AWARDS, AND STAFF CONFERENCE

We are adapting our approach to these events this year and they will all be held virtually through Microsoft Teams. We be hosting a joint Staff Awards and Long Service Awards on Friday 4 December. We have received a record number of nominations for the staff this year, with over 400 nominations from staff recognising the excellent work of their colleagues. There are also 40 people receiving a 20-year service award and 4 receiving the 40-year award.

The Staff Conference will be held over two days on Wednesday 2 and Thursday 3 December. The conference will consist of a number of virtual workshops which will be run multiple times over the course of the two days so that staff are able to join as may as possible.

2.8 CORPORATE PROPERTY

A final round of engagement in the Huguenot House options consultation is running from 9 November 2020 to 8 January 2021. This consultation presents a number of options for the future of Huguenot House, a mixed use building in the heart of the West End, which range from maintenance or refurbishment through to various ways the council could redevelop the building. Utilising a new digital-first approach, the Council's engagement team have posted detailed consultation booklets, launched a bespoke website and will hold a series of online events to enable residents to have their say and help shape the future of Huguenot House.