



City of Westminster

# Shareholder Committee

<b>Meeting or Decision Maker:</b>	Shareholder Committee
<b>Date:</b>	6 December 2021
<b>Classification:</b>	General Release
<b>Title:</b>	Westminster Community Homes mid-year report
<b>Wards Affected:</b>	All
<b>Company Affected:</b>	Westminster Community Homes - IP030604
<b>City for All/Policy Context:</b>	Good governance of council-owned companies
<b>Key Decision:</b>	No
<b>Report of:</b>	Steve Moore, Chief Executive of Westminster Community Homes

## **1. Executive Summary**

- 1.1 This report being the first to the newly established Shareholder Committee sets out the background to Westminster Community Homes (WCH) formation and its specific governance arrangements as well as reporting on its operational and financial activities in 2021/22 to date.
- 1.2 WCH Board will be considering the future direction for WCH at its meeting in January 2022, resulting from future Affordable Housing Fund grants being severely restricted and the retirement of the existing CEX in 2022. This report seeks guidance from the Shareholder Committee on this matter to inform the WCH Board considerations.

## **2. Recommendations**

- 2.1 The Shareholder Committee are asked to note this report and to provide guidance to WCH Board on the future direction for WCH as set out in para 6 of this report.

## **3. WCH Governance**

- 3.1 WCH was set up by the City Council in December 2009 as a Co-Operative & Community Benefit Societies with charitable objectives and is register with the Financial Conduct Authority (FCA). It is a 'not for profit' body, where the shareholders' derive no financial benefit and their rights are significantly less than in ordinary companies. Through their charitable objectives, WCH have been able to obtain tax exemptions from HMRC as WCH operate as a company with charitable aims. In practice this means that WCH do not pay Corporation Tax, Capital Gains or Stamp Duty but do pay VAT.
- 3.2 WCH also became a Registered Provider in December 2010 which means that it is required to meet the regulatory standards of the Regulator of Social Housing.
- 3.3 In February 2018 the City Council and WCH Board agreed to change the company rules so that WCH would become "wholly controlled" by the City Council. The revised rules to put this change in place were approved by the FCA in May 2018.
- 3.4 WCH objectives are to carry out for the benefit of the community:
  - the provision of affordable housing for people who have housing need and appropriate associated facilities and amenities
  - any other charitable object that can be conducted from time to time by a Co-operative and Community Benefit Society.

To achieve its objectives WCH currently works with the City Council to increase the provision of affordable housing and other related activities which assist in the delivery of the City Council's strategic objectives.

3.5 Under the Co-Operative & Community Benefit Society rules there needs to be a minimum of three separate shareholders. WCH has three shareholders who are, WCC corporately, together with two persons appointed by WCC to act "on their behalf," whom WCC can remove by notice. Currently the two individuals are Dermot Moloney and James Green who are both WCH Board members and City Council employees.

3.6 The key influence and future direction of the company is provided through the Board. WCH Board comprises of five individuals all nominated by WCC who can also remove them by notice. The current Board membership is:

James Green (Chair)

Dermot Moloney

Tom Harding

Olivia Harris

*Cllr. Susie Burbridge – pending appointment by the Shareholder Committee*

3.7 The Board need to ensure that they balance their decisions carefully to ensure they meet WCH best interests and provide the right level of autonomy to comply with the rules and the requirements of the Regulator.

3.8 WCH and WCC have underpinned their relationship through the provision of an Intra Group Agreement (IGA) and a Nominations Agreement. The IGA sets out the decisions taken by the City Council as Parent and those taken by WCH Board. The Nominations Agreement provides the City Council with nomination rights to 100% of WCH properties in perpetuity.

3.9 Staffing and Services

3.9.1 The Role of the City Council

WCH has sought to minimise direct staffing in favour of using City Council Services where possible. These are provided to WCH on a contractual basis in the following areas:

- The City Council's Housing Team (Previously provided through CityWest Homes) provides day to day property management services.
- The City Council's Housing Team provides property maintenance services.

- The City Council's Finance Team provides accountancy services.

### 3.9.2 Staffing

WCH directly employ a total of five staff (4.66 Full time equivalent). Two members of full-time staff work exclusively on the acquisition of leasehold interests on the City Council Regeneration Areas (Church St and Ebury) under an agreement with the City Council to provide this service as their Agent. These roles are full integrated into the relevant City Council teams to ensure the process fully supports the overall aim of achieving vacant possession of the blocks identified for demolition. Discussions are underway with the City Council to agree new arrangements for the management of these two roles after the CEX who oversees this process retires in 2022.

### 3.9.3 External services

WCH contracts some external services covering the following areas:

- Legal advice
- Auditors
- Various consultants to support WCH development programme

## 4. WCH stock position and tenure

4.1 As at the end of October 2021, WCH had 529 units in management across the stock.

4.2 These are across the following tenure types:

Tenure type	No. of units
Assured Tenancies	290
Assured Shorthold Tenancies	121
Temporary Accommodation (in borough)	33
Temporary Accommodation (out of borough)	30
Shared Ownership	9
Private tenancies	46
Total	529

## 5. WCH programme 2021/22

5.1 WCH current programme comprises of the following core activities:

- Obtain funding approval from the City Council to complete the delivery of the WCH Development programme.

The Cabinet Member for Finance formally approved a combination of Affordable Housing Fund grants (AHF) funding (£3.773m) and WCC Loan (£2.700m) in July 2021

- Deliver the new build scheme at Victoria Wharf (Phase 2).

Following the completion of WCH award winning scheme at Victoria Wharf, WCH were able to acquire the adjoining land and obtain planning permission for a new development which will be linked to the first phase. Construction work is progressing well with a completion date slightly ahead of schedule in July 2022 to deliver 20 Intermediate Rented units

- Complete the purchase of 2A Bravington Road W9 for conversion into three units which form part of the planned 5-unit shared ownership programme. Tender and commence the works.

The property purchase was completed in April 2021. Works were successfully tendered and are proceeding well with completion scheduled for March 2022. WCH are currently looking for two more suitable units to complete this planned 5-unit programme.

- Submit the planning application for 581-587 Harrow Road W10.

Final technical reports are being obtained with the intention to submit this planning application in December 2021 for 25 Intermediate Rented units.

- Carry out Fire Risk Assessment surveys on WCH eight standalone blocks to ensure they fully comply with current and emerging fire regulations. To date six blocks have had intrusive inspections conducted and these have not revealed any high-risk issues. The works identified in each block are being prioritised for action. The final two blocks are scheduled for inspection in December 2021.
- Commence the “Refresh” project to ensure all WCH individual units are inspected internally and works undertaken to ensure they meet emerging fire regulations (front doors, smoke, heat, and carbon monoxide alarms), have a minimum EPC rating of C, and have any further works conducted to ensure they continue to meet WCH letting standard.

All WCH tenants have been advised about this project and provided with a home fire safety kit. Surveyors have now been put in place. The project will commence in December 2021 with priority given to the units WCH has owned for the longest period without being relet and those with the current lowest EPC ratings.

- Continue to negotiate the acquisition of leasehold interests in the Ebury and Church Street Regenerations Areas to deliver vacant possession of blocks identified for demolition

#### Church Street

Although leasehold interests across Sites B, C and Gayhurst House are still being acquired wherever possible, once they come onto the market, the focus is currently on-Site A.

On Site A, there were originally forty-seven lessees and to date thirty-three units have been acquired by either WCC or WCH.

Across Sites B, C and Gayhurst House there were originally a total of 114 lessee units and to date thirty units have been acquired.

#### Ebury

The regeneration of Ebury is taking place in three phases (1, 2a and 2b). Originally there were 140 leasehold interests and to date a total of 109 have been acquired by WCC or WCH. All the lessee interests were voluntarily acquired in Phase 1 without the City Council having to use Compulsory Purchase Powers. The blocks concerned have been demolished with construction due to start imminently. Of the remaining thirty-one cases, terms have been agreed in respect of eleven cases and these are proceeding with solicitors.

- Social Value  
Deliver the programme of activities (as agreed by WCH Board) to fund the delivery of the following schemes:

Homework/Breakfast Clubs at six Westminster Primary Schools

Girls Youth Club in Church Street

Football coaching at Churchill Gardens

Farm trips for primary school children

Except for the farm trips and one primary school not being able to run their breakfast club, the rest of this year's programme is being delivered despite the challenging circumstances.

## 6. Financial update

- 6.1 The City Council provide, through the Finance Team, the day-to-day accounting services for WCH on a contractual basis including the provision of monthly management accounts, cash flows, preparation of accounts for annual audit and

assisting with the provision of budgets. The monthly accounts are presented at each WCH Board meeting.

- 6.2 The latest monthly accounts report has been attached to this report as Appendix A. These show that as at Period 7 (end of October 2021) the year-to-date position is a surplus of £302k which is £91k favourable to budget.

## 7. WCH – Future direction

### 7.1 Restricted future capital funding

- 7.1.1 Since its creation in December 2009, WCH has steadily added to its housing stock each year through a combination of some new build schemes but primarily the acquisition of existing units. Currently WCH has 529 units and five hundred of these units are within Westminster with thirty out of borough units.

- 7.1.2 The stock value for all properties (including development spend less depreciation) is £123.023m.

- 7.1.3 This growth of the WCH housing stock has been principally made possible by access to the City Council's AHF and WCC Loans along with GLA funding supplemented by WCH own resources generated by its own activities. The following table provides the breakdown of grants received to date:

Source of grant funding	Amount
Affordable Housing Fund	£ 87.991m
GLA	£ 20.761m
Total	£108.752m

- 7.1.4 The City Council has also provided loans to WCH to fund the acquisition and development of additional housing stock. As of 31 March 2021, a total of £8.222m was outstanding. Principal repayments are made in P12 each year. This year's payment will be £939k reducing the principal to £7.283m by 31<sup>st</sup> March 2022.

- 7.1.5 In addition to the above are the AHF grants of £3.773m and the new WCC loan facility of £2.700m approved by the Cabinet Member for Finance in July 2021 which will be drawn down shortly to fund the final phase of WCH development programme delivering fifty affordable units.

- 7.1.6 WCH have been advised that following the funding approved in July 2021 to complete WCH current development programme, the call on affordable housing grant is increasing, not least because of the Councils own development programme. There is therefore no guarantee that further funding will be readily available.

## 7.2 Retirement of WCH Chief Executive

WCH Chief Executive engaged in the setting up of WCH in 2009 and has been integrally involved throughout its existence and CEX for the last eight years. He has informed WCH Board that he intends to retire in 2022 following the completion of Victoria Wharf (phase 2) and the start on site of 581-587 Harrow Road W10 which completes the WCH development programme.

## 7.3 Future Direction

7.3.1 The restricted capital funding will result in a change of focus for WCH as it moves away from targeting the further growth of the housing stock. The change of leadership also provides WCH Board with an opportunity to review this role as part of the wider consideration of the future focus for WCH.

7.3.2 Following changes in legislation in 2018, when the City Council and WCH Board considered the options available for the future control of WCH, it was decided that the best option was to agree to make the necessary rule changes to move WCH to become wholly by the City Council instead of the option of removing City Council control and allowing WCH to operate as an independent Registered Provider. This decision was principally taken to ensure that the significant investment made by the City Council and the direct benefits provided to both parties through this relationship were not put at risk.

7.3.3 WCH objectives were purposely drawn up to enable it to undertake a wide range of charitable work and this provides the option for a different focus for WCH going forward which could involve, for example, providing further investment in Social Value schemes or providing support for one of the City Council's objectives such as the employment service. The decision on the future focus of WCH will determine how the current CEX role will be delivered in the future.

7.3.4 WCH Board will consider this at its next meeting in January 2022 and would welcome the City Council's guidance on this to inform their considerations.

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

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