



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 **Wednesday 13th April, 2016**, 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 and Guthrie McKie

Also Present: Councillors Daniel Astaire, Cabinet Member for Housing, Regeneration, Business and Economic Development, Pete Carpenter, Assistant City Treasurer, Barbara Brownlee, Director of Housing and Regeneration, Andrew Barry-Pursell, Place and Investment Policy Manager, Cecily Herdman, Principal Policy Officer, Hugh Bullock, Chairman, Gerald Eve, LLP, Debbie Morris, Head of Facilities Management, Tri-borough, Muge Dindjer, Scrutiny Manager, Anne Pollock, Scrutiny Officer, and Reuben Segal, Senior Committee and Governance Officer

Apologies for Absence: Councillor Antonia Cox

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 The known standing declarations as tabled at the meeting were as follows:

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

2.2 Councillor Wilkinson declared in relation to item 6 that she is a landlord of a HMO licence property.

2.3 Councillor Mohindra declared in respect of item 6 that he had signed a contract with Hugh Bullock and Gerald Eve LLP in relation to a property development.

3 MINUTES

- 3.1 **RESOLVED:** That the minutes of the meeting held on 9th March 2016 be signed by the Chairman as a correct record of proceedings.

4 WORK PROGRAMME

- 4.1 **RESOLVED:** That the responses to actions and recommendations as set out in the tracker be noted.
- 4.2 **ACTIONS:** Obtain Members availability for a potential additional committee meeting in the week beginning 4th of July. (**Action for Reuben Segal, Committee & Governance Services**)

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 officers responded to questions on:

Delivering Housing Renewal: Church Street

- 5.2.1 The Cabinet Member was asked for details about the redevelopment of Lisson Arches and Orchardson Street. He explained that Lisson Arches would provide new affordable workspace. Three show homes were now available for residents to view at Orchardson Street and would provide an indication of the types of homes that will be made available. He stated that the homes were of a high specification and illustrated what regeneration could achieve. Officers will shortly be looking at how the completed properties could best be allocated.

Futures Plan

- 5.2.2 The Cabinet Member was asked about the type of affordable housing that is intended to be developed as part of the Futures Plan and how this fits with the concept of “community interest”. The Cabinet Member referred the committee to the revised business case for the regeneration of Cosway Street as a helpful illustration. He explained that the initial proposals for the street included townhouses. Despite these being supported by local councillors he did not consider that these properties would be affordable for local residents. Additionally, part of the proposed design would have resulted in some properties being closed off which could have limited the residents living in those properties from engaging in the community. The revised business case is now considering live/work units. He hoped that young people who are likely to occupy these units would stay in them for a number of years and become part of the local community using its local services including shops and Church Street market.

- 5.2.3 The Cabinet Member was asked how the City Council could stop speculators from purchasing homes for investment purposes which they either let out or simply leave empty. He advised that the Council had no powers to stop this occurring in the private sector but could impose conditions on any properties that it built itself.

Affordable Housing

- 5.2.4 The Cabinet Member was asked how the composition of affordable housing being delivered in the City relates to the demand for such accommodation. He was referred to the fact that there is a high demand in the borough for family sized units. The Cabinet Member advised that the Council produces an annual report which sets out the issues that will influence the allocation of social housing including affordable housing supply and projections for demand from various groups including homeless households. By way of example he advised that the initial proposals for live/work units in Cosway Street were effectively bedsits. He had not considered that these were suitable to meet the community's needs and had asked officers to revise the proposals. Barbara Brownlee, Director of Housing & Regeneration, advised that in the initial planning submission for West End Green which had received planning consent the previous evening proposals for affordable housing consisted of bedsits and 1 bed units. The Council considered these to be inappropriate for local requirements and requested the elimination of bedsits and the introduction of 2 and 3 bed apartments which subsequently came forward. Similar requests were made for the development at Ashbridge Street.

Purchase of Surplus Public Sector Land

- 5.2.5 With reference to the recently published list of public sector owned land and properties that were surplus to requirement, the Cabinet Member was asked whether the Council was doing anything to acquire such assets to address housing need. The Cabinet Member stated that the Council looks at all property suitable to meet the Council's needs. Liaising with some public sector bodies such as NHS Property Services can be challenging. While every effort is made to maximise the Housing Revenue Account and spot purchases are made on a regular basis, acquisitions have to meet a value for money test. Unfortunately the Council cannot compete with private sector developers for land or property in prime areas.
- 5.2.6 In response to a supplementary question the Director of Housing and Regeneration explained that the recent spot purchase of ten properties for use as temporary accommodation was progressed through Westminster Community Homes rather than the Council because a Housing Association can use assured shorthold tenancies whereas the Council cannot.

New Rough Sleeping Strategy

- 5.2.7 Given the link between rough sleeping and drug and alcohol substance misuse the Cabinet Member was asked to ensure that the new strategy includes input from relevant departments and drug/alcohol and substance abuse specialists in order to produce a holistic strategy.

Markets

- 5.2.8 The Cabinet Member was asked how far the procurement of a market operator for Berwick Street market had progressed and how it would be funded. The Cabinet Member was of the view that the City Council was not best placed to run street markets and that it should tender out this function. He explained that Berwick Street would be a pilot project. The Council was looking for a skilled market operator which will work with existing traders and the community to provide a fit for purpose market. He expressed his disappointment that the current market was underutilised. He considered that given its prime location in the heart of London it should be a thriving enterprise. He advised that he had been successful in moving responsibility for the Council's market from the Licensing Enforcement Team who were not best placed to oversee them to the Corporate Property Team. Members requested that in progressing any changes the Council draws upon the experiences and lessons from previous schemes.

Marble Arch BID

- 5.2.9 With the failed Queensway BID in mind, the Cabinet Member was asked whether appropriate arrangements were in place to ensure that there is not a disproportionate influence from larger landowners in the area. The Cabinet Member explained that the Council had little control over the running of the BID. The Council approved the BID document and organised the ballot. However, the former includes a mechanism to balance the influence of the largest and smaller property holders in the area. He undertook to circulate a copy of the document to committee members. He advised that Kate Buxton who had a solid knowledge base and experience was involved in the BID as was Councillor Heather Acton.
- 5.3 In the absence of the Cabinet Member for Finance & Corporate Services and the City Treasurer, Pete Carpenter, Assistant City Treasurer, responded to questions.
- 5.3.1 Members asked whether the Operational Property Strategy which includes a target of substantially reducing the council's property footprint to reduce operating costs has taken into account the increasing trend of staff working from home. The committee was informed that this had been taken into account. To measure usage, digital monitoring devices had been installed under all desks and meeting rooms.
- 5.3.2 Following a supplementary question on reducing costs, the Director of Housing & Regeneration advised that despite having its headquarters in Grosvenor Place CityWest Homes (CWH) has a favourable lease arrangement with the freeholder of the building which results in the premises being comparatively cheaper for them to occupy than being located in City Hall. However, new proposals had been developed to relocate the CWH head office within the refurbished City Hall if this proves to be cost-effective to both CWH and the Council.
- 5.4 Mr Carpenter then provided the committee with an update on the closure of the Council's accounts. He advised that the Council submitted its accounts to the auditor on the 9 April. The Council was the quickest public sector body to

submit its accounts for auditing and exceeded the performance of 94% of the FTSE 100.

5.4.1 The Committee had previously been informed about the potential impact to the closure of the Council's accounts arising from problems with the implementation of the Managed Services Programme (MSP). The committee asked whether the latter had presented any problems to achieving a successful closure. Mr Carpenter advised that in the weeks leading up to the end of the financial year the contractor, BT, had put in significant efforts to ensure delivery for all three of the Tri-Borough councils.

5.4.2 In response to questions about outstanding issues to be addressed within MSP, Mr Carpenter advised that this included addressing historic data and fixed assets.

5.5 **RESOLVED:** That the updates be noted.

5.6 **ACTIONS:**

1. Provide the committee with an estimate of when schemes that have recently secured planning consents (as set out in Section 5 of the update from the Cabinet Member for Housing, Regeneration, Business & Economic Development) are likely to come forward and deliver on-site affordable housing. (**Action for: Barbara Brownlee, Director of Housing & Regeneration/John Walker, Operational Director Development Planning Services**)

2. Provide the committee with a note on current Corporate Property Special Projects (as referred to in Section 2 of the update from the Cabinet Member for Finance & Corporate Services. (**Action for: Guy Slocombe, Director of Property, Investment and Estates**)

3. Inform the committee of the current status of the Business Rates Appeal Fund and the number of outstanding appeals. (**Action for: Martin Hinckley, Head of Centre, Corporate Finance**)

6 THE HOUSING AND PLANNING BILL - AFFORDABLE HOUSING SUPPLY AND PRIVATE RENTED SECTOR

6.1 The Committee received a report that provided an overview of national policy changes being made through legislation currently before Parliament (and in particular the Housing and Planning Bill which at that time had reached its report stage in the House of Lords) relating to affordable housing supply and regulation of private rented sector. Increasing home ownership and house building are key themes of current national policy. The report discussed their potential impact on Westminster and the Council's lobbying objectives.

6.2 The report was supplemented by a Powerpoint presentation that highlighted key provisions in the Bill and the position the Council had taken on each.

- 6.3 The committee was asked to comment on the Council's response to date and provide guidance on any further lobbying activity and to provide a view on the Council's response to the recent Starter Homes Technical Consultation.
- 6.4 The Committee heard from Hugh Bullock, Chairman, Gerald Eve LLP, who provided a perspective on behalf of investors and developers on the proposed policy relating to starter homes. Mr Bullock informed the committee that he had worked in Westminster for over 30 years acting on behalf of many applicants. He had been Town Planning Adviser to the Westminster Property Association since the early 1990s.
- 6.5 Mr Bullock began by outlining the context of developing in Westminster. He explained that the functions of housing supply in Westminster were exceptionally complex. Factors that influenced investment within the City included the fact that high existing asset values create a high entry price to development. Therefore, substantial additional value and return must be generated to justify development. The latter is affected by widespread constraints created by historic scale and plot size together with broad limitations on substantial additional floorspace on development. The costs of non-market and other subsidised housing in Central London are exceptionally high which can have an adverse effect on total housing supply. Most major developments in the City are necessarily subject to the undertaking of financial viability analyses.
- 6.6 Mr Bullock then highlighted a number of particular issues for the City arising from the Starter Homes Regulations - Technical Consultation published by the Department for Communities and Local Government in March 2016. These included that as initially drafted there would be a potentially considerable windfall tax-free capital gain, after 8 years of occupation, wholly to the benefit of the first-time buyer. There were all so concerns over how starter homes are to be valued. The minimum threshold is set at schemes of 10 units. However, in practice, the City has found it more appropriate to use floorspace rather than the unit numbers as a threshold in planning policy. While the target nationally is for 20% of all homes delivered to be starter homes, the consultation paper asserted that, in London boroughs, the affordable housing targets are more commonly closer to 50%. However, in Westminster, the proportion of affordable housing actually secured has seldom achieved even the City Council's policy targets of 25% to 35%. He considered that the use of a regulation based prescriptive test to assess viability of the kind proposed would be unlikely to work in the highly complex investment and development environment of Westminster. In recognition of the need for flexibility in high-value areas the Bill allows for off-site commuted sums to be made in lieu of on-site starter home provision. He indicated that this raised the question as to whether the Council should seek contributions rather than the provision and whether the Council would be able to use such contributions to deliver more homes outside the City?
- 6.7 The implications for the City of Westminster were then outlined by Mr Bullock. He commented that as the subsidy to starter homes would be a prior charge by regulation, the residual amount remaining to fund conventional forms of affordable housing and supply, would be likely to be reduced. Design

specification and consequential service charges would likely be as much as an issue for starter homes as for conventional affordable homes. If a developer were to seek to provide a mix of market homes, starter homes and conventional affordable housing all on one site, the complexities of design and operation of the development were likely to be substantial. As buyers of starter homes are not required to have a local connection there may be potential for a pan London approach to the investment of commuted sums. The bedroom mix of starter homes would be influenced by the objectives of the Council as regulations did not appear to prescribe what size these should be. However, taking into account an average sale price in a high-value area the resulting homes based on the maximum price prior to the 20% discount would produce units of around 35 m². Family sized units could be produced. However, the costs would be relatively greater and therefore the impact on conventional forms of affordable housing would be proportionately greater. He advised that he had not met anyone in the property industry who could see how the policy would work in Westminster.

- 6.8 The Director of Housing & Regeneration stated that the Bill does not include a local connection test requiring starter homes to be sold to people living or working in the borough. The committee asked about the reasoning behind this decision and expressed concerns about the possibility of such homes being bought by people from overseas. Cecily Herdman, Principal Policy Officer, explained that the government wanted a product which is simple and not restrictive in any way. Andrew Barry-Purcell, Place and Investment Policy Manager, explained that the Government intended to ensure that starter homes should not be rented out during the period in which their sale was restricted (currently proposed to be 5 years). He further explained that the Secretary of State can determine who is eligible to buy a starter home which could include prescribing limits on age and nationality.
- 6.11 Members asked a number of questions about the subsidy to be applied to starter homes. This included queries about the number of years that the 20% discount of the market value would apply and what impact this would have on selling starter homes on to other first-time buyers. The Director of Housing & Regeneration explained that as set out in the Bill the discount would be lost after five years after which the owner of the property would be able to sell it at full market value. The House of Lords had amended the Bill to propose a 20 year stepped discount period whereby the amount of the discount to be repaid would decrease by 1% per annum. Cecily Herdman advised that in lobbying around the Bill the City Council had argued that the discount should apply in perpetuity.
- 6.12 The Committee asked officers about the impact of a pan London market and how this would potentially work. Ms Brownlee stated that London boroughs had not done anything operationally to enable such a process. She explained that the GLA viewed London as a whole rather than 33 individual areas for development. She advised that rather than attempt to seek family sized starter homes from developers which would be unaffordable there is the possibility that bilateral agreements with other London boroughs to use commuted sums to deliver homes may be a better option.

6.13 With regard to the extension of Housing Association Right to Buy, members asked officers about the likelihood of homes sold being replaced within the required 3 years. Ms Brownlee commented that similarly to the right to buy of local authority social housing, housing associations were likely to experience a loss of funds from the sale of such properties. She considered that housing associations would probably be influenced to replace right-to-buy homes within the three year period by the government naming and shaming those organisations that failed to do so.

6.14 Officers were asked whether the Council had supported the specific amendments in the House of Lords at the start of the week. The Director of Housing & Regeneration confirmed that the Council has lobbied on all of the amendments to date and will continue to do so. She advised in respect of the sale of high-value local authority voids that the Council would like to see a like-for-like replacement in the borough.

6.15 **RESOLVED:**

1. The Committee noted that the Housing and Planning Bill incorporated the largest group of changes in the housing sector for some considerable time.
2. The Committee noted the complexities that influence the functions of housing supply including affordable housing provision in the City of Westminster. It acknowledged the link between the Council's planning function and supply. It considered that the City Council needs to have a vision and plan of the type of housing it would like to see in Westminster over the long term while at the same time evaluating the implications for the City over the next 20 years if all the policies in the Bill are implemented. The Committee considered that there was a consensus between the Council and the development sector regarding the importance of housing supply.
3. With regard to the specific provisions relating to starter homes, the committee expressed concern about the lack of detail regarding some of the policy details and how they would work, many of which will be determined in regulations. The committee noted that there is a consensus between the City Council and the private development sector over the considerable challenges of delivering such homes for sale to first-time buyers in Westminster. Members had concerns over the likely size of homes that would be delivered in borough to meet the proposed cap of £450,000 as well as the ambiguity of how such homes would be allocated and the possibility for this to be abused. The committee also had concerns regarding the loss of the subsidy which appears only to be available once which would limit the likelihood of starter homes being recycled. It also recognised the likelihood that the policy would have an impact on the delivery of other forms of affordable housing.
4. In terms of the implications of the sale of high-value local authority voids, the committee had concerns about the potential loss of money from the Council's Housing Revenue Account.

5. The Committee recommends to the Leader of the Council and the Cabinet Member for Housing, Regeneration, Business & Economic Development that the Council join with other interested parties including Westminster's development sector to undertake joint lobbying activities on these matters.
6. That consideration of the policy changes around the Private Rented Sector be deferred to a future meeting.

7 TOTAL FACILITIES MANAGEMENT - PERFORMANCE AND CONTRACT REPORT

- 7.1 The Committee received a report that provided an overview of the total facilities management (TFM) service that was implemented in October 2013. It covered both the outsourced service provider (Amey) performance and information on the in-house FM team (Link) working for the Tri-borough councils including added value and objectives.
- 7.2 The report provided details of what had gone well and what changes were required to improve service delivery.
- 7.3 The Committee was asked for views on the perception of the service delivery in order for consideration to be made in regards to taking the service forward.
- 7.4 The Committee considered the issues set out in the report and submitted questions to Debbie Morris, Head of Facilities Management (Tri-borough).
- 7.5 Members asked whether a list of the problems identified following the transfer of the contract to the new provider had been recorded to inform any future change in contractor. Questions were also asked about whether the Council had the option to terminate the contract early. Ms Morris informed the committee that information regarding the problems identified during the transition of the FM contract would be compiled as there would need to be an exit strategy for the future relet of the contract. She advised that the contract was performing well so there was no reason to end the contract prematurely. She highlighted that while this was possible it would involve a significant sum at this stage.
- 7.6 The Committee asked whether any financial deductions had been imposed by the enforcing of the Payment and Performance Mechanism within the contract. Members were informed that £370,000 of penalties had been implemented. The mechanism was a useful tool to achieve improvement in the contractor's performance.
- 7.7 Members noted that LINK had identified duplication of facilities management costs at WCC depots and enquired whether building maintenance costs accrued by the Council had been reclaimed. She confirmed that the information had been passed to Corporate Property to make the necessary lease changes and recover costs accordingly.

- 7.8 Ms Morris was asked whether the contract took advantage of economies of scale by purchasing wholesale electricity and gas on a Tri-Borough basis. She advised that this had not occurred as it was not included within the specification of the contract although she stated that there was the ability to do so if desired.
- 7.9 Ms Morris was asked how feedback on how the contract was operating was gathered from service users. She explained that this information was obtained through an annual customer survey. She stated that to date the contract had not focused on the quality of performance due to issues encountered at the transition to the new contract. There was an intention to focus on this in the future.
- 7.10 The Committee asked whether contracted staff received as a minimum the London Living Wage and whether staff's perception of Amey as an employer had improved since the start of the contract. Ms Morris explained that many of the current staff transferred to Amey under TUPE. The issue of paying the London Living Wage was presented to the Tri-Borough Shared Services Board and EMT last year but was not supported. She advised in relation to Amey, there had been a significant change in the management structure since the start of the contract. There had been a high turnover in staff in the early stage of the contract but satisfaction amongst the workforce had since improved. Amey had improved the training provided to staff and people were now being paid on time.
- 7.11 **RESOLVED:** That the report be noted.
- 7.12 **ACTIONS:**
1. Provide the Committee with a summary of the results of the annual staff survey to determine whether the perception of the service delivery resonates with members' own experiences.
 2. Provide the committee with details of what the additional cost would be to the City Council of paying service provider staff the London Living Wage.
 3. The Committee would like details of the types of issues covered in the biannual report submitted to the relevant scrutiny committee at the Royal Borough of Kensington and Chelsea with a view to requesting a similar biannual report of Westminster's performance.
- (Action for: Debbie Morris, Head of Facilities Management, Tri-Borough)**

The Meeting ended at 9.10 pm

CHAIRMAN: _____

DATE _____