



Shareholder Committee City of Westminster Report

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| Decision Maker: | Shareholder Committee |
| Date: | 21 st October 2022 |
| Classification: | For General Release |
| Title: | Westminster Community Homes – Operational and Financial activities 2022/23 |
| Wards Affected: | All |
| Fairer Westminster: | Delivering more affordable housing |
| Key Decision: | No |
| Report of: | WCH Chief Executive and WCH Chairman |

1. Executive Summary

- 1.1 This report 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 2022/23 to date and the changes to the development programme to reflect the strategic objectives of the City Council.
- 1.2 Following the adoption of the NHF Code of Governance 2020 by the WCH Board last year, a governance review was undertaken to ensure that WCH meets all its requirements. Part of this identified the need to ensure that the Board has sufficient skills within its membership to be able to run a Registered Provider effectively. In view of this, a Skills Audit was undertaken by Campbell Tickell and their report made recommendations for the skills WCH should look for when filling Board posts. WCH currently have two Board vacancies. The Audit also recommended a process for recruiting new Board Members in future. The City Council nominates all WCH Board Members, and the Shareholder Committee are therefore asked to approve the proposals for future recruitment of WCH Board Members.

2. Recommendations

- 2.1 The Shareholder Committee are asked to note this report and approve the proposals for the recruitment of Board Members as set out in Para 8.

3. WCH Governance

3.1 WCH was set up by the City Council in December 2009 as a Co-Operative & Community Benefit Society 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 tax exemptions through which it does not pay Corporation Tax, Capital Gains or Stamp Duty but does 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. 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 were approved by the FCA in May 2018.

3.3 WCH objectives are to carry out for the benefit of the community:

- the provision of affordable housing and appropriate associated facilities and amenities for people who have housing need
- 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 works closely 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.

3.4 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 as a corporate entity, together with two persons appointed by WCC to act “on their behalf,” whom WCC can remove by notice. Currently there is one shareholder vacancy leaving James Green as the sole individual shareholder. Once the new Board Members are recruited this vacancy will also be filled.

3.5 The key influence and future direction of the company is provided through the Board. WCH has a five-person Board who are nominated and can be removed by notice from the City Council. The current Board membership is:

James Green (Chair)

Tom Harding

Olivia Harris

Plus currently 2 vacancies

- 3.6 WCH 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.
- 3.7 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.
- 3.8 Staffing and Services
- 3.8.1 WCH has sought to minimise direct staffing in favour of using City Council services where possible. WCH employ a total of five staff (4.66 Full time equivalent). Two members of the full-time staff work exclusively on the acquisition of leasehold interests in 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.
- 3.8.2 WCH contracts from the City Council, day to day management and maintenance of the stock through the Housing Team and Accountancy Services through the Finance Team
- 3.8.3 External services

WCH contracts some external services covering Legal advice, Auditing and various consultants to support WCH development programme.

4. WCH stock position and tenure

- 4.1 As at the 12th October 2022, WCH had 506 units in management across the stock. These are across the following tenure types:

| Tenure type | No. of units |
|--|--------------|
| Social Rent | 289 |
| Intermediate Rent | 129 |
| Temporary Accommodation (in borough) | 30 |
| Temporary Accommodation (out of borough) | 29 |
| Shared Ownership | 9 |
| Private tenancies | 7 |
| Regeneration acquisitions | 13 |
| Total | 506 |

5. WCH programme 2022/23

5.1 WCH current programme comprises of the following core activities:

- Completion of Phase 2 of Victoria Wharf W10 (20 x 1 bed units for Intermediate Rent) which is nearing completion in November 2022
- 2A Bravington Road W9 (3 x 1 bed units for shared ownership) has completed and the three units are now under offer
- 581-587 Harrow Road W10 Planning permission granted for 25 x 1 bed units for Intermediate Rent.
- Commence the “Healthy Homes” project to ensure all WCH individual units are inspected internally and works undertaken to ensure they meet fire regulations (front doors, smoke, heat, and carbon monoxide alarms), are free from damp and mould, have a minimum EPC rating of C, and have any further works carried out to ensure they continue to meet WCH letting standard.
- Acting as the City Council’s agent, continue to negotiate the acquisition of leasehold interests in the Ebury and Church Street Regenerations Areas to deliver vacant possession of blocks identified by the City Council for demolition
- Deliver the Social Value programme of activities on 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
 - Funding trainee placements at Westminster Wheels

6. Changes to WCH current programme

6.1 During the past few months WCH has reviewed its current programme and looked at new proposals that will help the City Council to meet its core housing objectives of reducing the use of temporary accommodation and alleviating overcrowding. The following three items are designed to assist these aims :

Victoria Wharf

WCH are currently working with the City Council to target the units coming through at Victoria Wharf to give first priority to sons and daughters of existing City Council tenants who are overcrowded to reduce their family’s overcrowding situation.

581-587 Harrow Road W10

Proposals are currently being worked up to change this scheme from 25 Intermediate Rent units to 15 Social Rent units and it is expected that a Cabinet Member report seeking approval will be coming forward in late October.

Acquisition programme of units for conversion

The current waiting time for a 2 bed unit is circa 10 years. WCH has proposed a programme of acquisitions of larger 1 bed (2 person) units which are capable of being converted to 2 bed units. WCH intend to continue to only let the converted units to two person households but the use of 2 bedrooms will have a positive impact on the significant number of the overcrowded households who are single parents with one child who are currently living in Studio units.

To help to make these units work, WCH also intend to supplement these conversions with extra storage throughout the unit and provide bespoke furniture for the child's bedroom to alleviate the pressure on the lounge (which would become the lounge/kitchen/diner) and provide a learning area in the bedroom. Discussions are continuing with the City Council concerning funding.

7. Financial update

- 7.1 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.
- 7.2 The latest monthly accounts report for Period 5 (end of August 2021) shows that the year-to-date position is a surplus of £381k which is £417k favourable to budget.
- 7.3 WCH housing stock is held at cost and the stock value for all properties (less depreciation) is £125.867m.
- 7.4 The growth of the WCH housing stock has been 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 | £ 88.486m |
| GLA | £ 20.647m |
| Total | £109.133m |

7.5 As at 31st March 2022, WCH has two loans from the City Council, one with three years remaining and the other with 16 years remaining. These have a total of £7.283m outstanding.

8. Board Member appointments

8.1 As a “wholly controlled “entity all WCH Board appointments are nominated by the City Council. Following the adoption of the NHF Code of Governance 2020 a review of WCH current practices was undertaken to ensure that it met the necessary requirements of this code. This identified the need to ensure that the Board had, across its membership, a wide skill set covering essential aspects required to effectively run WCH.

8.2 WCH commissioned a Skills Audit which was undertaken, by Campbell Tickell. This looked at the skills available from the three Board Members (WCH currently has two vacancies) and made the following recommendations:

- a) WCH needs to bring the Board up to full strength, by filling the two vacancies as soon as possible, and ideally ensure that the incoming Board Members have senior housing association experience and health and safety regulation and compliance within their skills to strengthen the existing Board.
- b) That succession planning is undertaken soon as two of the existing Board Members are in their sixth and final year and between them the skills they bring are key to the current successful operation of WCH
- c) WCC/WCH should consider looking beyond the usual practice of mainly recruiting Board Members from within City Council employees and look to advertise for relevant skilled individuals which is the normal process across the sector.

8.3 WCH would like to proceed with above recommendations and the Shareholder Committee are asked to approve these proposals.

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

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