



City of Westminster Cabinet Report

Meeting or Decision Maker:	Cabinet
Date:	30 th October
Title:	Review of housing delivery governance and arrangements
Wards Affected:	All Wards
Policy Context:	Fairer Housing
Financial Summary:	There are no direct financial implications arising from the recommendations of this report.
Report of:	Debbie Jackson, Executive Director of Regeneration, Economy and Planning, and Gerald Almeroth, Executive Director of Finance and Resources

1. Executive Summary

- 1.1. In October 2022, Cabinet approved the Truly Affordable Housing Strategy Cabinet Paper which created an additional 143 social rented homes across the existing programme, with intention to further explore opportunities at the Council's major regeneration projects at Church Street and Ebury where a further 163 social rent homes have been created.
- 1.2. In tandem with producing the strategy, the Council appointed 31Ten to undertake a review of its affordable housing delivery programme and the governance of its subsidiaries. The review provided several proposals to enhance the delivery of affordable housing, which the Council has reviewed and responded to.
- 1.3. This review was progressed in tandem with the Future of Westminster Commission and a number of the commission's recommendations for the delivery of affordable housing relate to 31Ten's findings presented in this report.

1.4. The review considers the governance of the Council's subsidiaries, and the paper puts forward the Council's proposals on how these proposals will be adapted and taken forward in a more cross cutting housing strategy.

2. Recommendations

2.1. That Cabinet:

2.1.1 Notes the findings of the 31Ten report (appendix 2) as summarised in section 4 of this report and the Council's proposals for developing their recommendations (as set out in appendix 1).

2.1.2 Approve the creation of a Member-led Housing Supply Strategic Board (HSSB) as detailed in section 6 of this report.

2.1.3 Notes the proposals for changes to Westminster Builds Board in Section 6 of this report which will be tabled at a future shareholder committee for approval.

3 Reasons for Decision

- 3.1 The Council appointed 31Ten to review its affordable housing delivery programme and this report responds to that review and looks at how the Council will integrate the recommendations into business as usual.
- 3.2 The review was undertaken in tandem with the Truly Affordable Housing Strategy Cabinet Paper and builds on the work presented in October 2022.
- 3.3 The Governance proposals set out in paragraph 6 which will enable the Council to improve the management of its subsidiaries and its wider housing programme.

4 Background, including Policy Context

Truly Affordable Housing Strategy

4.1 In October 2022, Cabinet approved the Truly Affordable Housing Strategy Cabinet report which created an additional 143 social rented homes across the existing programme and set the intention to explore further opportunities including one of the council's major regenerations schemes at Ebury Estate.

4.2 Following that report the Council has achieved the following:

- Planning approval to convert 102 private sale homes on Council developments at 300 Harrow and Westmead to 18 new Intermediate and 84 new social rent.

- Achieved planning approval to convert 59 intermediate homes across 6 Council schemes to social rent.
- Planning amendment to increase the provision of affordable on Ebury to 56% and remove the intermediate homes in favour of social rent. This has created an additional 131 social rent homes on the development.
- Planning approved for Church Street Site A with an uplift in social rent to 70% of the affordable homes on the project, creating an additional 27 social rent homes.
- Other changes have resulted in a further 36 social rent homes.

4.3 In total, a further 337 social rent homes have been created across the existing programme following the October 2022 Cabinet report.

Housing Delivery Review

4.4 31Ten were appointed by the Council to undertake a review of its affordable housing delivery programme. The review followed the launch of the Council's Fairer Westminster strategy which included as one of the five pillars Fairer Housing.

4.5 The 31Ten review considered the Council's programme of delivering affordable housing, reflecting recent commitments in the Truly Affordable Housing Cabinet Paper. and considered:

- Opportunities to maximise delivery of Truly Affordable Housing,
- Review the financial resources available,
- Review the existing delivery vehicles available to the Council,
- Consider alternative delivery options for housing delivery.

4.6 Through engagement with Council officers, the Housing Commission and Members, 31Ten have produced an extensive report into the Council's affordable housing delivery, appended to this report. Throughout this engagement it was clear that there is a strong alignment between 31Ten's recommendations and work already undertaken or underway as a result of the Truly Affordable Housing Cabinet paper. 31Ten noted that the Council's affordable housing programme was in a good position and while actions could be taken to maximise existing potential there was no need for a fundamental shift in approach.

4.7 This report summarises 31Ten's key recommendations and comments on the Council's actions undertaken or planned to be undertaken to enact those recommendations.

4.8 31Ten's proposals can be summarised as:

- Using intermediate housing to support households that work and do not qualify for social housing.
- Assess the value for money of housing delivered and how that is measured.

- Increase the Council's viability by adopting formula rent on new build social homes (for non-returning tenants).
- Work with registered providers, enabling them to buy Council built affordable homes built by the Council, freeing up Council resources.
- Seek out additional funding sources by leveraging the Council's financial covenant to secure low-cost finance.
- Acquire more affordable homes by acquiring street properties both in and out of borough.
- Create more supply by pushing what the wider development market delivers.

4.9 31Ten explored these options and presented the effectiveness of each by expressing the number of additional affordable homes that could be created per 100 homes. This analysis used the Council's build costs, income levels and assumptions on values, however the loss or gain in GLA grant was considered only in the narrative, as movements in homes does not have a strictly linear relationship with changes in grant. These proposals are analysed in full in appendix 1 of this report.

4.10 The collaborative nature of the 31Ten report means several workstreams have already commenced in response to their recommendations where these strongly aligned with the Council's objectives.

4.11 The report considered the range of housing subsidiarises, i.e., Westminster Builds (WB) and Westminster Community Homes (WCH) and endorsed continuing to deploy them in pursuit of the Council's housing strategy. 31Ten provided recommendations on how these entities should be managed and governed, section 5 of this report, and the Council have presented how these will be incorporated into its governance in section 6.

4.12 Other recommendations have been taken onboard and will be applied to future projects where appropriate. A few however do not fit with the Council's overall strategy or are not considered appropriate in the current environment as detailed below.

4.13 31Ten recommended exploring providing intermediate rent above London Living Rent (LLR) levels which, by increasing the net rents achieved by the Council, could increase the number of affordable homes. However, the Council have committed to LLR and receives GLA grant which requires rents at this level.

4.14 It was recommended that the Council explore selling new affordable homes to Registered Providers (RPs) reducing Council borrowing which could then be redirected to deliver more affordable homes. The Council, however, have concerns over the quality of RP's housing management and due to the small, short term financial gain do not intend to pursue this option.

4.15 31Ten considered the difference between the Council's cost to build new affordable homes and the cost of acquiring street properties out of borough,

concluding that the Council could deliver vastly more affordable homes by buying street properties and converting them to social or intermediate rent. While the Council have explored something similar in the past with Westminster Builds, the HRA is at peak capacity and cannot allocate additional funding to street purchases. There are also other benefits besides housing numbers to delivering in-borough, especially the quality of living benefits from estate regeneration which must be considered.

- 4.16 However, the Council will continue to explore S106 opportunities from third party schemes to acquire both social and intermediate rent which tend to be less expensive and can be self-funding. The General Fund has also allocated a budget of £85m to purchase street properties to use as temporary accommodation homes in and out of borough, although targeted towards approved geographies.

5 31Ten’s Review of Governance

- 5.1 The review also considered the governance and operation of the Council’s housing subsidiaries, namely: Westminster Community Homes (WCH), a charitable Registered Provider, and Westminster Builds (WB), the trading name of two wholly owned Council companies limited by shares.
- 5.2 The report recognised that the Council has an appropriate set of tools to deliver its housing aspiration, however there is a lack of clarity over which vehicle should be used for which purpose.
- 5.3 Westminster Builds offers an alternative delivery vehicle to Council delivery which can be utilised at the Council’s discretion. It can hold and operate intermediate rent housing with greater freedom to deliver the Council’s objectives than can be done through the Council, reflecting the quasi-market nature of intermediate housing. If operated in the Council, these homes could only be offered on secure or flexible tenancies and to key workers.
- 5.4 The 31Ten report appended to this report sets out their findings in full. The table below summarises it alongside additional reflections from Council officers. Section 6 of this report develops this into the proposed governance structure.

Theme	Analysis	Detail
Current Governance Model	Shareholder Committee is the decision-making body	Member led board taking decisions reserved for shareholder. Approves business plans and monitors performance
	Separate boards and operational teams	WCH employs own staff and CEX, has an independent board member and three WCC officers as directors. Currently seeking new external board members following a skills audit.

		WB is fully staffed by WCC, with costs recharged. Board currently has three WCC directors
Need for Change	Organically Grown Independent Vehicles	WCH and WB have been created and grown separately, while some work was undertaken to look at how they could work together this not been acted on
	Siloed day to day operation	Limited collaboration leads to an either/or approach to how the companies are deployed by WCC
	Lack of Understanding of when to deploy	Disjointed approach manufactures competition rather than acting in concert. Strategic lack of understanding of capability of each structure
	Governance lacks resilience	Boards and governance processes have grown and changed overtime organically and not through an intentional process with clear understanding of skill sets required.
	Need for RP	GLA requires an RP which could be fulfilled by WCH or by a new for-profit RP in WB.
Proposed Governance Model	Create a Strategic Oversight Board	Member Led board providing oversight for both WB and WCH Separate from the Shareholder Committee, whose role remains to discharge the Council's powers as shareholder, the Oversight Board would oversee the Council's overall strategy for the delivery of additional housing supply by the Council and through its subsidiaries, ensuring the latter remains aligned to Council's objectives.
	Setup a Housing Working Group	This would work in a similar manner to a joint board for WB and WCH, bringing together the directors of both organisations and would report into the Member led Strategic Oversight Board. The group would ensure a joined-up approach with clarity across all areas of the organisations, ensuring plans developed in a consistent and transparent manner. This group could help facilitate a sharing of resources and ultimately a joint board overtime if desired.
Introduce External Expertise	Align resources with aspirations	Subsidiaries provide opportunities beyond those normally available to the Council to delivery housing. Therefore, the Council would need to assess its skills and grow and widen the ability of internal resources complemented by procuring external expertise to unlock these opportunities.
	Procure a wide range of non-executive	In addition to housing experts the Council could invite local business leaders and resident

	directors (NEDs) from housing and beyond	<p>representation to widen the discussion and effectiveness of the Council's developments.</p> <p>WCH have undertaken a review of its Board through a skills audit and are currently advertising for external expertise to compliment the current board. WB however intends to remain fully resourced by Council employees. This approach ensures alignment with the Council's objectives as well as the flexibility engendered by dual hatted officers. The membership of WB's board is being assessed to avoid potential perceived conflicts.</p> <p>The Terms of Reference for WB will allow it to invite external expertise as required, and this is likely to be a requirement in its future registered provider.</p>
Future Direction of Governance	Establish a common board and operational model.	<p>Within 9 months of the creation of the Oversight Board and Working Group it is proposed that a single board is created with a single managing director complimented by NEDs and executive directors.</p> <p>With a common board, a single business plan and shared resources there would be clarity on how each part of the Council's housing subsidiaries achieves the Council's objectives.</p>

6 The Council's Proposed Governance

6.1 Council officers have considered 31Ten's report and considered the wider Council ecosystem and how these subsidiaries work within them. The resulting proposals are outlined below.

Proposal	Detail
The Shareholder Committee will continue to discharge the Council's role as shareholder	<p>The Shareholder Committee is an established, public committee and should continue to undertake the Council's role and responsibilities as shareholder of its subsidiaries including undertaking all matters reserved for the Council as shareholder which include signing off business plans.</p> <p>It needs to remain strategic and focused to continue its effectiveness.</p>
Creation of a Housing Supply Strategic Board (HSSB) with responsibility for Housing Supply across the Council and its Subsidiaries	<p>By aligning the Council's development, regeneration, and housing supply activities through the creation of a single strategic body, the Council can increase collaboration across these departments and ensure decisions are taken with regards to the whole process of creating and managing housing, to the resident's benefit.</p> <p>This goes one step further than aligning the Council's subsidiaries and includes officers from each department which contributes to Westminster's provision of affordable housing.</p>

	<p>This will rationalise Cabinet Member Briefings and provide a forum to discuss the Council’s Housing Supply Strategy, increasing collaboration and fostering a joined-up approach.</p> <p>The HSSB would consider proposals regarding utilising Westminster Builds and Westminster Community Homes to develop housing supply and achieving the Council’s objectives. The Board would not be a formally constituted committee of the Council and would therefore not be subject to access to information rules. Any decisions arising from the Board would be handled through established formal governance arrangements such as Cabinet Member decision reports. The purpose of the Board is to act in an challenge and advisory capacity in a manner akin to the Capital Review Group.</p>
<p>Creation of a Housing Supply Strategy</p>	<p>It is clear from this review that an overarching strategy for new housing supply is needed, especially considering the ongoing work in WCC housing. This strategy would bring together all the individual strands of housing that contribute to the supply of new housing, including operation and development. Ensure consistency from a project’s conception to development, handover, and operation, linking all stages to housing and resident’s needs.</p> <p>This will take 31Ten’s proposals one step further and ensure full alignment across development, regeneration and housing and beyond, e.g., Adult Social Care.</p> <p>With a clear strategy to deliver against, individual business plans and project objectives would have an overarching aim to refer to. Directors would also have more freedom to achieve strategic, outcome-based objectives.</p> <p>The detail and scope of the strategy will be agreed by the HSSB and approved through the Council’s governance.</p>
<p>Reassessment of Westminster Builds Board and its interaction with the Council</p>	<p>Westminster Communities Homes have already begun seeking out additional Board Members as a result of a skills audit that looked at the gaps in the current structure.</p> <p>Westminster Builds however has maintained a Board with a director from each Housing, Development and Finance. The changing scope of Westminster Builds over previous years and the pending decision of whether or not Ebury and Church Street will be delivered through WB, or the Council will impact the make-up of the Board and skills sets required.</p> <p>As WB now intends to incorporate an RP additional Board Members will be required therefore it would be prudent to have a full review of the company’s board membership, with reference to the next proposal below.</p>
<p>Separation of roles and conflicts of interest</p>	<p>All of WB’s directors are twin hatted with their substantive director roles in the Council. This has not created any conflicts of interest, but it can be unclear and can lead to situation where individuals are acting for both sides of the arrangement.</p>

	It would be beneficial to separate those who make decisions on delivery routes from the boards of subsidiaries. This would enable the giving of high-quality advice to Members acting as shareholder on the performance and financial health of the company so Members can robustly challenge assumptions and analyse risk.
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7 Financial Implications

- 7.1 As the recommendations of this report are primarily concerned with implementing new governance arrangements, there are no direct financial implications.
- 7.2 The council has already implemented some report recommendations, with £85m of additional funding being allocated from the General Fund for both in and out of borough TA purchases. The valuation method for affordable homes outlined in option #2 of appendix 1 will also be considered for future schemes.

8 Legal Implications

- 8.1 The Council has a general power of competence under section 1 of the Localism Act 2011; this is the power to do anything an individual can do provided it is not prohibited by other legislation.
- 8.2 The Council has the power under section 111 of the Local Government Act 1972 to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its functions.

9 Carbon Impact

- 9.1 The recommendations in this report are not expected to have a carbon impact. Individual projects which contribute towards the Council's, WB or WCH's development programme will consider their carbon impact separately.

10 Equalities Impact

- 10.1 The recommendations in this report are not expected to have an equalities impact.

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

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APPENDICES

Appendix 1 – Analysis of 31Ten recommendations and Council Responses

Appendix 2 – 31Ten’s Report

BACKGROUND PAPERS

Truly Affordable Housing Strategy Cabinet Paper October 2022