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City of Westminster

Cabinet Agenda

Title:	**Cabinet**
Meeting Date:	**Monday 14th December, 2015**
Time:	**7.00 pm**
Venue:	**Rooms 5, 6 & 7 - 17th Floor, City Hall, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:**

Philippa Roe (Chairman)	Danny Chalkley
Heather Acton	Robert Davis
Nickie Aiken	Tim Mitchell
Daniel Astaire	Rachael Robathan
Melvyn Caplan	Steve Summers

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Mick Steward, Head of Committee and Governance Services

Tel: 7641 3134; Email: msteward@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1.	**WELCOME**	
2.	**DECLARATIONS OF INTEREST** To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.	
3.	**MINUTES (29.6.15)** To approve the minutes of the meeting held on 29 June 2015.	**(Pages 1 - 4)**
4.	**HOUSING INVESTMENT STRATEGY AND HOUSING REVENUE ACCOUNT BUSINESS PLAN 2016/17** Report of the Executive Director of Growth, Planning and Housing.	**(Pages 5 - 42)**
5.	**COUNCIL TAX DISCOUNTS (INCLUDING COUNCIL TAX LOCAL REDUCTION SCHEME) AND COUNCIL TAX BASE REPORT** Report of the City Treasurer.	**(Pages 43 - 58)**
6.	**TREASURY MANAGEMENT STRATEGY - MID YEAR REVIEW** Report of City Treasurer.	**(Pages 59 - 68)**
7.	**USE OF WESTMINSTER CITY COUNCIL'S POWERS TO OVERRIDE RIGHTS TO LIGHT TO FACILITATE THE DEVELOPMENT OF LAND TO FACILITATE AN EDUCATION FACILITY AND RESIDENTIAL DEVELOPMENT ON THE SITE AT SUTHERLAND STREET** Report of Executive Director of Growth, Planning and Housing.	**(Pages 69 - 192)**
8.	**ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**	

9. EXCLUSION OF PRESS AND PUBLIC

RECOMMENDED: That under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following item(s) of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

Item Nos	Grounds	Para of Part 1 of Schedule 12A of the Act
10 & 11	Information relating to the financial and business affairs of an individual including the authority holding the information and legal advice	

10. PROPOSED COMPULSORY PURCHASE ORDER FOR THE EBURY BRIDGE ESTATE, EBURY BRIDGE ROAD

(Pages 193 - 246)

Report of the Executive Director of Growth, Planning and Housing.

11. APPROPRIATION OF WESTMINSTER LANDS AT DUDLEY HOUSE, NORTH WHARF ROAD AND 139-147 (ODD) HARROW ROAD, LONDON, W2

(Pages 247 - 276)

Report of the Executive Director Growth, Planning and Housing.

Charlie Parker
Chief Executive
4 December 2015

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CITY OF WESTMINSTER

MINUTES

Cabinet

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Cabinet** Committee held on **Monday 29th June, 2015**, Rooms 5, 6 & 7 - 17th Floor, City Hall.

Members Present: Councillors Philippa Roe (Chairman), Heather Acton, Nickie Aiken, Daniel Astaire, Richard Beddoe, Danny Chalkley, Tim Mitchell, Rachael Robathan and Steve Summers

Apologies for Absence: Councillor Robert Davis, MBE, DL

1 WELCOME

1.1 Councillor Philippa Roe (Leader of the City Council) welcomed those present. Apologies for absence were received from Councillor Robert Davis.

1.2 The Leader welcomed Tasnim Shawkat, Tri-borough Director of Law to her first meeting. The Leader and Cabinet recorded its thanks to Peter Large who will be retiring shortly for his significant contribution and wise Counsel over many years, in particular, in the areas of Licensing and Parking.

2 DECLARATIONS OF INTEREST

2.1 Councillors Daniel Astaire and Danny Chalkley declared an interest as Trustees of the Sir Simon Milton Foundation.

2.2 Councillor Nickie Aiken declared an interest as one of her children would be attending a secondary school from September.

3 MINUTES

The minutes of the meeting held on 1 June 2015 were approved and signed by the Chairman as a true and correct record of the proceedings.

4 ORDER OF BUSINESS

The Chairman varied the order of business so that Item 5: The School Organisation and Investment Strategy was considered as the next item of business.

5 SCHOOL ORGANISATION AND INVESTMENT STRATEGY (SEE REPORT OF THE TRI-BOROUGH DIRECTOR OF CHILDREN'S SERVICES)

5.1 Andrew Christie, Tri-borough Director of Children's Services introduced the report. The Council he advised had updated its School Organisation and Investment Strategy. The reason for doing so was to set out the Council's plans for complying with its statutory duty to provide sufficient school places.

5.2 Councillor Chalkley spoke in favour of the updated strategy and thanked the officers for the considerable amount of work in developing the strategy. In doing so he corrected paragraph 4.3 of the report which should refer to 9 academies, 1 Voluntary Aided School and 1 Free School. The Leader also thanked the officers for their work in developing the strategy.

Resolved: That approval be given to the School Organisation and Investment Strategy set out in Appendix B of the report.

Reasons for Decision

The School Organisation and Investment Strategy sets out the Council's plans for complying with its statutory duty of providing sufficient school places for every child who needs one.

6 SECONDARY SCHOOL EXPANSION (SEE REPORT OF THE TRI-BOROUGH DIRECTOR OF CHILDREN'S SERVICES)

6.1 Andrew Christie, Tri-borough Director of Children's Services introduced the report. He explained that the proposals were submitted in order to meet the demand over the next few years.

6.2 Councillor Chalkley advised that the scheme were all at an early stage and still required a lot of work and consultation with Ward Councillors, local communities and planning approval. He added that he expected the proposals for Pimlico Academy to be objected to locally. The Leader added that making it clear that the proposals were all subject to Ward Member consultation, local consultation and planning approvals would be reflected in the Cabinet's decision.

6.3 Councillor Summers advised that the proposals for Pimlico appeared to include changes to the Library which would require full and detailed consultation as well as planning permission.

6.4 Councillor Nickie Aiken advised that Pimlico Academy had been the subject of significant development and she would expect significant local objection. She was against any further expansion of the Pimlico Academy.

RESOLVED:

(i) That the need for additional secondary school places as detailed in the School Organisation Strategy 2015 be endorsed, subject to consultation with Ward Members, local consultation and planning approval.

(ii) That approval, in principle, be given to the Council's contribution of £17.2m for the proposed expansions.

(iii) That authority be delegated to the Director of Schools, the Executive Director of Growth, Planning and Housing and the Tri-borough Director of Law in consultation with the Cabinet Member for Children and Young People to take such measures as necessary to give effect to the proposals set out in the report and including the consultation requirement set out in (i) above.

Reasons for Decision

Additional school places are required in Westminster as set out in the strategy.

The Meeting ended at 7.15 pm

CHAIRMAN: ______________________ **DATE** ___________________

City of Westminster **Cabinet Report**

Meeting or Decision Maker:	Cabinet
Date:	14 December 2015
Classification:	General Release
Title:	Housing Investment Strategy and Housing Revenue Account Business Plan 2016/17
Wards Affected:	All
City for All:	This report addresses the investment in the Council's current housing stock and the investment in new housing and non –residential buildings and public realm in regeneration areas and as such has a major impact upon all three aspects of Choice, Heritage and Aspiration in the City for All policy.
Key Decision:	This is a Key Decision and has been included for 28 days on the list of forthcoming decisions
Financial Summary:	This report presents the 30-year Housing Revenue Account (HRA) Business Plan and investment plans for housing related activity. Indicative detailed HRA capital investment budgets and proposed funding are presented for approval for the five years 2016/17 to 2020/21. Gross HRA capital expenditure of £349m over the five years is required to deliver the plans within this investment strategy, including: £173m on works to existing stock; £150m on housing estate renewal; and £26m on new housing supply and other schemes. This is planned to be funded from £133m of HRA resources, £179m from

	capital receipts, £32m from the Affordable Housing Fund and £6m of new borrowing. A further investment of £130m of Affordable Housing fund monies contributes to housing supply outside of the HRA. The latest 30-year HRA Business Plan demonstrates that the investment proposals are fundable, subject to the assumptions within the plan, and that the HRA remains a viable entity over the thirty year period
Report of:	Executive Director of Growth, Planning and Housing (vacant post with Barbara Brownlee, Director of Housing and Regeneration deputising)

1. Executive Summary

1.1 This report presents the Housing Investment Strategy and thirty-year Housing Revenue Account (HRA) Business Plan the fourth such plan since the introduction of self-financing in 2012. The City Council's investment plans are ambitious and will deliver a range of lasting benefits for the City, its residents and the City Council. They will allow the City Council to realise much of its 'City for All' ambitions of aspiration and choice; delivering new homes and leveraging the value of our land assets to bring forward investment in some of Westminster's poorer neighbourhoods.

1.2 Since last year the Budget has not changed. There are no immediate impacts arising from this report for existing tenants. The capital programme of repairs and improvements remains the same over the next 3 years and remains at the same budget as 2015/16 of £1.4bn over 30 years. Recent modelling has shown that a budget of £1.8bn over 30 years may be necessary and once the details of the Housing and Planning Bill are fully released and understood officers will re-visit this modelling and the ability of the HRA to sustain a programme greater than £1.4bn. An explanation of the impact on residents of the £1.4bn budget is given in Appendix E.

1.3 Key investment programmes included are:

- The HRA capital programme of continued investment in existing housing stock;
- The housing estate renewal programme (now including Church Street Phase 2);
- New affordable housing supply schemes, funded through the HRA and the Affordable Housing Fund.

1.4 Based on current assumptions and projections, Westminster's HRA is viable and supports the proposed investment plans. However, since last year's business plan was approved the Government has announced a number of policy changes that will have wide-ranging impacts on the Council's ability to fund its planned programmes.

1.5 The most significant is a reduction in social housing rents by 1% per annum over the next four years, which has reduced HRA rent income by £32 million in cash terms over the first four years of the plan. The effect on the 30-year business plan is an NPV loss of investment capacity of £237 million.

1.6 Other key elements of the Bill include the sale of high value local authority voids to fund the Right to Buy to housing association tenants and the 'Pay to Stay' initiatives have not been sufficiently detailed by Government to allow detailed modelling at this time.

1.7 This reduction in HRA income, both actual and anticipated, has led to an initial review of priorities within the investment strategy this year. Key initiatives and existing commitments to residents have been protected, including: investment to protect residents' health and wellbeing such as fire precautions, adaptations and measures to address condensation in council housing stock; investment schemes that are already well into the planning stage and on which residents have been consulted; and the housing renewal programme schemes.

1.8 In order to protect the above commitments, a prudent decision to re-programme investment in existing stock that was originally programmed for 2018/19 onwards has been made. The impact is, however, that our target to have all council stock maintained at the CityWest Homes (CWH) standard (i.e. above the basic decent homes standard) will not be achieved. We estimate that at any one time at least 80% of the housing stock will meet the CWH standard.

1.9 The **programme of investment in existing stock** will see £251m of HRA resources expended over the next five years on improvements to around 9,000 homes and wider estate environments. This includes both capital spend of £172m and revenue repairs of £79m. Over the 30-year planning period, the total investment in the stock totals £1.4 billion (£941m capital and £473m revenue)

1.10 The **Housing Renewal Programme** will deliver circa. 2000 new mixed-tenure homes and wider benefits to the city's poorest neighbourhoods. The total gross council costs (including sunk costs and anticipated spend this year) are estimated to be £315m. As well as new homes, the cross-cutting renewal programme delivers jobs for local people, new community facilities and assets, space and support for business and enterprise, improved health and care outcomes, and significant investment in public realm and infrastructure.

1.11 Outside the housing renewal areas, new **affordable housing supply programmes** are expected to deliver nearly 1,000 new affordable homes over the next five years. Registered Provider partners will deliver 256 of these, with the remainder to be delivered by the City Council through both the HRA and the Affordable Housing Fund

1.12 The Council's **Affordable Housing Fund** supports delivery of new affordable housing in the city, with over £200m either committed or set aside to support both the new supply and housing renewal programmes outlined above.

1.13 The investment programmes outlined in this report will help to transform many of our neighbourhoods. The benefits of planned investment are wide, impacting: housing; health and care; jobs, business and enterprise; place-making and the built environment; assets for the community; and bringing about greater community involvement.

1.14 The HRA business planning process for 2016-17 has been particularly difficult to complete this year. There remain a number of significant uncertainties around the impact of the proposed changes in Housing and Planning Bill, the Comprehensive Spending Review, and the local Government settlement is still pending. The HRA business plan has been constructed upon very prudent assumptions and at this point has some unapplied investment capacity and headroom. This plan effectively represents a prudent holding position subject to confirmation of the detail and impact of these changes. Over the coming year, as more detail emerges, we will be better able to model the implications and more fully review the planned investment programmes in preparation for next year's business plan.

2. Recommendations

2.1 To approve the indicative HRA major works capital programme budgets for 2016/17 to 2020/21 (Appendix B).

2.2 To approve the indicative housing renewal investment programme budgets for 2016/17 to 2020/21 and to approve the revised renewal budgets for 2015/16 (Appendix B).

2.3 To approve the indicative housing non-delegated programme budgets for 2016/17 to 2020/21 (Appendix B).

2.4 To note the proposed allocations from the Council's Affordable Housing Fund to new supply programmes.

2.5 To note the wide-ranging benefits to be delivered through the proposed housing investment programmes.

3. Reasons for decision

3.1 Adoption of the plans outlined in this report will enable the Council to invest in maintaining and improving the existing stock of homes and neighbourhoods within its management, while also delivering wider benefits to the city's residents and businesses. The financial plan will ensure the housing stock continues to meet the housing needs with which the city is faced; and ensure the Housing Revenue Account remains sustainable and viable over the long term.

4. Background

4.1 The Council's *Housing Investment Strategy*, approved by Cabinet in 2012, centres on delivering three key programmes:

- Investment to maintain and improve existing council-owned homes;
- Delivery of new affordable homes; and
- Implementation of the initial phases of the housing renewal programme.

4.2 Annually the Council reviews and updates its 30 year business plan in line with best practice. This report summarises the latest 30-year Housing Revenue Account (HRA) Business Plan, and seeks approval from Cabinet for updated and re-profiled capital expenditure proposals. The annual update also outlines how the Council plans to utilise resources from the Affordable Housing Fund (AHF) to deliver new affordable housing supply initiatives.

4.3 Achievements in the past year have included:

- Delivery of 115 new affordable homes, including 51 new-build units and 64 open market acquisitions by Registered Providers and the City Council.
- Acquisition by the HRA of 38 homes, to increase the Council's stock of social rented housing.
- Concluded Compulsory Purchase Order proceedings for Tollgate Gardens Estate, which enables site assembly for demolition.
- Appointed Affinity Sutton as the preferred development partner for the Tollgate Gardens renewal scheme.
- Appointed United House as the design and build (D&B) contractor to deliver Lisson Arches and commenced works with Conways FM to divert the utilities and clear the site in advance of the build.
- Appointed the consortium of Bouygues Development and Londonewcastle as the preferred Development partner at Luton Street.
- Purchased Ashbridge Street and procured Pocket as a development manager to secure planning on an enhanced affordable housing scheme.
- Appointed Willmott Dixon as the D&B contractor to deliver the Dudley House project.
- Appointed Bellway Homes as the preferred developer partner to deliver Parsons North site.
- Delivered improvements to circa 760 council homes, maintaining them at the Decent Homes Standard, and brought a further 460 homes up to the higher CWH standard.

4.4 The HRA Business Plan presents a 30-year model of projected income and expenditure on the management and maintenance of the Council's housing assets. A number of significant changes have been made to the business plan this year, largely as a result of recent government policy announcements (see section 5 for detail of these announcements). While the precise detail of many of these policies is unknown at this stage, some assumptions have been made and modelled to arrive at a base business plan position for this year.

4.5 Over the coming year, as more detail emerges on how the government intends to implement its policies, the Council's investment priorities will be reviewed, as will the programmes designed to deliver those priorities. Next year's investment strategy and business plan will therefore reflect any recommended changes to the Council's investment plans.

4.6 The charts overleaf show the key business plan metrics for both last year's and this year's plans. The most significant difference between the two years is the reduction in investment capacity in the latter 15 years which has decreased from £630m to £190m at 2044/45. This is largely due to the reduction in social rent of 1% for the first four years. The major changes since last year's plan are shown below:-

- Inclusion of Church Street phase 2 £200m - expenditure
- Inclusion of Church Street combined heat and power plant (CHP) £9m - expenditure
- Reduction in rent income from 1% decrease for 4 years - £232m
- Increase in earmarked Affordable Housing Fund income - £34m
- Delivery of incremental annual savings in housing management costs rising to £5.2m in 2020/21

Chart 1 – Key metrics from last year's 30 year plan

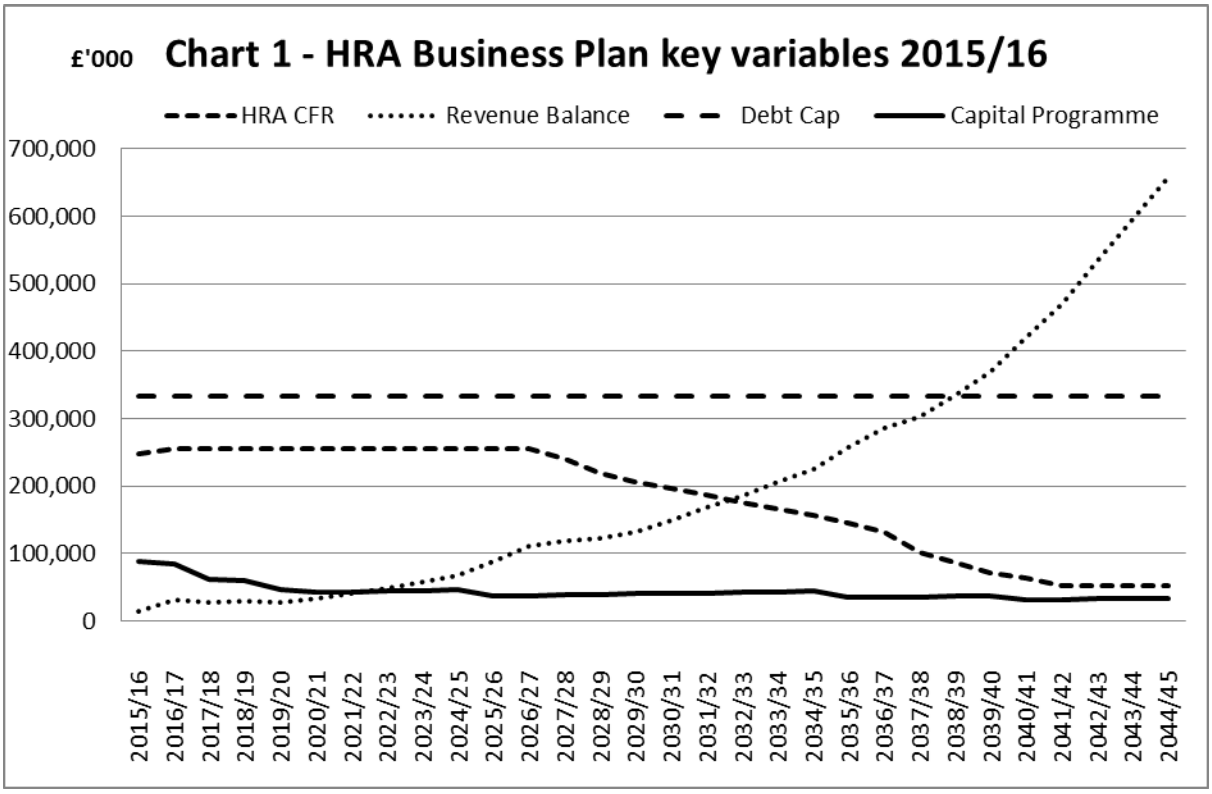
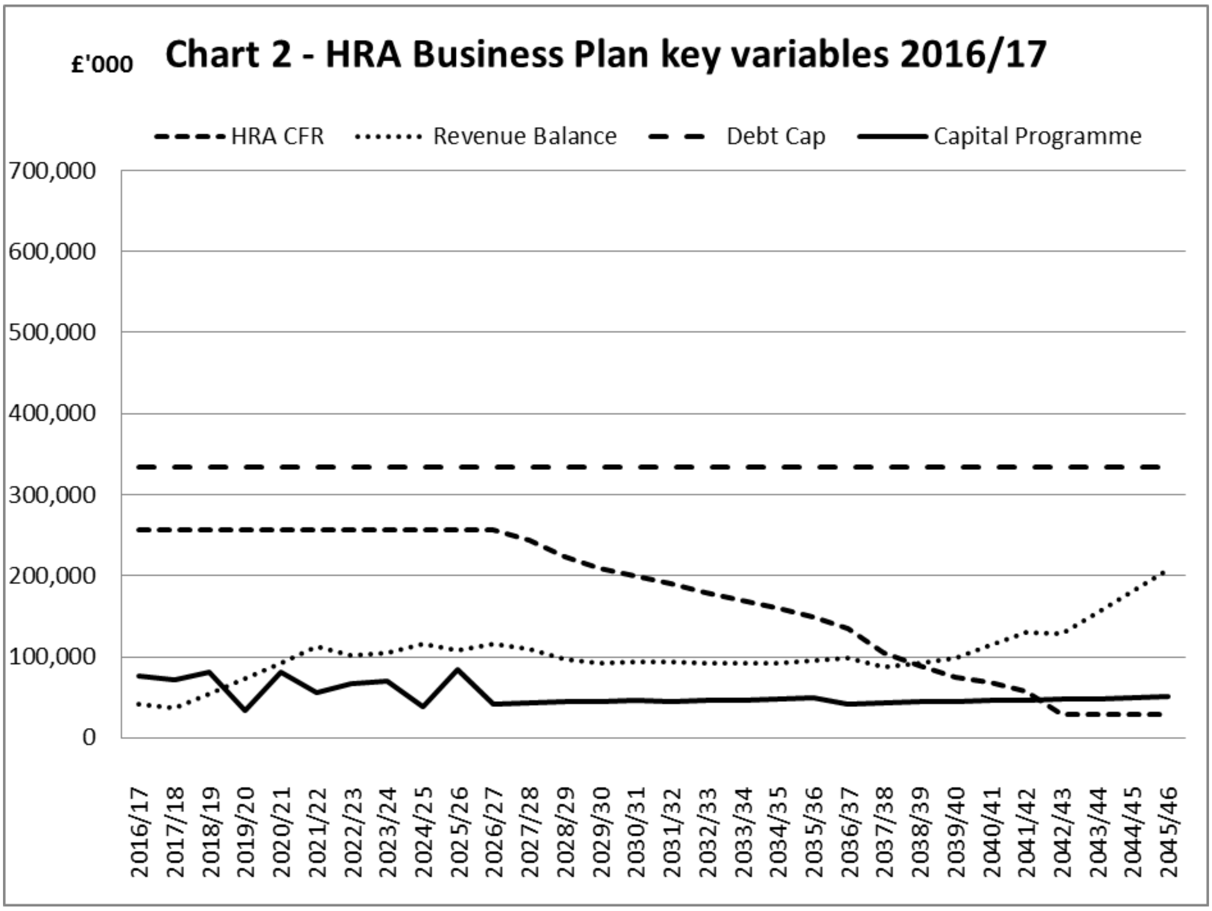


Chart 2 – Key metrics of this year's proposed 30 year business plan



5. Government policy announcements

5.1 This section provides a summary of the recent policy announcements and the anticipated implications for the Council's housing investment plans.

Welfare Reform and Work Bill (July 2015)

5.2 The Welfare Reform and Work Bill was introduced to the House of Commons on 9 July 2015 and will have significant financial implications for the HRA, but will also impact the Council's overall housing needs and thus the General Fund through its impact on Temporary Accommodation (TA). The key provisions are outlined below.

Social rent reduction

5.3 In the 2015 Budget the Chancellor announced that rents for social housing tenants would be reduced by 1% annually for a period of four years. It is being implemented through the Welfare Reform and Work Bill and is to apply from 2016/17. Beyond the first four years, however, there is uncertainty about what rent regime will be in place. The HRA business plan assumes that the government will revert to its stated policy of CPI+1% for the following 5 years before reducing to inflation only annual increases.

5.4 Indicative modelling of the 1% reduction has been undertaken and this identified potential loss of rent income of £32 million in cash terms over the first four years of the plan. The effect on a 30-year NPV basis is over £237 million.

Welfare Benefits cap, Local Housing Allowance caps and TA subsidy

5.5 Provisions in the Bill applying a four-year freeze on Local Housing Allowance rates from 2016/17, means that they will not keep up with private sector rents over this period. This has a two-fold impact:

- tenants in private sector housing may find they can no longer afford their rents, with a consequent increase in homeless;
- Increased pressure on the General Fund due to higher demand for Discretionary Housing.

The estimated impact in Westminster is an increase of £2.75m in TA spend over this four year period

5.6 The Bill reduces the benefits cap in London to £23k per annum for families and £15.4k for single claimants, and freezes certain social security benefits for four years. This will also have an impact on households' ability to sustain private sector tenancies, with a consequent rise in homeless presentations.

5.7 Over the coming year the Council will be revising its Temporary Accommodation Procurement Strategy, the Allocations Scheme for social housing, and its policy on Discharge of Duty for homeless households to address the issues arising from these changes.

5.8 The Council's housing investment strategy and capital investment programmes will then need to reflect any changes in strategic direction. This will be reflected in next year's HRA business plan report.

Housing & Planning Bill (October 2015)

5.9 The Bill was introduced to the House of Commons on 13 October 2015 and is designed to support the government's objectives to boost housing supply (particularly home ownership), improve standards in the private rented sector, and simplify the planning process to encourage development. The provisions that are considered to have significant impacts on the Council's housing investment plans are summarised below.

Disposal of high value voids

5.10 This policy requires local authorities that maintain a Housing Revenue Account to make an annual financial contribution to government equivalent to the estimated revenue from disposal of properties that become void in that year, and which are considered to be 'high value'. It is being introduced in order to fund an extension of the right to buy policy to tenants in the housing association sector.

5.11 The amount that Westminster will be required to pay each year to government is not known at this stage but, given the value of housing stock in the city, it is anticipated to be a very significant figure. Calculations based on an initial proposal from government suggested 57% or 230 of the properties becoming void would be considered high value. This could amount to over £100m per annum in Westminster. The detailed workings of this policy (including the definition of high value) are to be made by Regulations.

5.12 The provisions in the Bill also allow the Secretary of State to enter into agreements with a local authority to reduce the amount of the payment, on the condition that the money is instead spent on housing or on things that will facilitate the provision of housing (e.g. infrastructure or land remediation).

5.13 Given that few authorities will have resources from which such a contribution can be made, it is expected that property disposals will have to take place, resulting in a loss of social housing stock available to households in housing need. The impact could be a potential increase in annual net TA costs of up to £4.5m.

5.14 However, without any firm detail at present in terms of the sum to be paid from the HRA, nor the number of units to be lost from the portfolio, it has not been possible to include these provisions in the base business plan for this year.

Extension of the right to buy to housing association tenants

5.15 Facilitating the government's manifesto commitment to extend the Right to Buy (RtB) scheme across the social sector, the Bill enables government to provide full monetary compensation to Registered Providers (RPs) that operate such a scheme, to cover the discount provided on each home sold. The expectation is that, with the sales receipt, the RP will be able to replace the home sold. But there is no guarantee that the replacement home will be in the same local area as the one sold, nor that it will be of the same tenure.

5.16 Operating RtB will be on a voluntary basis for RPs, so the impact on Westminster's stock of social rented housing cannot as yet be quantified. However, the implication may well be that the Council will see a loss of social rented housing stock to which it has nomination rights.

Affordable housing and s.106 agreements

5.17 The Bill enables the government to require local authorities to effectively consider starter homes (new dwellings available to purchase by first time buyers under 40 and sold at 80% of market value, with a suggested price cap of £450k in London) as a form of affordable housing. The detailed working of the legislation is not yet known, but it is presumed that this provision will be funded through a reduction in the requirement to provide traditional affordable housing on which the Council relies to accommodate households in housing need.

Pay to stay

5.18 The Housing Bill follows a previous announcement that social housing tenants with household incomes of £40k or above in London (£30k elsewhere) will pay market rents or close to market rents, and that the extra income generated in council stock will be paid to government (less an amount to cover administrative costs). A date for implementation has not yet been agreed.

5.19 This policy will not have a direct impact on the HRA business plan, as it (as currently formed) does not result in changes in stock numbers or rent received. Much work will however be required in developing procedures and communications tools for administering the policy.

City for All and Draft Westminster Housing Strategy

5.20 Since last year's investment strategy report, the Council has announced its *City for All* vision, and also published a draft Housing Strategy for consultation. Investment in existing and new homes, and in our communities, is central to achieving this vision of Westminster being a City of Aspiration, Choice and Heritage. Specific *City for All* commitments supported by the housing investment outlined in this report include:

- Delivering 1,250 new affordable homes;
- Breaking the ground on the first phase of housing renewal schemes;
- Investing £12m to tackle cold and damp housing conditions; and
- Supporting hard working professionals to get a foot on the housing ladder.

5.21 The draft Housing Strategy was published in June, not long before many of the above policy announcements were confirmed. While the implications of the above are being worked through it has not been possible to confirm the Council's housing strategy. The Council has instead produced a 'Direction of Travel' statement and a more detailed Housing Strategy will follow when government proposals are confirmed.

5.22 The pressures outlined above mean that the investment programmes included in last year's business plan have had to be reviewed. Our key priority is to deliver on existing promises to residents, particularly in terms of capital works schemes that are already well into the planning stage. But we also want to ensure our housing renewal plans do not lose momentum. Residents in these areas have been working closely with us for a number of years now, and are looking forward to seeing some results. The HRA is also one of the cornerstones in the Council's plans for increasing housing supply and we will continue to allocate resources for this purpose.

5.23 Plans for each of the Council's housing investment programmes are set out in the following sections.

6. HRA investment programme – expenditure on existing homes

6.1 It is estimated that, over the next 30 years, the council's existing housing stock would require £1.8 billion of investment to maintain it at the CityWest Homes standard. However, due to the expected reduction in HRA income outlined above, and to produce a balanced HRA, in this year's plan the 30-year investment programme has been maintained at £1.4 billion (£941m capital and £473m revenue). Officers have taken a very prudent approach to budget setting because of the uncertainties arising from the Housing and Planning Bill and may recommend an increase in expenditure on the existing stock at the next annual review when the detailed impacts of the Bill are known. Consequently, some of the cost saving measures described in the following paragraphs will be reviewed next year.

6.2 In reducing the programme, we have carefully assessed the options so that vital elements are protected. These include:

- £12m investment in works to address condensation and damp over the first five years, which was announced as a *City for All* commitment in March this year;
- £41m investment in fire safety works over the 30 year programme (although with some minor re-profiling); and
- £1.2m per annum investment in adaptations for people with disabilities.

6.3 In addition, investment plans for the first three years of last year's five-year programme (i.e. the first two years of this year's), have been maintained. This is because these schemes are already well advanced in terms of procurement and consultation with residents.

6.4 Total expenditure on major works programmes in the first five years of the programme amounts to £252m investment (capital and revenue) broken down as shown overleaf and is shown at Appendix B in more detail.

Year	Capital	Repairs	Total Investment
	£000's	£000's	£000's
2016/17	41,418	15,780	57,198
2017/18	41,104	15,780	56,884
2018/19	32,226	15,780	48,006
2019/20	29,554	15,780	45,334
2020/21	29,000	15,780	44,780
Total	**173,302**	**78,900**	**252,202**

6.5 The major investment categories that make up the five-year capital programme are shown below and in Appendix B.

Category	Investment
External	£62.9m
Mechanical & Electrical	£58.0m
Fire precautions	£13.9m
Major Voids	£10.9m
Lifts	£10.0m
General	£6.6m
Adaptations	£6.0m
Kitchen & Bathrooms	£5.0m
Total	£173.3m

6.6 The reduction in programme expenditure in year three onwards has been achieved largely through extending renewal and replacement cycles for certain building elements. Reductions in specification are also being considered for elements such as windows, kitchens and bathrooms; which may mean, for example, that UPVC windows are installed instead of powder-coated aluminium, and that kitchens may have fewer cabinets installed when due for replacement. Appendix E shows how these changes might be implemented in an example block.

6.7 Reducing the planned programme by £400m carries with it a number of risks. These are outlined below, with a fuller assessment and mitigation actions set out in section 10 of this report.

6.8 The bulk of the cost reduction has been achieved through lengthening programmed renewal or replacement cycles for certain building elements, in most cases by between two and five years. This will increase capital requirements in years beyond this 30 year plan, but could also result in higher on-going repair and maintenance expenditure within the 30 years as elements are 'nursed' along.

6.9 In last year's business plan it was assumed that ongoing maintenance expenditure would reduce over the planning period, due to efficiencies to be achieved in procurement and delivery; however in this year's plan we are assuming a constant rate to guard against a potential increase in the level of work required. The risk of significant failure in elements is considered low, as the life cycle extensions are considered minimal.

6.10 The lengthening of decoration cycles to 12 years will mean that blocks will gradually fall below our ambitious CityWest Standard, which stipulates a 7-10 year decoration cycle. Our strategic target was to have all stock up to this standard by 2017; however we now estimate that the maximum that will achieve this is 80%. The CityWest Standard will be reviewed this year, to assess how this standard compares with what is being delivered elsewhere in the housing sector, in both existing stock and new developments, and to ensure what is delivered in Westminster is cost-effective, but reflective of the quality of housing stock we manage.

6.11 Planned expenditure on condensation has been protected for the first five years; however beyond this point expenditure has been reduced. This will mean that fewer properties than originally planned will be included in the programme from year five onwards. Where issues of condensation are impacting residents' health, and cannot be managed without physical intervention in the building fabric, these will always be prioritised for action.

6.12 There is a risk that resident satisfaction could fall as a result of lower specifications for works, or the perception that buildings and estates are not being maintained as well as previously. We are mindful of the reputation for high quality estates and services that Westminster Council and CityWest Homes have worked hard to build in this regard. Clear communication with residents with regard to expectations, and being responsive when issues arise will be key to maintaining this reputation.

6.13 Schemes to which the Council has already committed, and for which details have already been communicated to residents, have been protected in this plan. For some residents, the news that major works costs will not be imposed as frequently may in fact be good news.

6.14 Over the coming year the Council will be further evaluating the options to reduce cost, to arrive at an optimal cost/quality solution. Existing term contracts for improvement works are also due for re-tendering in 2017, which presents the Council with the opportunity for achieving procurement savings.

7. New affordable housing supply schemes

7.1 The majority of new affordable supply currently being delivered in the City is linked to market housing led developments where a proportion of new housing is required to be provided on site as affordable housing linked to (s106) planning obligations. These s106 affordable homes are generally transferred by private developers to the Council's Register Provider (RP) partners once complete and the Council then nominates households in housing need from its waiting lists to these new affordable homes.

7.2 Registered Providers have therefore been the Council's main historical source of new affordable housing supply in the City. However, RPs are unable to compete with the private sector in Westminster for development site opportunities due to the high cost of land and property prices in the City. Also RPs operating in the City have very limited development capacity within their own estates to deliver new affordable housing supply.

7.3 As new affordable housing supply is generally limited to s106 sites, the council and its partners have sought to supplement this limited affordable housing supply by bringing forward spot purchase programmes of market homes that are then converted to affordable housing use.

7.4 The Council's Housing Renewal strategy will significantly increase the level of new-build housing supply in the future with circa 2,000 new homes of which over 600 will be affordable.

Affordable Housing Fund

7.5 The Affordable Housing Fund is the Council's traditional source of funding for new housing supply. Since 1997 developers have contributed £257m to the fund, of which £98.5m has been expended delivering 1,487 new affordable homes. The fund has current balances of £167m of which £80m is formally allocated and approved towards existing contractual commitments. This means that currently the fund has £87m of uncommitted headroom.

7.6 Further affordable housing projects in the pipeline require in the region of £148m from the AHF, leaving a shortfall of £61m. However, this shortfall is anticipated to be bridged from additional S106 payments due to be received from developers over the next few years. Currently there are over £100m in outstanding developer payments due to be paid into the AHF, including a single payment of £39m due from Chelsea Barracks. See table below

Status	Funding	Balance
AHF Balances		£167m
Less formally contractually committed	-£80m	£87m
Less allocations to potential new schemes	-£148m	-£61m
Potential Developer payments expected	£100m	£39m

7.7 In addition, due to the delivery time frames of many of these new affordable housing projects, there are not anticipated to be any cash flow issues with funding these projects from the AHF.

7.8 Decisions regarding allocation of the Affordable Housing Fund are delegated to the Cabinet Member for Housing, Regeneration, Business and Economic Development.

7.9 With the advent of HRA self-financing the HRA is now a vehicle for delivering new affordable housing, supplementing the AHF. Over the next five years, through a combination of the HRA, and the existing and anticipated AHF commitments the Council expects to deliver circa 1,345 new affordable housing units (including in the renewal areas). This is summarised in the table below.

Potential schemes being supported through the Affordable Housing Fund 2016-2021

Scheme	Gross Potential Units	AHF funding*
Registered Provider schemes	256	£50m
Council schemes (HRA, non-renewal)	320	£38m
Council schemes (GF, intermediate rent)	322	£40m
Council schemes (GF, Temporary Accommodation)	100	£41m
Housing renewal	347	£33m
Total	1,345	£200m

* Either contractually committed or awaiting formal approval for funding additional affordable units

Registered Provider Schemes

7.10 Registered Providers including Westminster Community Homes and Dolphin Living are anticipated to deliver 256 new affordable homes over the next five years through a mixture of spot purchases and new build developments. It is anticipated that £50m will be required from the AHF to support the delivery of these 256 new affordable homes, supplementing the funding provided by the RPs themselves.

HRA housing supply

7.11 Over the past two years funding of £22.1m was allocated through the business plan to support growing the HRA portfolio, through both acquisition of existing homes and new development. This funding has delivered 45 new homes through acquisitions, and a further 47 to be delivered in 2018/19 as the affordable housing component of a new private development on Edgware Road.

7.12 A sum of £10m was set aside in last year's plan to support development of new homes on small infill sites within the HRA estate. To date a number of sites have been identified, including void basements, sheds and garages; and vacant land at the end of some blocks. Depending on the mix of units provided, there is potential to deliver up to 140 new homes through this route. This report seeks to allocate the £10m funding to a budget that will enable these schemes to progress and consultation with residents to begin.

7.13 To supplement allocated funding for new supply CityWest Homes has instituted an active asset management approach, whereby non-performing assets (for example those where the future value of the income is less than the future level of costs) are subjected to an options appraisal. Stock deemed not to meet on-going needs is disposed of and the proceeds ring-fenced for investment in new homes that better meet the needs of residents.

7.14 To date, as part of this programme, the Council has disposed of 19 non-performing HRA void properties (mostly studios and 1-beds) on the open market, with a further 41 agreed for disposal. Disposals have so far raised £12.4m, with a further £21.8m anticipated from already agreed disposals. Proceeds have so far been utilised to acquire 20 replacement family-sized homes, with a net increase of 28 bedrooms.

7.15 This source of funding therefore has existing and anticipated receipts of £34.2m. Of this, £8.6m has already been spent or allocated to new homes leaving £25.6m for further new supply initiatives such as the small scale infill sites programme discussed above.

7.16 The Council will also be exploring with other boroughs opportunities to deliver new affordable housing, where joint working will help bring about regeneration activity creating new affordable supply and where access to these new affordable housing supply opportunities will be shared by Westminster and the host borough.

7.17 Westminster will look to use capital receipts from the sale of non-performing HRA housing assets to part fund new affordable supply outside the borough which may include regeneration opportunity sites or new build opportunities currently in private ownership.

7.18 Included within the 2016-2021 programme is 347 new-build affordable homes anticipated to be delivered under the Council's initial Housing Renewal schemes at Church Street (phase 1), Tollgate Gardens and Ebury Bridge Estate (see section 8).

7.19 Phase 2 of the Church Street renewal scheme, which forms part of the Council's successful Housing Zone bid to the GLA, is anticipated to deliver circa 1,100 new homes including 500 affordable homes. As the homes are not expected to be delivered until after 2021, the units and associated funding requirements have not been included in the supply projections outlined in this section. In the HRA Business Plan, however, anticipated site assembly costs and Housing Zone funding have been included. £20m has also been set aside from the AHF for the period beyond 2021.

General Fund housing supply

7.20 The Council plans to build 422 new affordable homes over the next five years. These will be a mix of temporary and permanent homes and will include the major scheme of 197 homes at Dudley House, Paddington.

8. Housing estate renewal – improving neighbourhoods and adding to housing supply

8.1 Westminster's housing renewal programme represents a gross investment by the City Council of £315m (including costs already incurred) in the Housing Renewal areas, and the first significant redevelopment of Westminster council housing in over 30 years. The first phase of housing renewal is well advanced with four positive votes from residents. The first planning approvals have been secured and a number of projects have already been put to the market and development partners appointed

. Renewal Schemes	Costs to date	2015-16 Revised Budget	yr 1-30 Total Budget	Total Scheme Costs
	£000's	£000's	£000's	£000's
CHP Scheme		0	9,500	9,500
Church Street Phase 2		0	177,420	177,420
Cosway	11,175	289	500	11,964
Ebury Bridge	12,674	17,053	20,537	50,264
Lisson Arches	1,454	3,562	20,894	25,911
Luton St	3,912	648	5,700	10,260
Parsons North	314	723	1,504	2,541
Penn & Lilestone	1,093	(262)	3,801	4,633
Tollgate Gardens	9,194	5,446	8,081	22,721
Total Expenditure	39,816	27,460	247,938	315,214

8.2 Investment in the renewal programme has been protected in this year's business plan as it is important that we do not lose momentum. Residents in these areas have been working closely with us for a number of years now, and are looking forward to seeing some results.

8.3 Expenditure and income associated with the four estate renewal schemes (Tollgate Gardens, Ebury Bridge, Church St and Paddington Green) have been included in the base business plan. Gross future HRA costs over the 30 year period are estimated to be £248m, with anticipated receipts of £251m.

8.4 The Housing Renewal Programme (excluding Church Street Phase 2) will deliver over 347 new units of affordable housing, and significantly improved homes to replace the 320 social and private homes that will be demolished, plus refurbishment of many hundreds of homes that will be retained. Capital budgets for the next five years of the programme are set out at Appendix B, with a profile of 30-year income and expenditure shown at Appendix C.

8.5 In this year's plan, we have included anticipated expenditure on Church Street Phase 2, which forms part of a successful bid to the GLA for Housing Zone Status for the area around Church Street and Edgware Road (effectively the Church Street renewal area, West End Green and Paddington Green Police Station). The intention of a Housing Zone is to use financial resources and/or planning flexibilities to accelerate and increase housing delivery in areas where there is significant development potential.

8.6 Westminster's bid included:

- £2m of recyclable grant towards infrastructure works on Lisson Arches; and
- £23.5m recyclable grant for site assembly on Church Street Phase 2 (primarily the acquisition costs of the residential leasehold interests in these blocks.)

8.7 The proposed Edgware Road Housing Zone has the potential to deliver at least 1,700 new homes (including circa 1,100 at Church Street Phase 2), in addition to commercial, retail and community floor space. The Council's bid has been agreed by the Mayor subject to his due diligence processes and the agreement between the Mayor and the Council of the wording of the investment agreement and governance arrangements. The £25.5m funding will be repayable within 10 years but is interest free.

8.8 The housing renewal programme aims to deliver wider benefits beyond new and improved homes. These are summarised in the table below.

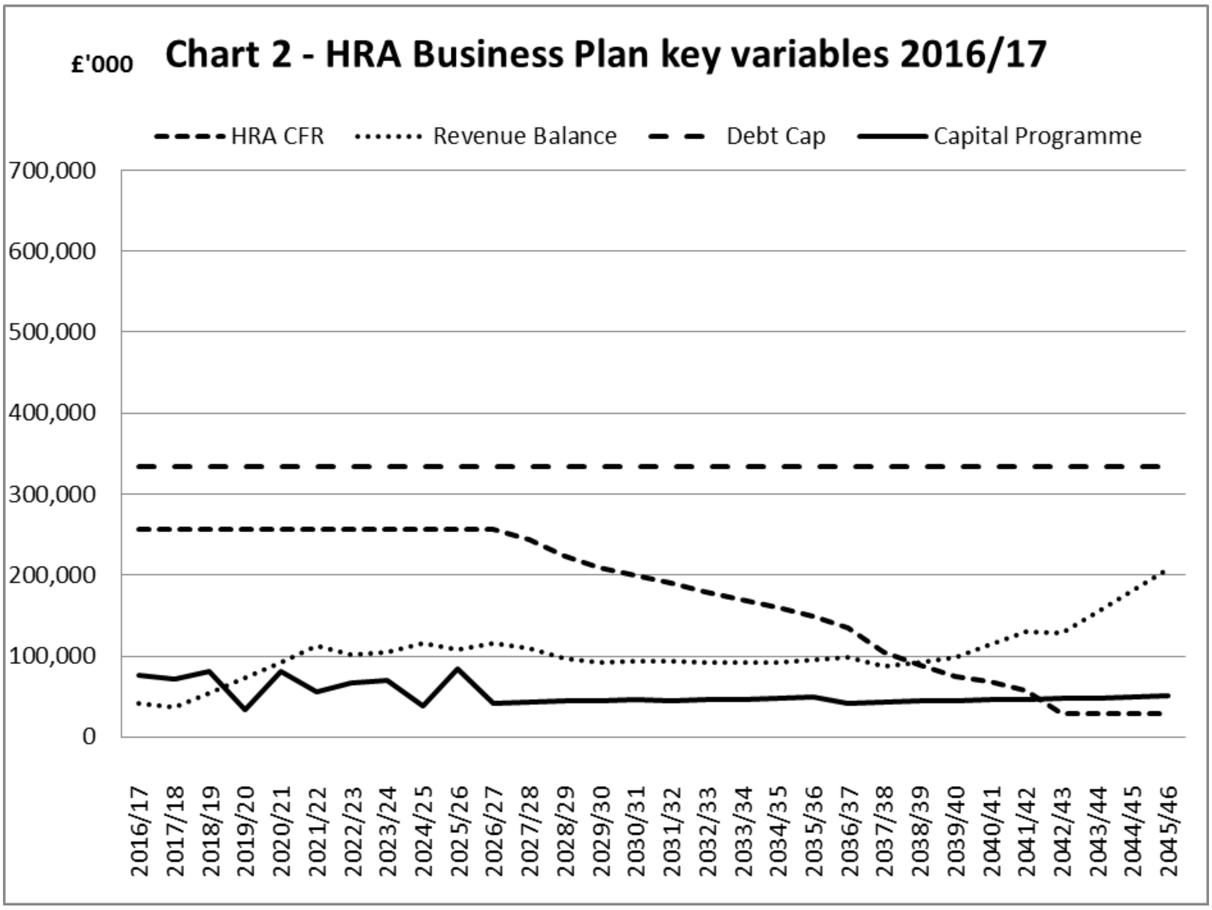
Area wide employment offer	• 1,000 employment opportunities to residents in renewal areas • Community assets – additional enterprise / employment space • Lasting legacy: addressing needs of long term unemployed
Church St	• Health & Well Being hub – up to 6,000 sq. m – one stop for health, well-being, housing, training and advice with enhanced range of health services • Public Realm – landscaping improvements throughout the neighbourhood, green corridor, increased park and play space across the neighbourhood. • District heating system to supply hot water and heat to new homes (where possible) more sustainably and cheaply. • Improving the market – series of physical and management improvements to make the street a London destination. • Older People's housing – 45 new replacement high quality one bedroom sheltered homes with some market housing for older people. • Enterprise centres. • Relocation of Luton St Children's services to improved facilities at Tresham and Orange Park.
Tollgate	• New community centre, accessible to all. • Public realm – improved landscaping, increased greening of the estate.
Ebury	• New retail units facing onto Ebury Bridge Rd. • New playground. • Provision of new community centre with improved natural lighting and modern facilities, accessible to wheelchair users. • Retaining community gardens, new enlarged green spaces new and improved landscaping.

9. The HRA business plan base financial position

9.1 This report sets out the Council's Housing Revenue Account (HRA) Business Plan for the 30-year period 2016/17 to 2046/47. The base financial position will deliver the following:

- Investment in existing stock of £1.4bn, including major works capital expenditure of £934m and revenue repairs and maintenance of £473m.
- Investment in new affordable housing of £248m generating 900 new HRA units, along with improved public realm and community facilities.
- Reduction in HRA debt in year 30 to £29m.
- HRA Revenue balances in year 30 of £195m.
- Efficiency savings of £5.2m in the first five years which are reinvested in service delivery.

9.2 The chart below shows the key variables of the Business Plan: the debt cap (set by government under the self-financing settlement); the HRA CFR (total borrowing requirement); capital programme expenditure; and the cash reserves balance. Each of these is explained further below. This shows that the HRA has the capacity to fund the regeneration and other identified investment opportunities, with support from additional capital grants and receipts.



9.3 Each local authority HRA has a debt cap, imposed by government as part of the 2012 self-financing settlement. This limits the amount of borrowing that the HRA can undertake. Westminster's cap was originally set at £325m, but was increased in 2014/15 to £333m.

9.4 As the chart shows, the Council is able to fund the investment programmes outlined in this report without incurring significant additional borrowing. Borrowing (labelled 'HRA CFR' in the chart above) remains relatively static for the first 10 years of the plan, reducing from then onwards as the early years of heavy investment (largely the renewal schemes) are past. The plan assumes that maturing debt will be re-financed and, as long term loans expire and where resources allow, the principal sums are progressively repaid. Borrowing is estimated to fall from £257m to £29m over the life of the plan resulting in a net debt repayment of £228m over the 30 year period. The borrowing headroom is estimated to improve from £76m to £304m at the end of the plan providing future investment capacity.

9.5 A minimum reserves balance of £11m has been assumed in the plan as a contingency against unexpected expenditure and to mitigate potential risk. This largely arises from the dependency upon capital receipts which are largely dependent upon delivery of the renewal programme and the continued buoyancy of the property development market. This continued level of reserves in this year's programme is felt to be prudent in light of the future uncertainty around Government housing policy, rent policy, inflation, interest rates and cash flow.

9.7 Total planned capital investment in the HRA totals £1.2bn over 30 years. This includes major works on existing stock, regeneration and other new supply schemes. This will be funded mainly from: rental income; capital receipts of £200m generated from land and market sale of new homes; capital grants of £52m; RTB sales receipts of £52m; and borrowing where appropriate. This is shown in the table below.

HRA Capital investment

	Years 1-5 £m	Years 6-30 £m	Total £m
Existing stock	173	760	**934**
Regeneration & New Affordable Homes	150	98	**248**
Others	26	23	**49**
Total	**349**	**881**	**1,230**
Financed by:			
HRA Reserves & Contributions	155	743	898
Capital Receipts - Other	123	77	200
Capital Receipts - RTB	12	40	52
Capital Grants	55	20	52
Borrowing	6	0	6
Total	**349**	**881**	**1,230**

Figures expressed in money terms

Key Business Plan assumptions

9.8 The key assumptions that underpin the business plan are set out overleaf.

9.9 **Housing stock** – the Plan is based on a forecast of reducing tenanted stock numbers from 11,882 at the beginning of year 1, to 11,764 in year 30. (Note- the Government's policy of disposing of high value council housing is not modelled in this report.) This includes a total 900 new units, 475 RTB sales and 450 demolitions.

NET Forecast Movement in HRA stock 2016/17 to 2045/46

Tenure	Stock numbers at 31/3/2016	RTB	New supply	Renewal estate demolition	Lease Expiry	Stock numbers at 31/3/2046
Tenanted	11,882	-475	900	-450	-93	11,764
Shared Ownership	59	0	0	0		59
Leasehold	9,196	475	0	0		9,671
Total	**21,137**	**0**	**900**	**-450**	**-93**	**21,494**

9.10 **Dwelling rents** - average weekly rent per property is estimated to increase from £124.08 to £214.82 in year 30 of the plan. This reflects 1% rent reduction in the first four years to 2019/20 in line with government regulation and an estimated 3% average rent increase for the next five years up to the end of the original 10 year rent policy. For subsequent years a prudent inflationary increase is assumed as Government rent policy beyond the initial 10 years rent policy period is still uncertain.

Assumed rent increases

Year	Year	Average Rent per week	Assumed Rent Increase	% (Decrease)/ Increase	Real Rent Increases
1	2016.17	£124.08	-£1.12	(1%)	(1%)
2	2017.18	£122.97	-£1.11	(1%)	(1%)
3	2018.19	£121.85	-£1.12	(1%)	(1%)
4	2019.20	£120.74	-£1.11	(1%)	(1%)
5	2020.21	£124.47	£3.73	3%	1%
6-30	Thereafter annual increases in line with CPI				0.13%

9.11 **Management Costs** - housing management and service costs included in the plan total £52m in 2016/17. Approximately £37m is spent on direct estate management services for tenants and lessees delivered through the Provider contracts, Tenant Management Organisations and CWH Direct, and for central CityWest Homes costs that support these services. Lessees pay approximately £5.8m for these services and tenants approximately £3.9m (the remainder is pooled and covered by tenants' rents). A further £9.6m is spent on heating and hot water provision and other special services, costs of which are recovered from tenants and lessees.

Areas of HRA expenditure 2016/17

Expenditure Item	Budget £m	%
Management Costs	27.7	28%
Service Charges	9.8	10%
Support Services recharges	1.6	2%
WCC Recharges	3.8	4%
Other Management costs	5.9	6%
Repairs	15.8	16%
Capital Financing Charges	13.7	14%
MRA	17	17%
RCCO	5.2	5%
Total	**99.9**	**100%**

9.12 The table below show the summary sources of income for the first year of the Business Plan.

Sources of HRA income 2016/17

Income Source	Budget £m	%
Rent	76.8	67%
Fees and Charges	17.6	15%
Commercial Rent	8.3	7%
Lessee Income Major Works	11.9	10%
Total	**114.7**	**100%**

9.13 Being a 30-year plan, the HRA Business Plan is based on a number of assumptions about the future. We have been prudent in setting these assumptions so that risk is minimised. The key assumptions used in the plan are shown below. See section 10 for a discussion on how risks are managed.

Risk area	Assumption	Comment
Inflation	2.5% on major works 2% on all other costs	This has been applied to all expenditure items and is considered to be a realistic expectation of inflation over the long term.
Rent policy	Rent restructuring formula is applied throughout the plan period.	While local authorities have the flexibility to set rents that they consider “reasonable”, we are constrained by the Limit Rent which controls the total amount of rent due that can be funded through Housing Benefit. Until further guidance is issued by Government, it is assumed that current policy will be continued.
Void rates	Increases from 2% to 3% in 2018/19 to allow for the impact of the regeneration schemes and welfare reform. It is assumed to return to 2% thereafter.	In order to reflect the requirements of the regeneration programme and its impact on lettings, the presumed void rate for the stock has been adjusted during this period. Void rate returns to the assumed long term rate of 2% after this programme.
Bad debt provision	The allowance for bad debts is currently 0.5% and this has been increased annually from 2.14% in 2016/17 to 2.74% in 2021/22, remaining at this higher rate throughout the remainder of the planning period.	This is considered prudent in light of the uncertainty of rent collection under welfare reform and the experience of the demonstration projects. We currently assume that 55% of the amount collected through Housing Benefit will be eligible to be paid directly to clients and will be paid a month in arrears.
Interest on debt/balances	0.5% on balances; 4.5% on rescheduled and new debt during 2016/17 to 2021/22; thereafter at 5%.	Considered reasonable in light of current rates available and historic evidence.
RTB Receipts	30 in 2016/17, then 25 in 2017/18 and continuing at 15 thereafter.	Minimum level assumed, based on recent experience. While there has been a high number of applications, very few are moving through to completion. By assuming the minimum level, the plan can only improve should sales pick up.
Minimum cash balances	£11m	Considered reasonable in light of the risks identified in scenario and sensitivity testing.

9.14 Based on these assumptions, the business plan remains viable over the 30-yar period; and the investment programmes are deliverable. Appendix C presents the 30-year Operating Account, while Appendix D shows capital expenditure and financing over the 30-year period.

10. Risk management

10.1 As noted in section 8 above, the base business plan uses prudent assumptions so that risk is minimised. Set out below is a summary of other potential risks to the stability of the business plan. Quarterly governance meetings are held between senior officers and elected officials, at which programme performance is reviewed and risks monitored.

Risk	Impact	Mitigation
Capital Receipts: The plan assumes estimated capital receipts of £200m will be recovered and used to fund the development of new homes.	Any significant slippage in the recovery of these receipts may pose a cashflow risk for the HRA.	Robust monitoring of the timing of the receipts will help mitigate this risk.
Capital programme: Renewal cycles of building elements have been lengthened to reduce total programme expenditure.	Potential reduction in customer satisfaction; and failure of building elements.	Minimal time extensions to cyclical maintenance programmes have been applied so the risk is considered low; however budgets for planned & preventative maintenance (PPM) have been increased to cover unexpected failures. Although the repairs budget has been maintained the same, planned procurement efficiencies should allow for any increase in expenditure. The first few years of the capital programme have been protected, so existing commitments to customers have been maintained. Key programmes, such as condensation and adaptations, have been protected. Vulnerable residents are prioritised for work.
Welfare Reform: Implementation of Universal Credit, benefit cap and other welfare reform changes.	May increase rent arrears which impacts HRA income.	Robust monitoring of service activity and the HRA Business Plan.

10.2 In addition, the Business Plan conforms to the Chartered Institute of Housing (CIH) and CIPFA voluntary code on self-financing HRAs. This includes compliance with CIPFA's Code of Practice on Local Authority Accounting in the UK including depreciation of assets on a componential basis.

10.3 The Council complies with the both the principles of co-regulation as set out in "The Regulatory Framework for Social Housing in England from 2012." and also the requirements of the CIPFA/CIH "Voluntary code of practice on self-financing HRAs".

10.4 Under the Regulatory Framework code, governance arrangements should be fit for purpose, and reflect the complexity and risk-profile of the organisation. Boards and Councillors need to set clear objectives and develop forward looking strategy that enables their organisation to make the most of future opportunities and mitigate risks. There should be a continuous focus on effective financial management and improving value for money.

10.5 The self-financing code of practice is a voluntary framework of best practise for local authority governance of the HRA aimed at promoting effective governance, finance and business planning and aimed at providing transparency to stakeholders on how the housing business is being managed. Its key principles are:

- **Financial viability.** The housing authority has put in place arrangements to monitor the viability of the housing business and takes appropriate actions to maintain viability.

- **Communications and governance**. The housing authority keeps under review the communications and governance arrangements with regards to the new operating environment and adopts governance arrangements appropriate to supporting viability and accountability of the housing business.

- **Risk management**. The housing authority has in place an effective system for the on-going management, monitoring and reporting of risks to the HRA.

- **Asset management**. The housing authority has in place arrangements to maintain its assets to maximise their value into the future. The authority complies with the principles of good asset management as they apply to HRA assets.

- **Financial and treasury management**. The housing authority complies with proper accounting practices including CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom2 and CIPFA's Treasury Management in the Public Services Code of Practice.

11. Financial Implications

11.1 This report relates to the Housing Revenue Account (HRA) Business Plan and Housing Investment Strategy. It is based on 30-year period. It has been updated to reflect the current position including Government policies, funding arrangements and risk factors. All expenditure and income is included in Council budgets. It is considered that the report reflects an accurate position on which to adopt the Plan.

11.2 In undertaking the HRA business planning process all regeneration programmes have been subjected to continued robust scrutiny and challenge. In addition, prudent assumptions about the impact of RTB disposals, bad debts and inflation on major works have been applied. These ensure for instance that forecast RTB receipts have been kept to a minimum; in reality the projected disposals would generate significant additional capital resources for reinvestment.

11.3 The funding of the increase in the expected capital programme over the next five years is largely dependent upon the timing of asset disposals that underpin the regeneration programme. If these are delayed or fail to materialise, then there are in place management strategies that will mitigate any adverse impact on the HRA. The HRA is legally not allowed to run a deficit account if it has not sufficient resources in terms of HRA balances.

11.4 Lastly, the internal governance processes within housing have been rigorously reviewed and focus now upon key project management skills and tolerance reporting. These changes will ensure that regeneration scheme budgets and outcomes are managed within agreed exception reporting tolerances.

12. Legal Implications

12.1 The expenditure referred to in this report will be spent pursuant to the Council's powers and duties. Individual reports on each project will be approved by the relevant Cabinet Member.

12.2 Statutory requirements as to the keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989. The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget.

12.3 The Localism Act contains provisions relating to housing finance in Sections 167 to 175 these provisions introduced a new system of council housing finance which ended the current Housing Revenue Account subsidy system in England and replaced it with self-financing arrangements.

12.4 This report includes references to rental income in relation to the charges made by the Council in respect of its HRA residential accommodation. Under Section 24 of the Housing Act 1985, local housing authorities have the power to "make such reasonable charges as they may determine for the tenancy or occupation of their houses". Section 24 also requires local authorities, from time to time, to review rents and make such changes as circumstances may require. The section confers a broad discretion as to rents and charges made to occupiers, however it should be noted that there is a limitation on discretion arising from the self-financing determinations.

12.5 Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) as currently in force, local authorities are required to use RTB capital receipts to pay the "poolable amount" to the Secretary of State, on a quarterly basis: Reg.12 ('the pooling requirement').

12.6 The Equality Act 2010 introduced a single public sector equality duty. This duty requires the Council to have due regard in its decision-making processes to the need to:

a. Eliminate discrimination, harassment, victimisation or other prohibited conduct;
b. Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it; and
c. Foster good relations between those who share a relevant characteristic and those that do not share it.

12.7 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

12.8 The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the new Strategy. An Equalities Impact Assessment and or consultation maybe necessary if significant changes are envisaged to Housing Management Schemes.

12.9 References to new legislation which are currently Bills are liable to change and are not yet in force.

13. Consultation

13.1 Development of the Business Plan and Housing Investment Strategy has involved officers from with the Housing Commissioning Team, Corporate Finance, and CityWest Homes. We have had regard to national and local housing policies and objectives which have informed the priorities for investment.

13.2 A key component of the housing renewal programme is community engagement: officers and consultants have worked with local communities to develop plans for their. Community engagement teams work on the ground with residents, visiting residents in their homes, staffing drop-in sessions and holding open days. Resident expectations are high, and the City Council is committed to an ongoing programme of resident involvement as these schemes develop further.

13.3 Many of the schemes included in the early years of the 5-year capital programme are also being worked up in consultation with residents. Once approved, it will be necessary to communicate the aspirations and proposals contained within the overall Business Plan and Investment Strategy to resident groups more widely.

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

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Appendix A

Other Implications

1. Resources Implications

Organisational restructures have taken place within the Growth, Planning and Housing Directorate , and at CityWest Homes to enable both organisations to deliver the programmes outlined within the Business Plan and Investment Strategy. See section 11 for implications for financial resources.

2. Business Plan Implications

Approval of the HRA Business Plan is critical to delivery of key components of the Housing Business Plan, such as the estate renewal programme and reducing homelessness pressures.

3. Risk Management Implications

See section 10 of the report.
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4. Health and Wellbeing Impact Assessment including Health and Safety Implications

Programmes delivered within this strategy are aimed at addressing health and wellbeing issues, through improvements to housing and the public realm, and through related programmes addressing employment and skills and provision of community facilities.

5. Crime and Disorder Implications

Safety and security measures form a component of the programme of works to existing stock, and the estate renewal schemes, both of which are factored into the HRA Business Plan.

6. Impact on the Environment

New homes are built to Code 4 as a minimum and environmental and energy efficiency works are key considerations in the works to existing housing stock and the housing renewal schemes. The Church Street renewal scheme incorporates a new Combined Heat and Power district heating scheme.

7. Equalities Implications

Each of the estate renewal schemes has been subject to an Equalities Impact Assessment to ensure any arising issues are addressed. DDA works and disabled adaptations are included as essential works within the capital programme

8. Human Rights Implications

The investment programmes outlined in this report will involve the enforced displacement of residents and their human rights under Article 1of the First Protocol and Article 8 of the European Convention on Human Rights will be taken into account at the appropriate time.

9. Energy Measure Implications

See environmental implications above.

10. Communications Implications

See section 13 on consultation.

Appendix B

	Revised 2015-16		Yr1 2016-17	Yr2 2017-18	Yr3 2018-19	Yr4 2019-20	Yr5 2020-21	Yr 1 to 5 Total
Major Works:								
Kitchen & Bathrooms	1,200		1,000	1,000	1,000	1,000	1,000	5,000
External	34,657		16,852	19,583	10,309	8,224	8,000	62,968
Fire precautions (not in M&E or External)	873		1,258	3,200	3,200	3,200	3,000	13,858
General	497		917	1,345	1,299	1,529	1,529	6,619
Disabled Adaptations	1,200		1,200	1,200	1,200	1,200	1,200	6,000
M&E	3,623		14,720	10,705	11,447	10,630	10,500	58,002
Lifts	1,450		2,000	2,000	2,000	2,000	2,000	10,000
Major Voids	3,000		3,471	2,071	1,771	1,771	1,771	10,855
Total Major Works	**46,500**		**41,418**	**41,104**	**32,226**	**29,554**	**29,000**	**173,302**
Regeneration Expenditure:								
Cosway	289		500	0	0	0	0	500
Lisson Arches	3,562		7,735	8,592	4,567	0	0	20,894
Penn & Lilestone	-262		0	717	388	2,697	0	3,802
Luton St	648		0	5,700	0	0	0	5,700
Parsons North	723		104	0	1,400	0	0	1,504
Tollgate Gardens	5,446		481	0	7,600	0	0	8,081
Ebury Bridge	17,053		16,585	1,897	2,055	0	0	20,537
Church street Phase 2	0		4,230	6,345	27,575	0	42,280	80,430
CHP Scheme	0		700	4,900	1,300	500	1,000	8,400
Total Regeneration Gross Expenditure	**27,459**		**30,335**	**28,151**	**44,885**	**3,197**	**43,280**	**149,848**
Non Delegated :								
Self-financing acquisitions	6,000		10,000	10,000	10,000	10,000	10,000	50,000
Ashbridge Street	3,500		3,700					3,700
Walden	0		0	0	0	0	7,000	7,000
Lisson Arches Bridge	0		1,700	0	0	0	0	1,700
Edgware Road Development	2,200		2,400	1,500	3,600	0	0	7,500
Infill Schemes	500		2,000	2,000	2,000	2,000	1,500	9,500
Non-Delegated Expenditure	**12,200**		**19,800**	**13,500**	**15,600**	**12,000**	**18,500**	**79,400**
Gross Capital Expenditure	**86,159**		**91,553**	**82,755**	**92,711**	**44,751**	**90,780**	**402,550**

Summary of Funding:								
MRA	17,239		17,239	17,239	17,239	17,239	17,239	**86,195**
Lessee Contributions	7,282		7,462	7,647	7,836	8,028	8,028	**39,001**
Capital Grants	0		1,681	13,729	13,493	2,617	0	**31,520**
Capital Receipts	18,500		52,582	38,090	54,143	15,960	64,013	**224,788**
New Borrowing	2,300		6,200	0	0	0	0	**6,200**
HRA Reserves	40,838		6,389	6,050	0	907	1,500	**14,846**
Funding Total	86,159		91,553	82,755	92,711	44,751	90,780	402,550

Appendix C

Westminster City Council
HRA Business Plan
Operating Account
(expressed in money terms)

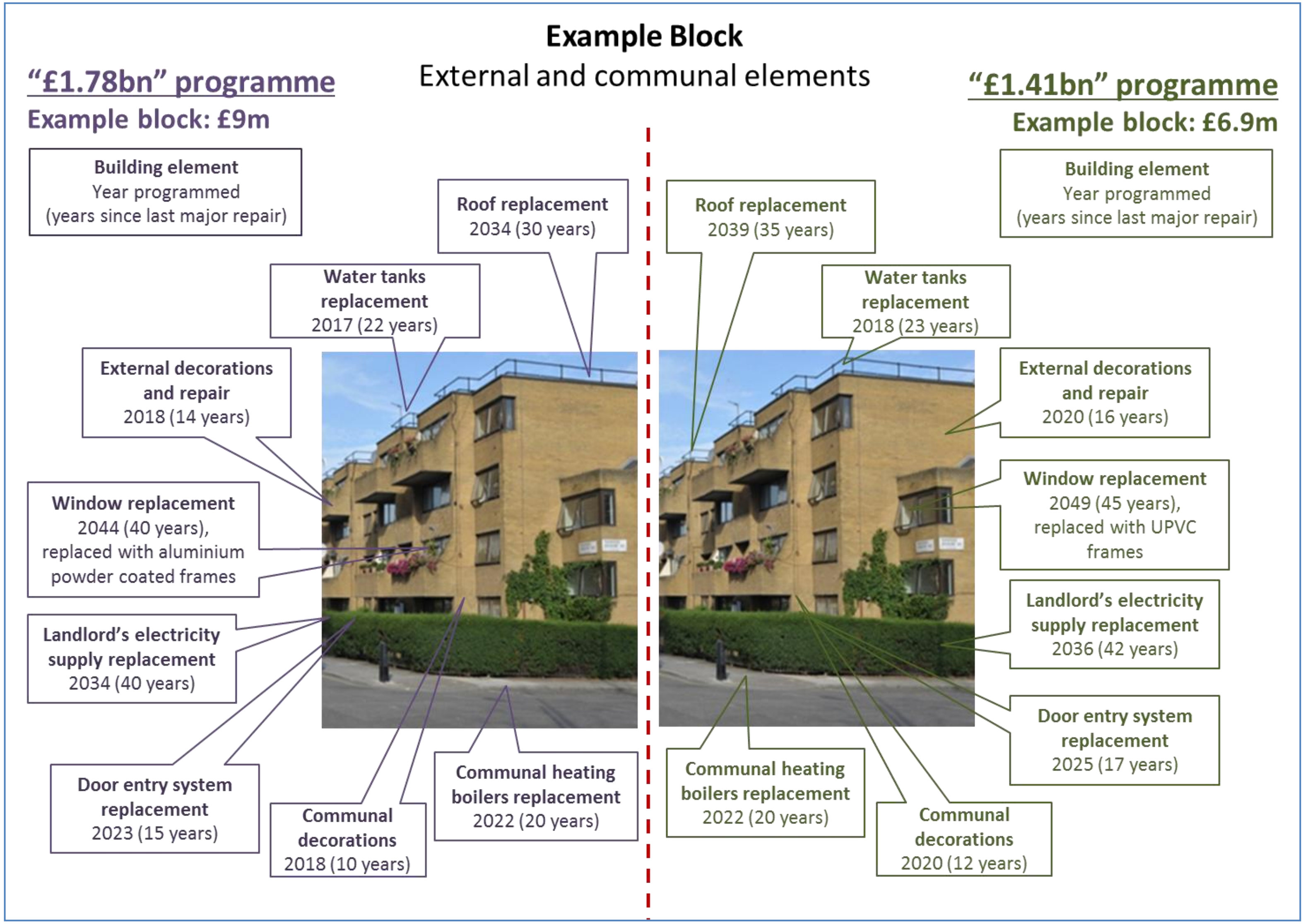
Year	Year	Income: Net rent Income £,000	Income: Other income £,000	Income: Misc Income £,000	Income: RTB Admin £,000	Income: Total Income £,000	Expenditure: Managt. £,000	Expenditure: Depreciation £,000	Expenditure: Responsive & Cyclical £,000	Expenditure: Other Revenue spend £,000	Expenditure: Total expenses £,000	Expenditure: Capital Charges £,000	**Net Operating (Expenditure) £,000**	Repayment of loans £,000	RCCO £,000	**Surplus (Deficit) for the Year £,000**	**Surplus (Deficit) b/fwd £,000**	**Interest £,000**	**Surplus (Deficit) c/fwd £,000**
1	2016.17	85,942	8,437	20,228	86	114,693	(37,483)	(17,373)	(15,795)	(11,292)	(81,944)	(12,719)	**20,030**	0	(5,809)	**14,220**	**26,020**	**166**	**40,406**
2	2017.18	84,816	8,606	21,014	71	114,507	(37,858)	(17,618)	(16,152)	(10,427)	(82,055)	(12,794)	**19,658**	0	(24,098)	**(4,440)**	**40,406**	**191**	**36,157**
3	2018.19	83,455	8,778	18,440	43	110,716	(36,760)	(17,884)	(16,544)	(10,219)	(81,407)	(12,205)	**17,104**	0	0	**17,104**	**36,157**	**241**	**53,501**
4	2019.20	84,917	8,953	17,979	43	111,892	(36,540)	(18,342)	(16,914)	(9,787)	(81,583)	(11,819)	**18,490**	0	0	**18,490**	**53,501**	**382**	**72,373**
5	2020.21	85,671	9,132	18,139	43	112,985	(36,211)	(18,822)	(17,370)	(9,982)	(82,385)	(11,849)	**18,751**	0	0	**18,751**	**72,373**	**549**	**91,673**
6	2021.22	88,400	9,315	19,580	43	117,338	(36,935)	(19,175)	(17,782)	(10,182)	(84,073)	(12,100)	**21,165**	0	0	**21,165**	**91,673**	**629**	**113,467**
7	2022.23	90,935	9,501	19,730	43	120,209	(37,674)	(19,692)	(18,215)	(10,386)	(85,967)	(12,106)	**22,136**	0	(31,534)	**(9,398)**	**113,467**	**572**	**104,640**
8	2023.24	94,052	9,691	20,064	43	123,850	(38,427)	(19,923)	(18,581)	(10,593)	(87,524)	(12,106)	**24,219**	0	(21,134)	**3,085**	**104,640**	**531**	**108,256**
9	2024.25	98,858	9,885	20,458	43	129,243	(39,196)	(20,295)	(19,021)	(10,805)	(89,318)	(12,221)	**27,704**	0	(16,964)	**10,740**	**108,256**	**568**	**119,564**
10	2025.26	99,208	10,083	20,866	43	130,200	(39,980)	(20,820)	(19,613)	(11,021)	(91,433)	(12,277)	**26,489**	0	(61,666)	**(35,176)**	**119,564**	**510**	**84,897**
11	2026.27	101,152	10,285	21,418	43	132,897	(40,779)	(21,209)	(20,077)	(11,242)	(93,308)	(12,340)	**27,249**	0	(19,669)	**7,581**	**84,897**	**443**	**92,922**
12	2027.28	103,132	10,490	21,077	43	134,742	(41,595)	(21,606)	(20,553)	(11,467)	(95,221)	(12,362)	**27,159**	(13,000)	(20,248)	**(6,089)**	**92,922**	**449**	**87,282**
13	2028.29	105,148	10,700	21,417	43	137,307	(42,427)	(22,011)	(21,040)	(11,696)	(97,174)	(11,019)	**29,114**	(20,735)	(20,842)	**(12,464)**	**87,282**	**405**	**75,223**
14	2029.30	107,200	10,914	21,763	43	139,920	(43,275)	(22,423)	(21,539)	(11,930)	(99,167)	(10,289)	**30,464**	(13,700)	(21,453)	**(4,689)**	**75,223**	**364**	**70,898**
15	2030.31	111,391	11,132	22,116	43	144,683	(44,141)	(22,842)	(22,049)	(12,168)	(101,201)	(9,887)	**33,595**	(10,000)	(22,081)	**1,514**	**70,898**	**358**	**72,771**
16	2031.32	111,030	11,355	20,214	43	142,642	(45,024)	(23,270)	(22,482)	(12,412)	(103,188)	(9,551)	**29,903**	(10,000)	(20,411)	**(508)**	**72,771**	**363**	**72,625**
17	2032.33	112,794	11,582	20,534	43	144,953	(45,924)	(23,520)	(22,923)	(12,660)	(105,027)	(9,214)	**30,711**	(10,000)	(21,017)	**(306)**	**72,625**	**362**	**72,681**
18	2033.34	114,984	11,814	20,860	43	147,701	(46,843)	(23,959)	(23,466)	(12,913)	(107,182)	(8,871)	**31,648**	(10,000)	(21,640)	**8**	**72,681**	**363**	**73,052**
19	2034.35	117,215	12,050	21,192	43	150,500	(47,780)	(24,407)	(24,022)	(13,172)	(109,380)	(8,521)	**32,598**	(10,000)	(22,281)	**318**	**73,052**	**366**	**73,736**
20	2035.36	121,784	12,291	21,531	43	155,649	(48,735)	(24,864)	(24,591)	(13,435)	(111,625)	(8,150)	**35,874**	(10,000)	(22,938)	**2,936**	**73,736**	**376**	**77,048**
21	2036.37	121,799	12,537	20,252	43	154,630	(49,710)	(25,329)	(25,173)	(13,704)	(113,915)	(7,591)	**33,124**	(14,945)	(15,368)	**2,811**	**77,048**	**392**	**80,251**
22	2037.38	124,155	12,788	20,570	43	157,555	(50,704)	(25,802)	(25,769)	(13,978)	(116,253)	(6,113)	**35,189**	(30,000)	(15,867)	**(10,678)**	**80,251**	**375**	**69,947**
23	2038.39	126,554	13,043	20,894	43	160,534	(51,718)	(26,285)	(26,379)	(14,257)	(118,639)	(5,371)	**36,525**	(15,000)	(16,381)	**5,144**	**69,947**	**363**	**75,454**
24	2039.40	128,998	13,304	21,225	43	163,570	(52,752)	(26,776)	(27,003)	(14,542)	(121,074)	(4,456)	**38,040**	(15,000)	(16,842)	**6,198**	**75,454**	**393**	**82,045**
25	2040.41	131,487	13,570	21,562	43	166,663	(53,807)	(27,276)	(27,642)	(14,833)	(123,559)	(3,535)	**39,568**	(6,300)	(17,259)	**16,009**	**82,045**	**450**	**98,504**
26	2041.42	136,599	13,842	22,608	43	173,092	(54,884)	(27,786)	(28,296)	(15,130)	(126,096)	(2,728)	**44,268**	(11,400)	(16,935)	**15,933**	**98,504**	**532**	**114,970**
27	2042.43	136,605	14,119	22,975	43	173,741	(55,981)	(28,305)	(28,966)	(15,433)	(128,685)	(1,715)	**43,341**	(28,127)	(17,478)	**(2,264)**	**114,970**	**569**	**113,276**
28	2043.44	139,235	14,401	23,350	43	177,028	(57,101)	(28,834)	(29,651)	(15,741)	(131,327)	(1,442)	**44,258**	0	(18,037)	**26,221**	**113,276**	**632**	**140,129**
29	2044.45	141,914	14,689	23,732	43	180,378	(58,243)	(29,373)	(30,353)	(16,056)	(134,025)	(1,442)	**44,911**	0	(18,612)	**26,299**	**140,129**	**766**	**167,195**
30	2045.46	144,643	14,983	24,123	43	183,792	(59,408)	(29,921)	(31,071)	(16,377)	(136,777)	(1,442)	**45,572**	0	(19,203)	**26,369**	**167,195**	**902**	**194,465**

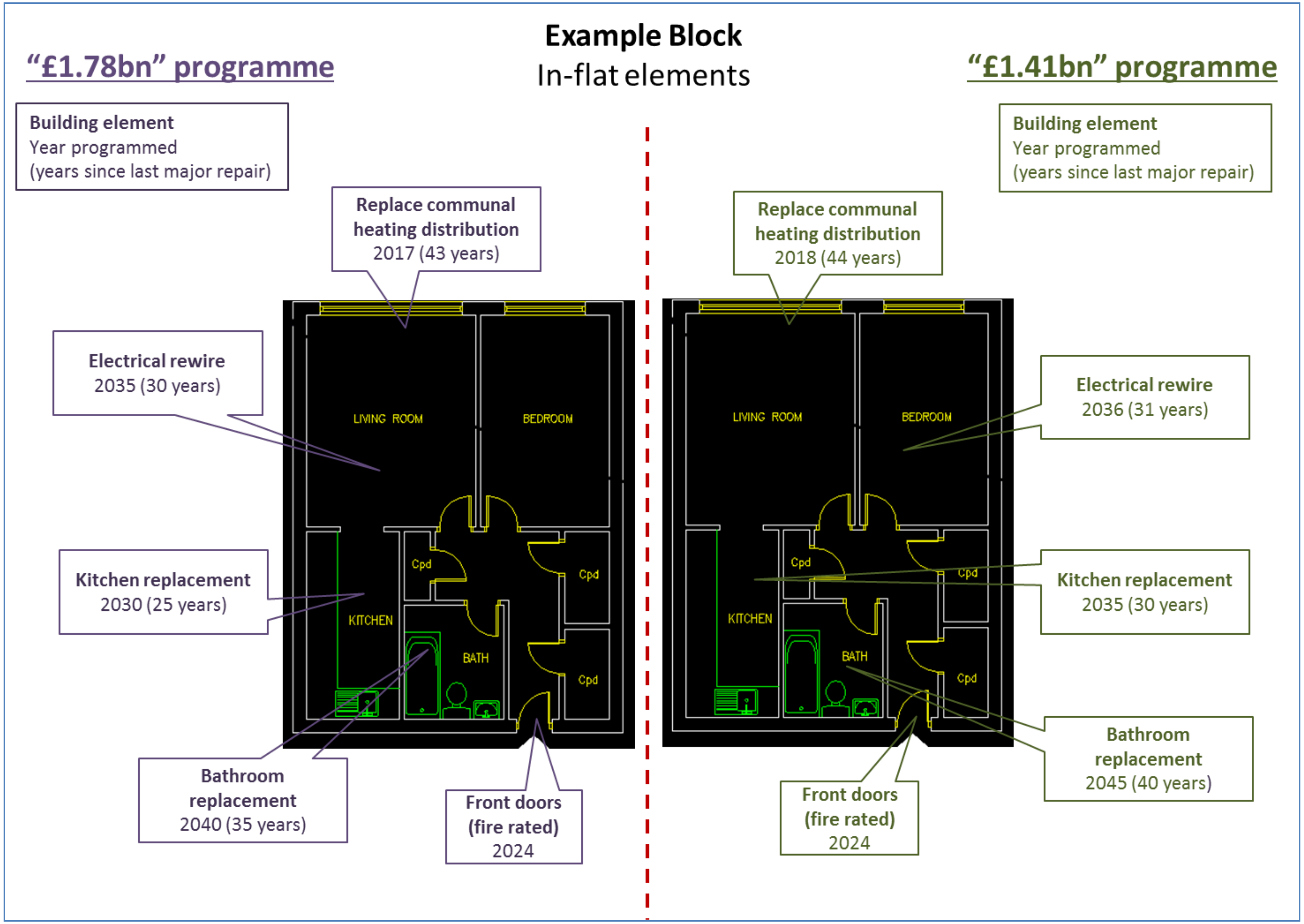
Appendix D

Westminster City Council
HRA Business Plan
Major Repairs and Improvements Financing
(expressed in money terms)

		Expenditure								Financing						
Year	Year	Kitchen & Bathrooms	External	Fire precautions (not in M&E or External)	M&E	Lifts	New Build Development Costs	Other	Total Expenditure	Borrowing	RTB Receipts	Other	MRR	RCCO	Total Financing	**Shortfall**
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	**£,000**
1	2016.17	1,000	18,969	4,729	14,720	2,000	30,335	4,200	75,953	6,000	1,565	45,206	17,373	5,809	75,953	**0**
2	2017.18	1,014	22,427	5,342	10,850	2,027	28,151	1,530	71,341	0	7,495	22,130	17,618	24,098	71,341	**0**
3	2018.19	1,027	13,154	5,105	11,756	2,054	44,885	3,745	81,726	0	958	69,542	11,226	0	81,726	**0**
4	2019.20	1,046	11,454	5,198	11,116	2,092	3,197	0	34,103	0	974	28,477	4,652	0	34,103	**0**
5	2020.21	1,068	11,547	5,096	11,216	2,136	43,280	7,577	81,921	0	990	77,416	3,516	0	81,921	**0**
6	2021.22	1,093	13,500	7,054	13,198	2,187	18,900	0	55,933	0	6,676	5,800	43,457	0	55,933	**0**
7	2022.23	558	13,330	7,195	13,462	2,231	29,820	0	66,595	0	3,866	130	31,065	31,534	66,595	**0**
8	2023.24	569	13,686	7,338	13,730	2,275	33,150	0	70,748	0	1,046	28,645	19,923	21,134	70,748	**0**
9	2024.25	582	14,330	7,512	14,055	2,329	100	0	38,907	0	1,056	592	20,295	16,964	38,907	**0**
10	2025.26	596	14,894	7,689	14,387	2,384	16,120	27,487	83,558	0	1,073	0	20,820	61,666	83,558	**0**
11	2026.27	1,708	16,059	4,166	17,595	2,440	0	0	41,968	0	1,090	0	21,209	19,669	41,968	**0**
12	2027.28	1,749	16,440	4,264	18,011	2,498	0	0	42,961	0	1,108	0	21,606	20,248	42,961	**0**
13	2028.29	1,790	16,829	4,365	18,437	2,557	0	0	43,978	0	1,125	0	22,011	20,842	43,978	**0**
14	2029.30	1,832	17,228	4,468	18,872	2,618	0	0	45,019	0	1,143	0	22,423	21,453	45,019	**0**
15	2030.31	1,876	17,637	4,574	19,319	2,679	0	0	46,084	0	1,161	0	22,842	22,081	46,084	**0**
16	2031.32	6,829	18,045	4,431	12,824	2,731	0	0	44,860	0	1,179	0	23,270	20,411	44,860	**0**
17	2032.33	6,961	18,400	4,517	13,073	2,784	0	0	45,735	0	1,198	0	23,520	21,017	45,735	**0**
18	2033.34	7,125	18,836	4,623	13,381	2,850	0	0	46,816	0	1,217	0	23,959	21,640	46,816	**0**
19	2034.35	7,294	19,282	4,732	13,698	2,917	0	0	47,923	0	1,235	0	24,407	22,281	47,923	**0**
20	2035.36	7,466	19,739	4,844	14,021	2,986	0	0	49,057	0	1,255	0	24,864	22,938	49,057	**0**
21	2036.37	4,585	19,282	4,699	11,876	1,528	0	0	41,971	0	1,274	0	25,329	15,368	41,971	**0**
22	2037.38	4,694	19,739	4,810	12,157	1,565	0	0	42,963	0	1,293	0	25,802	15,867	42,963	**0**
23	2038.39	4,804	20,206	4,923	12,444	1,601	0	0	43,979	0	1,313	0	26,285	16,381	43,979	**0**
24	2039.40	4,918	20,685	5,040	12,737	1,639	0	0	45,019	0	1,401	0	26,776	16,842	45,019	**0**
25	2040.41	5,034	21,175	5,159	13,038	1,678	0	0	46,083	0	1,548	0	27,276	17,259	46,083	**(0)**
26	2041.42	2,405	21,007	5,008	16,163	1,718	0	0	46,300	0	1,579	0	27,786	16,935	46,300	**0**
27	2042.43	2,461	21,505	5,126	16,544	1,758	0	0	47,394	0	1,611	0	28,305	17,478	47,394	**0**
28	2043.44	2,520	22,014	5,247	16,935	1,800	0	0	48,515	0	1,644	0	28,834	18,037	48,515	**0**
29	2044.45	2,579	22,535	5,371	17,335	1,842	0	0	49,661	0	1,677	0	29,373	18,612	49,661	**0**
30	2045.46	2,640	23,069	5,497	17,744	1,886	0	0	50,835	0	1,711	0	29,921	19,203	50,835	**(0)**

Appendix E


Example Block
External and communal elements
"£1.78bn" programme
Example block: £9m
Building element
Year programmed
(years since last major repair)
Roof replacement
2034 (30 years)
Water tanks replacement
2017 (22 years)
External decorations and repair
2018 (14 years)
Window replacement
2044 (40 years), replaced with aluminium powder coated frames
Landlord's electricity supply replacement
2034 (40 years)
Door entry system replacement
2023 (15 years)
Communal decorations
2018 (10 years)
Communal heating boilers replacement
2022 (20 years)
"£1.41bn" programme
Example block: £6.9m
Building element
Year programmed
(years since last major repair)
Roof replacement
2039 (35 years)
Water tanks replacement
2018 (23 years)
External decorations and repair
2020 (16 years)
Window replacement
2049 (45 years), replaced with UPVC frames
Landlord's electricity supply replacement
2036 (42 years)
Door entry system replacement
2025 (17 years)
Communal heating boilers replacement
2022 (20 years)
Communal decorations
2020 (12 years)


Example Block
In-flat elements
"£1.78bn" programme
Building element
Year programmed
(years since last major repair)
Replace communal heating distribution
2017 (43 years)
Electrical rewire
2035 (30 years)
Kitchen replacement
2030 (25 years)
Bathroom replacement
2040 (35 years)
Front doors (fire rated)
2024
LIVING ROOM
BEDROOM
Cpd
Cpd
Cpd
KITCHEN
BATH
"£1.41bn" programme
Building element
Year programmed
(years since last major repair)
Replace communal heating distribution
2018 (44 years)
Electrical rewire
2036 (31 years)
Kitchen replacement
2035 (30 years)
Bathroom replacement
2045 (40 years)
Front doors (fire rated)
2024
LIVING ROOM
BEDROOM
Cpd
Cpd
Cpd
KITCHEN
BATH

City of Westminster

Cabinet Report

Date:	**14 December 2015**
Classification:	**General Release**
Title:	**Council Tax Discounts (including Council Tax Local Reduction Scheme) and Council Tax Base report**
Report of:	**City Treasurer**
Cabinet Member Portfolio:	**Cabinet Member for Finance**
Wards Affected:	**All**
Policy Context:	**Statutory duty to set and collect Council Tax**
Key Decision:	**Yes**
Financial Summary:	**The report proposes that:**

- **the Council Tax discount for second homes remains at 0%**
- **the Council Tax discounts for empty properties, including the discounts that replaced the previous Class A and C Council Tax exemptions, remains at 0%.**
- **a Long Term Empty Property Premium is not introduced.**
- **no categories of "local" discounts will be introduced at this stage.**
- **the Head of Revenues and Benefits to determine any individual local discount requests in 2016/17 under Section 13A(1)(c) of the Local Government Finance Act 1992.**

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- **the Council Tax Base is set at 125181.13 equivalent Band D properties for 2016/17 for the whole City, 95.04 equivalent band D properties for Montpelier Square and 3269.17 equivalent band D properties for Queen's Park.**
- **The existing Council Tax Local Reduction Scheme is retained for 2016/17.**

1. Summary

1.1 The Local Government Act 2003 provided local authorities with discretion in relation to the level of Council Tax discount for specific categories of Council Tax properties, namely second homes and long term empty properties. It also made provision for a local authority to set its own "local" Council Tax discount categories. The Local Government Finance Act 2012 which came into effect in April 2013 removed several Council Tax empty property exemptions and replaced them with local determined discounts. The Act also enabled local authorities to remove the minimum 10% discount for second homes and to set a local Long Term Empty Property Premium.

1.2 This report recommends retaining the same level of Council Tax discounts in 2016/17 as were set in 2015/16.

1.3 The Welfare Reform Act 2012 and Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support Scheme), which is effectively now a type of Council Tax discount. The recommended scheme for 2016/17 is a continuation of the scheme that was originally set by the Council in 2013/14.

1.4 The Council Tax Base is calculated in accordance with a nationally prescribed formula and represents the equivalent number of Band D properties within the area. The formula takes account of the number of properties in each band, the number of discounts given for single occupiers, empty dwellings, second homes and other eligible criteria, the prescribed proportions to convert numbers to Band D equivalents, and the estimated collection rate. The relevant regulations were changed from 1 April 2013, to enable the taxbase calculation to include a deduction for the equivalent number of Band D properties relating to the local authority's Council Tax Reduction Scheme. The Council Tax Base must be determined and be notified to the Greater London Authority (GLA) and the levying bodies. As in the past, these notifications must be made by 31 January.

1.5 The calculations as detailed in Appendices 1 and 2 confirm a figure of 125181.13 equivalent Band D properties for the whole City, 95.04 Band D equivalent properties for Montpelier Square and 3269.17 Band D equivalent properties for Queens Park. The Queen's Park Community Council was created on 1st April 2014 under the Council's Reorganisation of Community Governance Order 2013. The Queen's Park Community Council is a precepting authority for the purposes of Part 1 of the Local Government Finance Act 1992.

1.6 The taxbase calculation is based on the assumption that the recommendations in the report in relation to the level of Council Tax discounts and the Council Tax Reduction Scheme are adopted.

2. Recommendations

2.1 That the Cabinet recommend that the Council approve the following recommendations for the financial year 2016/17:-

(i) that the Council Tax discount for second homes remains at 0%
(ii) the Council Tax discounts for empty properties, including the discounts that replaced the previous Class A and C Council Tax exemptions, remain at 0%.
(iii) that a Long Term Empty Property Premium is not introduced
(iv) that no new categories of “local” discounts be introduced at this stage
(v) that the decision to determine any individual local discount applications from vulnerable Council Taxpayers received during the course of the 2016/17 financial year under section 13A(1)(c) of the Local Government Finance Act 1992 be delegated to the Head of Revenues & Benefits.

2.2 That the Cabinet recommend that the Council approve the same Council Tax Reduction Scheme for 2016/17 which has operated successfully since 2013/14. The scheme is based on the Default Scheme Regulations but with War Disabled Pensions, War Widow, Pensions and Armed Forces Compensation scheme payments disregarded in full when calculating a claimant’s income.

2.3 That the Council be recommended to resolve that the Council Tax Base for 2016/17 for the Whole City is 125181.13 equivalent Band D properties, for Montpelier Square alone 95.04 equivalent Band D properties and for Queens Park 3269.17 equivalent Band D properties.

2.4 That the Council be recommended to resolve that the figures set out in paragraph 2.3 above for the Council Tax Base for 2016/17 be used by the Council to make a determination pursuant to the requirements of the Local Government Finance Act 1992.

3. COUNCIL TAX DISCOUNTS

3.1 LEGISLATION

3.1.1 The Local Government Act 2003 provided local authorities with discretion in relation to the level of Council Tax discount for specific categories of Council Tax properties, namely second homes and long term empty properties. It also made provision for a local authority to set its own “local” Council Tax discount categories.

3.1.2 The Local Government Finance Act 2012 which came into effect in April 2013 removed several Council Tax empty property exemptions and replaced them with local determined discounts. The Act also enabled local authorities to remove the minimum 10% discount for second homes and to set a Long Term Empty Property Premium.

3.1.3 The Welfare Reform Act 2012 and Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a locally determined Council Tax Reduction Scheme (also referred to as a local Council Tax Support Scheme), which is effectively now a type of Council Tax discount.

3.2 SECOND HOMES

3.2.1 A second home in Council Tax terminology is a furnished property which is no-one's sole/main residence.

3.2.2 The original Council Tax legislation prescribed that all local authorities had to give a discount of 50% for "second home" properties. However, the Local Government Act 2003 provided local authorities with the discretion to change the level of discount to less than 50%, but set a minimum discount level of 10%. The Local Government Finance Act 2012 subsequently allowed the minimum discount to be reduced to 0%.

3.2.3 The relevant regulations include exclusions to the local authority discretion in relation to second home properties. The main exclusion being that local authorities are not able to amend the level of discount for the second homes of people who are liable for Council Tax on this, or another property, where either property is provided by an employer (tied accommodation). This means that the Council must continue to give a 50% discount for second homes meeting this criteria. A local authority also cannot amend the 50% level of the second home discount for any dwelling that consists of a pitch occupied by a caravan, or a mooring occupied by a boat.

3.2.4 The City Council has previously decided that for the 2013/14, 2014/15 and 2015/16 financial years the second home discount should be set at 0%. It is recommended that the City Council retains the same 0% discount in 2016/17, as a decision to set a higher level of discount would reduce the Council's income.

3.3 EMPTY PROPERTIES

3.3.1 Prior to 1 April 2013, all Council Tax empty properties fell under one of the following three categories:-

- Class A Exemption

  If the property was empty and subject to major repair works / structural alterations it was exempt for Council Tax for 12 months.

- Class C Exemption

  An exemption from Council Tax was granted for the first 6 months after a property became empty.

- Long-Term Empty Property Discount

This was a locally determined Council Tax discount for the period after a Class A or Class C Exemption had expired. The Council had set a 0% discount level which meant that the owners paid the full Council Tax charge.

3.3.2 The Local Government Finance Act 2012 amended the relevant legislation so that the statutory exemptions referred to above (Class A and Class C) were replaced by locally determined discounts from 1 April 2013.

3.3.3 Since the 2013/14 financial year the City Council has determined that a 0% discount should be set for

a) The empty property discount which replaced the Class A exemption
b) The empty property discount that replaced the Class C exemption
c) The empty long-term property discount

3.3.4 It is recommended that the City Council retains the same 0% discount for each of the three categories of empty property discount referred to in 3.3.3. The recommendation being based on the fact that any increase in the level of discount will reduce the Council's income.

3.4 LONG TERM EMPTY PROPERTY PREMIUM

3.4.1 The Local Government Finance Act 2012 allows local authorities to set a Long-Term Empty Property Premium for properties that have been empty for at least 2 years. The premium can be set at up to 150% of the standard Council Tax for the relevant Council Tax band.

3.4.2 A Long-Term Empty Property Premium has not previously been implemented by the City Council and it is not proposed to implement a premium in 2016/17 for the 491 properties in the borough which meet the relevant legislative criteria.

3.4.3 The City Council considers that the introduction of a Premium would not have any tangible effect on the number of empty properties in the borough. This is because Westminster Council contains some of the most expensive real estate in the country and has the lowest Council Tax. Therefore, an annual additional charge of 50% would be unlikely to influence how an owner of a long- term empty property utilised their property.

3.4.4 The City Council is aware that some local authorities who have implemented the Premium have reported a reduction in the number of long-term properties in their area. However, the City Council believes that these reductions are likely to be related to owners simply not reporting empty properties and the fact that the premium is very easy to avoid, rather than a genuine reduction in the number of empty properties.

3.4.5 In the current financial climate the Council must consider the additional source of income that the Long Term Empty Property Premium could provide. Westminster's low level of Council Tax means that the level of additional income from the introduction of a Premium will be limited. It has been estimated that the introduction of a premium in Westminster, would generate approximately £90,000 in additional income for the City Council. This figure could however reduce if the Council had to deploy additional resources to administer the premium (i.e. to deal with additional correspondence, legal challenges and increased recovery action).

3.4.6 In addition to the above, the City Council has an objective of being a low tax authority, we must therefore be satisfied that there are real tangible benefits from the imposition of any additional charges on our residents. It is recognised that Council Tax is a tax rather than a payment for services, however, there is clearly a level of unfairness in increasing the Council Tax for owners of empty properties when the owners consume a very low level of Council services. The Council also believes that there needs to be clear justification for any form of intervention in the property market.

3.5 LOCAL COUNCIL TAX DISCOUNTS

3.5.1 Section 13A (I) (c) of the Local Government Act 2003 allows a local authority the discretion to create its own "local" Council Tax discounts for local situations which are not already covered by the national statutory discounts. The guidance gives the example of a local discount for properties affected by flooding.

3.5.2 Local discounts granted under Section 13A (I) (c) have to be fully funded by the local authority.

3.5.3 The Council did not receive any submissions relating to categories of "local" discounts for the 2013/14, 2014/15 financial years and to date, has not received any submissions for the 2015/2016 financial year. It is therefore a recommendation of this report that no categories of "local" discounts are introduced at this stage.

3.5.4 Section 3.6 of this report relates to the Council's localised Council Tax Reduction scheme. Prior to 1 April 2013 vulnerable claimants could ask for extra assistance over and above their Council Tax Benefit entitlement through Discretionary Housing Payments (DHPs). From 1 April 2013, DHPs are no longer available under the legislation to assist with Council Tax. It was determined for the 2013/14, 2014/15 and 2015/16 financial years that the Head of Revenues & Benefits would be authorised to determine any individual applications from vulnerable claimants for additional assistance under the Local Discount provisions. To date there have been three applications for the Head of Revenues & Benefits to consider, of these two were agreed totalling £1832 which was applied to a number of previous years bills. It is recommended that the delegation to the Head of Revenues and Benefits to determine individual applications is retained for 2016/17.

3.6 COUNCIL TAX REDUCTION SCHEME

3.6.1 The Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a new locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support scheme) from April 2013. This is effectively now a Council Tax discount.

3.6.2 Each local authority is required to annually set a local Council Tax Reduction scheme for working age claimants. The government continues to operate a statutory national scheme for pensioners, which provides them with the same level of Council Tax support as they received under the previous Council Tax Benefit scheme.

3.6.3 The local Council Tax Reduction scheme was initially funded through a specific central government grant set at 90% of each local authority's Council Tax Benefit expenditure. The government funding since 2014/15 has subsequently been rolled into the government's overall RSG settlement.

3.6.4 Since 2013/14, the City Council has agreed a Council Tax Reduction scheme which mirrored the previous Council Tax Benefit scheme, i.e. the City Council absorbed the governement's10% funding cut and did not pass the cut on to the borough's working age claimants. Technically this means that the Council Tax Reduction Schemes (Default Scheme) Regulations are mirrored within the City Council's local scheme, with the addition that War Disabled Pensions, War Widow, Pensions and Armed Forces Compensation scheme payments are disregarded in full when calculating a claimant's income.

3.6.5 It is recommended that the Council should retain the same Council Tax Reduction Scheme in 2016/17.

3.6.6 The Council has in previous years conducted two consultations on the Council's website in relation to the Council Tax Reduction scheme. The results were limited, but the vast majority of responses were positive.

3.6.7 There is no statutory requirement to consult residents where there is no change to a Council's existing scheme. The Council has however consulted with the GLA and has discussed the continuation of the current scheme with local advice agencies. In both cases the Council received no negative feedback.

4. COUNCIL TAXBASE

4.1 BACKGROUND

4.1.1 The Council is required for Council Tax purposes to notify the preceptors and levying bodies of the Council Tax Base.

4.1.2 The position is that:-

a) the Council has to notify the preceptors and levying bodies of the Council Tax Base by 31 January each year,
b) the appropriate figure must be calculated using the Valuation List and Council Tax records as at 30 November.

4.2 THE CALCULATION OF THE TAXBASE

4.2.1 The calculation of the Council Tax Base is by way of a statutory prescribed formula, which is set out at Appendix 1. The legislation changes relating to the new Council Tax Reduction Scheme resulted in a change to the formula for 2013/14 onwards (The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012). The change being that an estimate of the number of Band D equivalents relating to the Council Tax Reduction scheme has to be deducted. This amendment means that local authority taxbases from 2013/14 onwards are significantly lower than in previous years. However, the reduction was initially compensated for by a new Council Tax Support grant, which the government calculated based on 90% of the Council's previous Council Tax Benefit expenditure. The grant has subsequently been rolled into the government's overall RSG funding.

4.2.2 Appendix 2 shows details of the distribution of properties by Band, and the calculated equivalent Band D properties (known as the "relevant amount") within each Band after applying the formula.

4.2.3 To calculate the Council Tax Base the "relevant amount" figures for each Band have been aggregated and then adjusted to take account of the estimated collection rate and Ministry of Defence properties. The collection rate used in the calculation remains at the existing level of 96%.

4.2.4 The Council Tax Base is, for the whole of the City for 2016/17, 125,181.13 equivalent Band D properties, for Montpelier Square 95.04 equivalent Band D properties and for Queens Park is 3269.17 equivalent Band D properties.

4.2.5 The Tax Base calculation is based on the assumption that the recommendations in this report in relation to the level of Council Tax discounts (including the Council Tax Reduction Scheme) are approved.

5 FINANCIAL IMPLICATIONS

5.1 The 2016/17 tax base shows a growth of 2.7% when compared with the 2015/16 taxbase. The growth being due to an overall increase in the total number of properties and a reduction in Council Tax allowance and the element of the calculation relating to the Council's Council Tax Reduction (Council Tax Support) scheme. The growth will deliver around £1.2 million in additional Council Tax income in 2016/17.

5.2 The Council's decision in 2013/14 to implement a Council Tax Reduction Scheme which mirrored the previous Council Tax Benefit Scheme, effectively meant that the Council had to absorb the government's 10% cut in funding for the Council Reduction Scheme arrangements. However, the increased Council Tax income derived from the Council Tax discount changes implemented in 2013/14 more than covered the shortfall. This remains the case in 2016/17.

5.3 The Business Rate Retention scheme introduced within the Local Government Finance Act 2012 replaced the previous Formula Grant scheme from 1 April 2013. The Retention scheme Funding Baseline is not scheduled to be recalculated until the next scheme Reset in 2020. This effectively means that changes in the Council's Tax Base will have no direct effect on the Council's grant funding position until at least 2020.

5.4 On 1st October 2013 the Council made the City of Westminster (Reorganisation of Community Governance) Order 2013. This created a new parish of Queens Park from 1st April 2014. The Queen's Park Community Council was elected on 22nd May 2014 and became a precepting authority. The Queens Park taxbase of 3269.17 equivalent Band D properties will result in an overall Council Tax income for the Community Council in 2016/17 (based on the existing precept level) of around £145,150. This compares with a figure of £140,000 in 2015/16.

6. LEGAL IMPLICATIONS

6.1 The legal implications are outlined in the body of the report.

6.2 There have been no relevant changes in legislation since last years report.

7 WARD MEMBERS COMMENT

7.1 As this report relates to all wards, no ward member consultation was required.

7.2 The ward members for Queens Park were originally consulted as part of the City of Westminster (Reorganisation of Community Governance) Order 2013.

8 OUTSTANDING ISSUES

8.1 There are no outstanding issues.

9. REASONS FOR DECISION

9.1 The taxbase decision is sought in order that the Council complies with the requirements of the Local Government Finance Act 1992.

9.2 The retention of the same levels of Council Tax discount, for empty properties and second homes will continue to deliver additional Council Tax income for the Council without disadvantaging any vulnerable members of the community.

9.3 The proposal not to create any categories of local discounts at this stage is based on the fact that to date no submissions have been received. The recommendation to allow the Head of Revenues and Benefits to continue to determine any individual local discount claims will enable assistance to be given to individual vulnerable Council Taxpayers if required, especially as there is no longer the ability for taxpayers to claim Discretionary Housing Payments (DHP) in relation to their Council Tax liability.

9.4 The Council's proposed Council Tax Reduction Scheme will ensure that the government's 10% funding cut is not passed on to the borough's working age claimants.

9.5 The recommendation to not introduce the Long Term Empty Property Premium is proposed on the basis that

- the owners of empty properties consume low levels of Council services
- the introduction of a Premium in Westminster will not influence how an owner of a long term empty property utilises his property.
- the level of potential additional income is relatively small and could be offset by additional administration costs.

10. BACKGROUND PAPERS

10.1 There are no additional background papers.

IF YOU HAVE ANY QUESTIONS ABOUT THIS REPORT PLEASE CONTACT PHIL BLACK, CONTRACTS PERFORMANCE MANAGER, ON EXTENSION 2678 OR BY E-MAIL pblack@westminster.gov.uk OR MARTIN HINCKLEY HEAD OF THE REVENUES & BENEFITS, ON EXTENSION 2611 OR BY E-MAIL mhinckley@westminster.gov.uk

Appendix 1 - Taxbase Formula

Appendix 2 - Taxbase Calculations for 2016/17

APPENDIX 1.

Formula for calculating the Council Tax Base.

For 2016 / 2017 the "relevant amount" for each band is to be calculated in accordance with the formula:

$$((H - Q + E + J) – Z) \times F / G$$

where :

H is the number of chargeable dwellings on the list on the relevant day, (30 November 2015) less an estimate of the number which are exempt.

For these purposes the authority is to take account of any alterations to the list which were shown as having effect on that day, or of any alterations which, though not shown on the list, the authority has been informed of by the listing officer and had effect on that day. The authority is also to take account of the effect of the regulations under section 13 of the 1992 Act ("disabled reductions"), treating a dwelling as being in the band in respect of which the reduced amount is calculated.

Q is a factor to take account of the discounts to which the amount of council tax payable was subject on the relevant day based on the relevant discount percentage (s).

E is an adjustment to reflect any Council Tax Premium for long term empty properties.

J is an adjustment (positive or negative) in respect of changes in the number of chargeable dwellings or discounts or premiums during the period from the relevant day (i.e. 30 November 2015) to 31 March 2017 calculated as the difference between:

(i) an estimate of the number of full year equivalent chargeable dwellings not on the list on the relevant day (30 November 2015) but which will be listed in that band for the whole or part of the year, plus

(ii) an estimate of discounts which are estimated to be applicable on the relevant day, but which will not be applicable for the whole or part of the year, expressed as a full year equivalent number, based on the relevant discount percentage (s).

(iii) an estimate of the aggregate of the number of chargeable dwellings which are on the list on the relevant day, but which will not be during the year, or part of the year, and the number which are not exempt on the relevant day, but which will be during the year or part of the year, plus

(iv) the authority's estimate of the number of discounts, other than those in the formula above, to which Council Tax dwellings calculated for item (H) in the formula above, will be subject for the whole or part year (based on the relevant discount percentage (s)).

Z is the total amount that the authority estimates will be applied pursuant to the authority's council tax reduction scheme in relation to the band, expressed as an equivalent number of chargeable dwellings in that band.

F is the amount of Council Tax payable in respect of dwellings situated in the same billing authority's area (or the same part of such an area) and listed in different valuation bands in the following proportions :-

5 : 6 : 7 : 8 : 9 : 11 : 13 : 15 : 18

where 5 is for band A (Disabled), 6 is for band A, 7 is for band B etc.

G is the number applicable to band D (i.e. 9).

Full Year Equivalents.

Where an authority estimates that discounts / exemptions etc. will apply for only part of the year, or that the dwelling will only be banded for part of the year, the full year equivalent must be calculated for the purposes of the above formula. This will be the number of days for which the dwelling is banded / exempt etc. divided by the number of days in the year.

Appeals.

For the purpose of calculating the Tax Base an authority may estimate the number of appeals against banding that may have an effect on the number of properties within each band.

Council Tax Base.

In order to calculate the Council Tax Base, the "relevant amount" for each band is aggregated and the sum multiplied by the Council's estimated collection rate. An adjustment is made to this figure in respect of MOD property in the area.

MOD Adjustment.

This adjustment is an amount, estimated to be equivalent to the number of Band D dwellings, in respect of where a contribution in lieu of Council Tax is to be made by the Ministry of Defence for Class O (exempt) dwellings.

APPENDIX 2.

TAXBASE FOR THE WHOLE CITY.

DISTRIBUTION OF PROPERTIES BY BAND AS AT 30.11.15 FOR THE WHOLE CITY.	EQUIVALENT BAND "D" PROPERTIES FOR EACH AFTER APPLYING THE FORMULA ((H – Q + E + J) – Z) X F / G
BAND A : 1717	BAND A : 962.33
BAND B : 6813	BAND B : 4250.94
BAND C : 15915	BAND C : 12119.33
BAND D : 22647	BAND D : 19777.75
BAND E : 22617	BAND E : 24298.69
BAND F : 17221	BAND F : 22100.72
BAND G : 22173	BAND G : 33383.75
BAND H : 14963	BAND H : 28081.50
Total : 124066	Total : 144975.03

Less Z - (10120601.42/672.74) = 129931.18
X Collection Rate (96%) = 124733.93
Plus MOD Adjustment +447.20

1 TAXBASE = 125181.13

APPENDIX 2.

TAXBASE FOR THE WHOLE CITY LESS MONTPELIER SQUARE.

DISTRIBUTION OF PROPERTIES BY BAND AS AT 30.11.15 FOR THE WHOLE CITY.	EQUIVALENT BAND "D" PROPERTIES FOR EACH AFTER APPLYING THE FORMULA ((H – Q + E+ J) – Z) X F / G
BAND A : 1717	BAND A : 962.33
BAND B : 6813	BAND B : 4250.94
BAND C : 15915	BAND C : 12119.33
BAND D : 22646	BAND D : 19776.75
BAND E : 22617	BAND E : 24298.69
BAND F : 17221	BAND F : 22100.72
BAND G : 22170	BAND G : 33378.75
BAND H : 14915	BAND H : 27988.50
Total : 124014	Total : 144876.03

Less Z - (10120601.42/672.74) = 129832.18
X Collection Rate (96%) = 124638.89
Plus MOD Adjustment + 447.20

2 TAXBASE = 125086.09

APPENDIX 2.

TAXBASE FOR MONTPELIER SQUARE ONLY.

DISTRIBUTION OF PROPERTIES BY BAND AS AT 30.11.15 FOR THE WHOLE CITY.	**EQUIVALENT BAND "D" PROPERTIES FOR EACH AFTER APPLYING THE FORMULA ((H – Q + E+ J) – Z) X F / G**
BAND A : 0	BAND A : 0
BAND B : 0	BAND B : 0
BAND C : 0	BAND C : 0
BAND D : 1	BAND D : 1
BAND E : 0	BAND E : 0
BAND F : 0	BAND F : 0
BAND G : 3	BAND G : 5
BAND H : 48	BAND H : 93
Total : 52	Total : 99

Less Z = - 0
Plus MOD Adjustment = + 0
X Collection Rate (96%) = 95.04

3 TAXBASE = 95.04

APPENDIX 2.

TAXBASE FOR QUEENS PARK PARISH .

DISTRIBUTION OF PROPERTIES BY BAND AS AT 30.11.15 FOR QUEENS PARK PARISH.	**EQUIVALENT BAND "D" PROPERTIES FOR EACH AFTER APPLYING THE FORMULA** **((H – Q + E + J) – Z) X F / G**
BAND A : 60	BAND A : 31.50
BAND B : 258	BAND B : 172.47
BAND C : 798	BAND C : 600.44
BAND D : 1932	BAND D : 1714
BAND E : 1889	BAND E : 2094.58
BAND F : 208	BAND F : 278.06
BAND G : 25	BAND G : 35.42
BAND H : 3	BAND H : 6
Total : 5173	Total : 4932.47

Less Z –(1095133.57/717.14) = 3405.39
X Collection Rate (96%) = 3269.17
Plus MOD Adjustment + 0

4 TAXBASE = 3269.17

City of Westminster

CABINET

Date:	**17 November 2015**
Classification:	**General Release**
Title:	**Treasury Management Strategy Mid-Year Review**
Report of:	**City Treasurer**
Cabinet Member Portfolio:	**Cabinet Member for Finance**
Wards Involved:	**All**
Policy Context:	**The efficient management of the Council's financial affairs**
Financial Summary:	**Treasury Management continues to operate within approved boundaries**
Report Author and Contact Details:	**Jackie Shute, Interim Tri-Borough Head of Treasury jshute@westminster.gov.uk**

1. EXECUTIVE SUMMARY

1.1. This report presents the Council's Half Year Treasury Report for 2015/16 in accordance with the Council's treasury management practices. It is a regulatory requirement for this Half Year report to be presented to Cabinet and Full Council.

1.2. There are two aspects of Treasury performance – debt management and cash investments. Debt management relates to the City Council's borrowing and cash investments to the investment of surplus cash balances. This report covers:

- the treasury position as at 30 September 2015;
- the UK economy and interest rates
- investment strategy and outturn for 2015/16;
- the borrowing strategy and outturn for 2015/16; and
- compliance with treasury limits and prudential indicators.

1.3. The borrowing amounts outstanding and cash investment for the 30th September period are as follows:[1]

	30 September 2015 £m	31 March 2015 £m
Total borrowing	282	284
Total cash balances	(769)	(605)
Net Surplus	**(487)**	**(321)**

2. RECOMMENDATIONS

2.1 That Cabinet:

i) Note the treasury position at 30th September 2015

ii) Approve the inclusion of Bonds within the category of UK deposits and Certificates of Deposit, and

iii) Recommend the Council accordingly.

3. TREASURY POSITION AT 30 SEPTEMBER 2015

Net Position

3.1 The above table shows that during the first six months of the year, net cash inflows of £126m have been received. This significant movement reflects the expected pattern of the Authority's cash position and largely relates to the timing of grants received.

3.2 The authority is in a significant net cash positive position and as such, the peaks and troughs of cash movements are reflected in changes to the investment balance.

3.3 The revenue outturn position for 2015/16 is as follows:

	General Fund £m	HRA £m
Expected Net Interest Costs / (Income)	(3.716)	11.054
Downside Net Interest Costs / (Income)	(3.192)	11.065
Net Interest Risk	**0.524**	**0.011**

3.4 Net interest comprises interest paid less interest receipts, and the expected outturn represents the current portfolio commitments with maturing investments being reinvested at market expected rates. By modelling alternative interest rate scenarios, it has been possible to quantify the impact of downside rate environments. The table above reflects the position capturing

[1] This amount represents the principal amount invested, rather than the fair values that are reflected in the financial statements

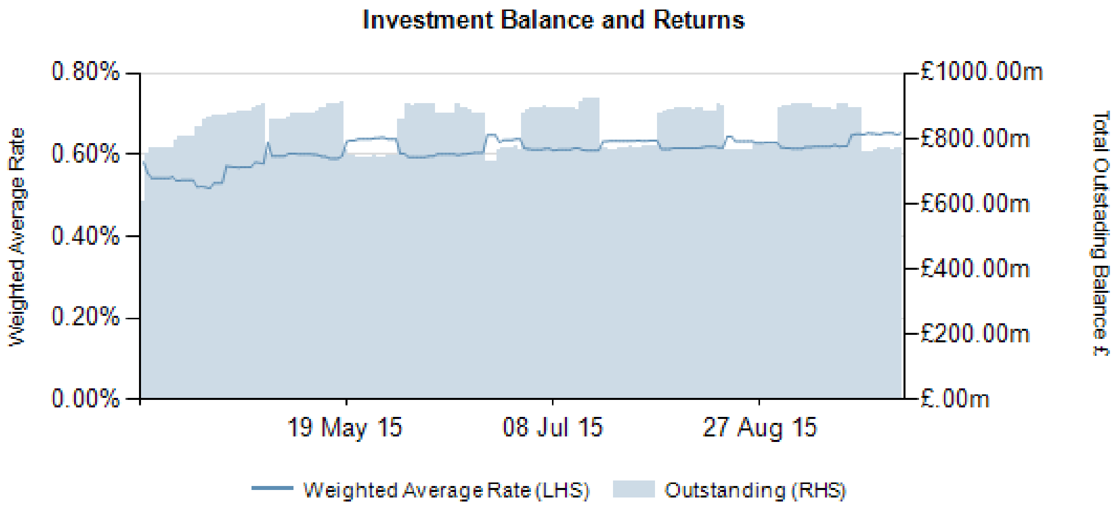
scenarios where only 1 in 10 outcomes could be worse. This is viewed as a reasonable level of confidence given the uncertainty of the interest rate environment. The authority recognises interest rate risk as a key treasury risk and is committed to containing this uncertainty, whilst ensuring credit risk on investments is also actively managed.

Investments

3.5 The table below provides a breakdown of the cash deposits, together with comparisons from the year end.

Investment Type	30 September 2015 £m	31 March 2015 £m
Money Market Funds	32.7	200.0
Call Accounts	31.0	35.0
Notice Accounts	78.8	78.7
Term Deposits	49.0	109.7
Tradable Securities	546.0	149.7
Enhanced Cash Funds	31.5	31.5
Total	**769.0**	**604.6**

3.6 Liquid balances are managed through the Call accounts and Money Market Funds which offer same day liquidity. The balances in these categories of investment were unusually high at the start of 2015/16 largely to ensure sufficient cash was available to meet payments, as the introduction of the new financial system created some uncertainty regarding the timing of cash flows. As the year progressed, cash flows normalised and the levels of liquidity required became more apparent. Consequently, cash was reinvested into alternative, less liquid instruments particularly Tradable Securities.



3.7 The shaded area in the above chart shows the daily investment balance during the first half-year. The line shows the weighted average return of the investment portfolio, which has increased from 0.58% at the start of the year to 0.65% at 30th September. This has been largely attributable to the move away from liquidity trades and into tradable securities.

3.8 All investment limits specified in the 2015/16 investment strategy have been adhered to. The table below shows the limits and exposures as at 30th September 2015.

Category	**£ Limit per counterparty**	**Duration Limit**	**Counterparty Name**	**Current Exposure £m**	**WAD (days)**
UK Government	unlimited	unlimited	UK Government	427.07	132.83
Supranationals	£200m	5 years	Council of Europe Development Bank	32.63	68.00
			European Investment Bank	10.08	68.00
European Agencies	£200m	5 years	Kreditanstalt fur Wiederaufbau	28.30	101.69
Network Rail	unlimited	37 years	Network Rail Infrastructure PLC	20.46	246.49
TFL	£100m	5 years	Transport For London	27.47	20.00
Money Market Funds	£70m per fund. £200m in total	n/a	Aberdeen Asset Management	19.25	Instant
			Deutsche	5.50	Instant
			Federated Prime Rate	5.00	Instant
			JP Morgan	1.30	Instant
			Morgan Stanley	1.50	Instant
Enhanced Cash Fund	£25m per fund, £75m in total	n/a	Federated Prime Rate	15.17	1 day notice
			Payden & Rygel	16.45	3 days notice
UK Bank Deposits (higher credit quality)	£75m	5 years	HSBC Bank plc	49.25	1 month notice
			Royal Bank of Scotland plc	14.00	256.43
UK Bank Deposits (lower credit quality)	£50m	3 years	Barclays Bank plc	49.58	73.42
			Lloyds Bank plc	15.00	98.00
Non-UK Banks (higher credit quality)	£50m	5 years	Svenska Handelsbanken	31.00	Instant
Total				**769.01**	**104**

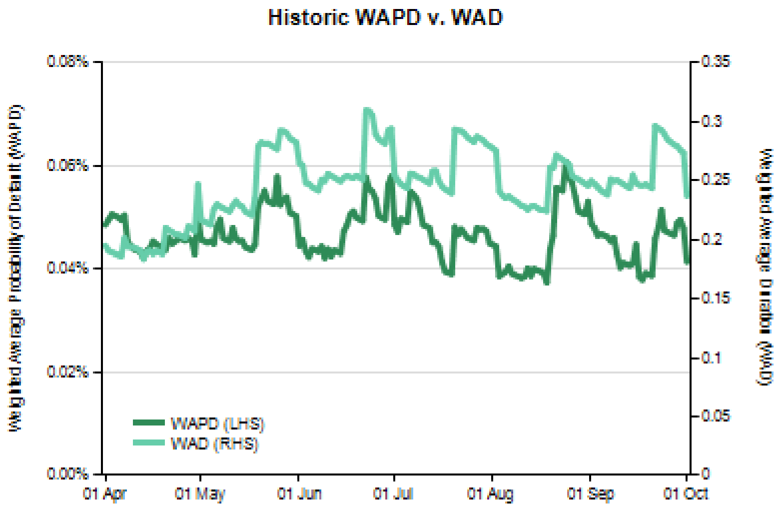
3.9 It should be noted that although the credit rating of Royal Bank of Scotland is lower than Barclays and Lloyds, as a result of the extent of government ownership (currently 73%), the approved strategy for 2015/16 categorises them as a higher credit quality and consequently the higher limit applies.

3.10 The weighted average duration of the portfolio is 104 days, and varies considerably between counterparties. The longest duration investment is a UK Government gilt maturing in July 2018. Stripping this transaction out would reduce the weighted average duration to just 71 days.

3.11 Long term projections of the authority's net surplus suggest that the cash balance is not expected to fall in the foreseeable future, and therefore there is the opportunity to extend the duration of the investments without compromising the liquidity requirements of the authority.

3.12 Officers are currently working on some potential strategies to extend the duration of trades which will increase the returns and reduce interest rate risk. This is discussed further in Section 5 of this report.

3.13 In terms of credit risk, there have been some changes in ratings during 2015/16. In particular, FitchRatings downgraded the Royal Bank of Scotland's long term rating from A- to BBB+ in May 2015. At the same time, Lloyds Bank's long term rating was upgraded from A to A+. Using more dynamic credit risk measures, the first half of the year has shown a more volatile credit risk profile, reflected by the weighted average probability of default (WAPD) for the portfolio.



3.14 The chart above compares the WAPD of the portfolio with the weighted average duration. This shows that the increase in duration has not manifested itself in an increase in credit risk and as at the 30th September 2015, the default risk for the portfolio was lower than at the start of the financial year.

Borrowing

3.15 The table below shows the details around the Council's external borrowing (as at 30 September 2015), split between the General Fund and HRA.

	30th September 2015		31st March 2015	
	Balance £m	**Average rate %**	**Balance £m**	**Average rate %**
HRA External Borrowing	256	4.8%	258	4.8%
General Fund External Borrowing	26	4.1%	26	4.1%
Total borrowing	**282**	**4.7%**	**284**	**4.7%**

3.16 There has been little activity during the first half of 2015/16. Reductions in principal of £1.7m have occurred as a result of the maturity of an HRA loan and small repayments of principal on General Fund annuity loans.

3.17 The Council has complied with the approved 2015/16 Treasury Management Strategy as well as all Prudential Indicators and regulatory requirements for Treasury investment in the year to date.

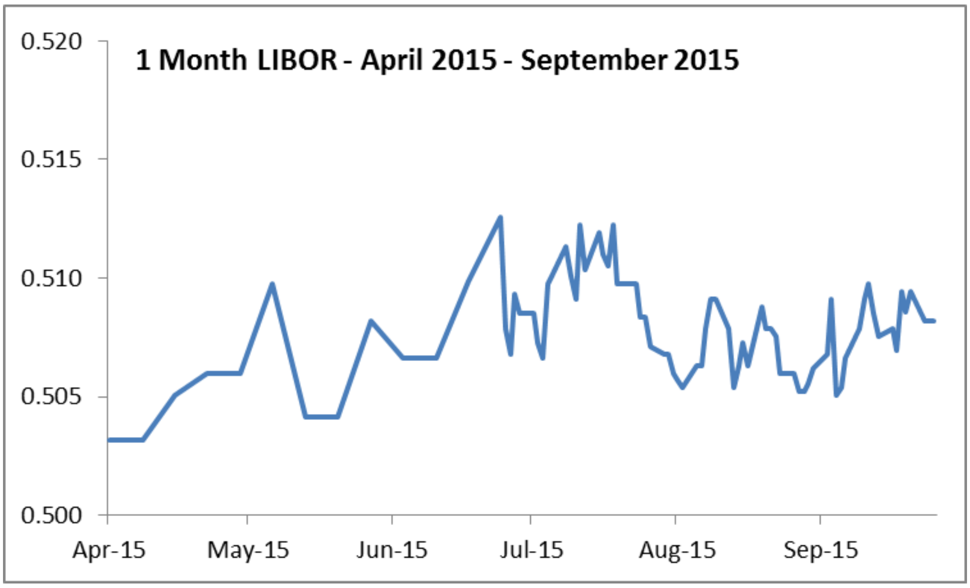
4 THE ECONOMY AND INTEREST RATES

4.1 UK GDP continued to rise in the first quarter of the financial year, posting a 2.4% year on year increase, resulting in the tenth consecutive quarter of increases. Export growth has been hampered by weak domestic growth within the UK's main trading partners, but countered by healthy growth in household real incomes.

4.2 Consumer Price Inflation continued to undershoot the Monetary Policy Committee's (MPC's) target of 2%, largely as a result of external factors but also as a result of domestic cost pressures remaining weak. The Bank of England's quarterly inflation report in August projected inflation to increase to the target in 2 years time. This is largely as a result of past falls in energy and food prices falling out of the annual comparison. However, falls in energy prices since the May 2015 report exerted more downward pressure than was expected earlier in the year.

4.3 At the August meeting of the MPC, the committee voted 8-1 in favour of leaving the Bank Rate on hold, with one member voting for a 25bps increase; the first vote for an increase since December 2014. The MPC felt there were various headwinds facing the UK economy, not least the downside potential of risks to activity in China and Europe. As a result, the committee felt that when interest rate increases do begin to take place, it will be undertaken at a more gradual pace than in previous cycles.

4.4 Short term rates remained relatively stable throughout the first half of the financial year as shown by 1 month LIBOR in the chart below. However, the market's expectations of interest rate movements increased slightly over the first half of the year, which consequently had a positive impact on the Council's Net Interest Income.



5 THE WAY FORWARD

5.1 Officers have been actively considering a variety of treasury initiatives, predominantly focusing on active risk management of the portfolios. Whilst the work is still in progress and will be brought forward as part of the future budget proposals, there are a number of points that can be factored into the current and future years' portfolio management.

5.2 Long term cash flow forecasts have been developed and are being actively used to assist the authority's strategic decision making. These projections are continually updated with the evolving spending plans of the organisation and demonstrate that the level of cash balances held is not expected to fall below £400m despite the relatively ambitious spending plans of the organisation.

5.3 Furthermore, it has being considered that a balance of £150m needs to be retained on a liquid basis to meet peaks and troughs of cash flows on a daily basis. Therefore, there is an expected balance of £250m that is not needed in the foreseeable future and can therefore be invested on a more strategic basis.

5.4 There are several options being explored for the use of this available cash balance, and some of these initiatives are yet to be concluded. However, it is clear at this stage that within the strategy, it would be beneficial if duration was extended on the non-liquid proportion of the investment portfolio. As a result of the upward sloping yield curve shown above in Section 4 of this report, investing for longer duration can lock in gains above short term rates. Furthermore this strategy would reduce interest rate risk and uncertainty as a lower proportion of the portfolio would need to be re-invested at unknown future rates.

5.5 The current strategy permits deposits with UK and non-UK banks for periods up to 5 years, and it is not being proposed that this duration be extended. However, it is felt that a more appropriate way to gain exposure to the banking sector may be through the purchase of bonds rather than deposits. Bonds are highly liquid tradable instruments that carry no additional credit risk over deposits. In the event that the credit quality of the institution deteriorated, with a deposit the authority would only be able to attempt a negotiation with the counterparty to prematurely break the deposit, which may not be possible. With a bond of the same duration, there would be the opportunity to sell the instrument on in the wider market, albeit the price may be affected by any deterioration in credit quality. However, this would be preferable to being unable to negotiate a premature break in the deposit.

5.6 Bonds are currently invested in with very high quality counterparties such as UK Government, TFL, Network Rail and Supranational Banks. And the strategy permits long dated deposits with UK and Foreign banks. Therefore to include bonds with banks will not expose the Authority to any greater credit risk than has been approved in the 2015/16 Investment Strategy yet provide enhanced returns compared to the typical deposit rates offered by the same institutions.

6 COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

6.1 During the half year to September 2015, the Council operated within the treasury limits as set out in the TMS. The position for the Treasury Management Prudential Indicators are shown below.

External debt indicator	Approved limit (£m)	Maximum borrowing	Days exceeded
Authorised limit[2]	516	283	None
Operational boundary[3]	496	283	None

6.2 The Authorised Limit is a level for which the external borrowing cannot be exceeded without reporting back to Full Council. It therefore provides sufficient headroom such that in the event that the planned capital programme required new borrowing to be raised over the medium term, if interest rates were deemed favourable and a thorough risk analysis determined the cost of carry was appropriate, this borrowing could be raised ahead of when the spend took place.

6.3 The Operational Boundary is set at a lower level and should take account of the most likely level of external borrowing. Operationally, in accordance with CIPFA best practice for Treasury Risk Management, a liability benchmark is used to determine the point at which any new external borrowing should take place. As a result of the significant level of cash balances, it is deemed unlikely that any new borrowing will be required in the foreseeable future.

[2] Authorised limit for external debt is the limit above which external debt must not go without changing Council Policy.
[3] Operational boundary for external debt is the limit against which external debt will be constantly monitored.

6.4 The maturity structure of borrowing shows the proportion of loans maturing in each time bucket. The purpose of this indicator is to highlight any potential refinancing risk that the authority may be facing if any one particular period had a disproportionate level of maturing loans. The maturity structure as at 30th September 2015 was well within the limits set and does hot highlight any significant issues.

Maturity structure of borrowing	Lower limit (%)	Upper limit (%)	Actual at 30 September 2015 (%)
Under 12 months	0	40	11
1-2 years	0	35	0
2-5 years	0	35	11
5-10 years	0	50	15
10 years and over	35	100	64

6.5 The purpose of the interest rate exposure indicators is to demonstrate the extent of exposure to the authority from any adverse movements in interest rates. The limits for 2015/16 were set sufficiently wide as to permit all loans to be at fixed rates and all investments to be at variable rates. If the portfolios were managed on this basis, it would exposure the authority to the risk of interest rates being low for an extended period of time.

6.6 Officers recognise that interest rate risk is one of the key risks facing the authority, as demonstrated by the table in paragraph 3.3 which shows that the difference between expected net interest costs and downside net interest costs is over £0.5m in the current financial year alone. As part of the strategic review of the investments outlined in Section 5 of this report and in recognition of the key risk management objective to reduce interest rate exposures, the mis-match between fixed and variable investment returns will be re-balanced in order to reduce interest rate risk to the organisation.

Upper limits on interest rate exposure	Approved maximum limit	Actual as at 30 September 2015
Borrowing		
Fixed interest rate exposures	100%	79%
Variable interest rate exposures[4]	50%	21%
Investments		
Fixed interest rate exposures[3]	50%	5%
Variable interest rate exposures	100%	95%

[4] For the purposes of this Prudential Indicator variable borrowing and investments include any deals that have a maturity of under a year as well as any trades being capable of being varied within a year..

6.7 The final treasury management prudential indicator relates to containing investment risk by setting a maximum amount which can be invested for more than 364 days. As referred to earlier in this report, the short duration of the portfolio demonstrates that the current position is well within the approved limits.

£ million	Approved maximum limit £m	Actual as at 30 September 2015 £m
Limit on investments for periods over 364 days	200	40

Background Papers

Cabinet Reports
Treasury Management – Annual Strategy for 2015/16, including Prudential Indicators and Statutory Borrowing Determinations – 23rd February 2015.

If you have any questions about this report, or wish to inspect one of the background papers, please contact Jackie Shute on 020 7641 1804 or jshute@westminster.gov.uk.

City of Westminster

Cabinet Report

Decision Maker:	Cabinet Committee
Date:	14th December 2015
Classification:	General Release save for Appendices A, B, C, D and E as detailed below as paragraph 4.1
Title:	Use of Westminster City Council's powers to override Rights to Light, to facilitate the development of land to facilitate an Education facility and residential development on the site at Sutherland Street, London, in accordance with planning permission 15/05733COFUL granted on the 5th November 2015.
Wards Affected:	Warwick
Policy Context:	City for All School Organisation (Pupil Place Planning Policy City of Westminster Unitary Development Plan (UDP), (adopted 2007) City of Westminster Core Strategy (adopted 2011 as amended) The Greater London Authority London Plan (2011)
Financial Summary:	See Confidential Appendix C
Report of:	Head of Development, Growth Panning and Housing

1. Introduction

1.1 The development of the new University Technical College and Residential apartments on Sutherland Street was presented to the planning committee on the 1st September 2015, the committee was minded to grant consent subject to the developer entering into a s106 agreement with the Council. The s106 agreement was signed on the 5th November 2015 and planning permission was issued.

1.2 The Council is satisfied that the redevelopment will contribute to the City for All objectives and deliver much needed secondary school spaces as identified in the Schools Organisation Strategy 2015 with an improvement to the economic, social and environmental well-being of the local area and the wider Victoria Area.

1.3 The decision by the Planning Committee (report and minutes available on request) to resolve to grant the application was predicated on the planning benefits evident in the proposal. The report of the Director of planning recognises that some harm will occur as a consequence of the development, but that such harm can be outweighed by the benefits in the scheme. The planning committee endorsed this and these benefits are described in paragraph 5 of this report.

2. Background

2.1 The site previously known as the Ebury Bridge Centre, originally a Victorian Board School, was located on Sutherland Street overlooking the railway serving Victoria station to the West and the Peabody Avenue housing estate to the South. The Site was most recently home to the Westminster Adult Education Service (WAES), which has since relocated to offices in Lisson Grove with new satellite offices at Pimlico Academy and the new Amberley Road development.

2.2 The site takes a prominent location on the corner of Sutherland Street aside the Ebury Bridge. The site abuts the Peabody Avenue Conservation Area which lies to the south of the site with the Pimlico Conservation and within 20 metres of the site. While it is within the Churchill Gardens Ward all of the local residents being considered in this report are located within Warwick Ward.

2.3 The development proposed will create a new 5,500 sqm University Technical College (UTC), that will deliver vocational training and education to around 500 new pupils along with 47 new residential apartments for private sale.

2.4 It is of note that the Council has a range of duties and responsibilities including statutory, facilitating and landlord roles. Officers acknowledge that these roles are not always complementary and are seeking to achieve a balanced solution to this problem.

2.5 A key duty of the Councils' is its statutory obligation to provide secondary school places in line with the need identified in the School Organisational Strategy 2015 and the Councils duty to ensure that residents (both tenants and leaseholders) are treated in a fair, equitable and consistent manner.

2.6 This paper demonstrates how officers are working on behalf of these residents to facilitate a negotiated and fair settlement between affected residents and the developer whilst ensuring that this essential education facility remains on programme, to deliver secondary school places by September 2017.

3. Rights to Light - Progress & Process

3.1 The proposals for the UTC and Residential units on the Ebury Centre site are being carried out by Bouygues Development. The obligation to negotiate a site clear of injunction risk and to pay compensation sits with the developer. A budget has been set with the developer for rights to light payments to residents (details of this are located in the confidential appendix C).

3.2 The key risks are deliverability and programme. Should Cabinet consider it reasonable to support the developer and the development, the programme to deliver the education unit and hold the agreed contract price will be secure. Without Cabinet support there is no certainty that the developer will be able to deliver the UTC on time or clear the Contract Conditions Precedent to commence a meaningful start before the longstop date in May 2016.

3.3 The development team, led by Bouygues Development (BYD) using Rights of Light consultants Gordon Ingram Associates (GIA) carried out the original Daylight and sunlight assessment that was submitted with the planning application and accepted by the planning committee. Since then the GIA team has also assessed the rights of light of the surrounding properties and assessed the level of injuries that the new development would create when built.

3.4 While a number of smaller non-actionable injuries exist, there are eight actionable injuries of immediate concern to the developer and Council. Of these eight, four are leaseholders and the remainder are council tenants.

3.5 Should a negotiated surrender with any individual party not be achievable it will become necessary for officers to request that the Cabinet be called on to consider recommending the use of s237 powers, to ensure deliverability of the development however this should not affect the injured parties right to a reasonable and fair levels of compensation.

3.6 Negotiations with the injured leaseholders commenced in July 2015 and are well underway. GIA at the time of writing have made an average of 24 contacts per leaseholder. Letters have been sent out to all leaseholders and include an offer of compensation based on the surveyed layout, copies of these letters are in confidential appendix D. This is despite a single leaseholder still refusing access to their property and in this instance the team has based the calculations on similar surveyed flats in the block.

3.7 The letters have made offers to leaseholders of between 3 and 3.6 times book value however only a single commercial agreement has been reached with a leaseholder at 3.6 times book value, none of the remaining leaseholders appear likely to engage and accept the developer’s terms. A full schedule showing the list of contacts made with each party, the amount offered and extent of the injury to each leaseholder is in the confidential Appendix B and D.

3.8 Negotiations with the four Council tenants have progressed well albeit at a slower pace than the leaseholder’s negotiations. The tenant discussions are being led by CityWest Homes working with a separate Rights-to-Light consultant Deloittes.

3.9 The Council has sought to create a standardised approach to managing tenanted properties RTL, as it is clearly an issue that will be repeated on future development and regeneration projects, given Counsels advice (see Appendix E) that secure tenants, private tenants and sub-tenants can acquire rights to light because they hold legal interests and hence are each capable of pursuing a claim in nuisance for infringement of a right to light. Considering this advice the Councils approach to tenanted RTL negotiations is as follows:-

3.9.1 The Councils development team have appointed CWH to work with the tenants and negotiate a settlement for all the injuries incurred. Once the full extent of the injury has been established through survey, in some circumstances the Council as freeholder would accept a payment on behalf of both itself and the tenants affected, looking to pass on a proportion of this payment to the tenant. In these circumstances the Council as freeholder is not looking for a payment for its common or wholly owned parts.

3.9.2 The development team proposes that the following offer be made to all tenants affected with an actionable injury:-

3.9.2.1 A payment will be passed onto to all affected tenants in return for a signed deed of release of any prescribed or implied rights (should they be found to be prescribed or implied). The level of the payment will reflect the diminution of value (book value) only; or

3.9.2.2 Alternatively should the tenant refuse compensation they can apply to be moved by the Council and will be placed on the Council waiting list. This rehousing offer is based on the needs of the family and managed through choice based lettings and would be open for a limited time period.

3.10 Offer letters have now been issued to all four Council tenants, a sample copy is available in confidential Appendix D.

3.11 At the time of writing three of the four affected tenants have allowed their flats to be surveyed and they have all now had offer letters with compensation levels based on the agreed injury levels, at book value. Initial responses from the tenant indicate that 3 of the 4 tenants have accepted the offers of compensation made, subject to contract. No offers to re-house tenants have been made at this time.

3.12 The development team proposes that the following offer be made to tenants affected with a non-actionable injuries as compensation is required the Council will seek this from the developer. The level of the payment will reflect the diminution of value (book value) only. No offer to relocate these tenants will be made.

3.13 Where the Council as freeholder, has an injury to its common or wholly owned parts, it will not seek to claim this from the developer on this project.

4. **Recommendations**

4.1 That Appendices A, B, C, D and E to this report be exempt from disclosure by virtue of the Local Government Act 1972, Schedule 12A, Part 1, paragraph 3 (as amended) in that these documents contain information relating to the financial or business affairs of any particular person (including the authority holding that information).

4.2 That the Cabinet notes the content of this report and agrees as follows:-

4.2.1 That the Cabinet agree to the appropriation, the land in yellow in appendix F, from Education and Investment purposes to planning purposes in compliance with s.122 of the Local Government Act 1972 Act and the subsequent use of the City Council's powers under s.237 of the Town and Country Planning Act 1990 to override rights to light of neighbouring properties infringed by this development.

4.2.2 That the Cabinet delegates that the Head of Development in consultation with the Triborough Director of Law be authorised to agree the settlement of the four tenanted and four leaseholder properties rights of light claims, together with any associated fees and thereafter to formalise the agreements by Deed.

4.2.3 That Cabinet note that the proposed settlement of rights of light compensation payments and associated fees for leaseholders affected by this scheme will be made by the developer within a pre-agreed budget. Should these budgets be exceeded officers would seek authorisation for a budget provision.

5. Reason for the Decision

5.1 As outlined previously, the risk of injunction arising from the 'rights to light' held by neighbouring owners potentially interfered with by the development, means that the approved scheme may not proceed unless the City Council resolves to exercise its powers to override these rights through appropriation and subsequently through the use of s.237 of the 1990 Act to facilitate the development.

5.2 There is a compelling case in the public interest to facilitate this development and as demonstrated by the Council securing planning permission and the procuring of a delivery partner to deliver this education and community facility, there is a reasonable expectation that the scheme will proceed with a developer procured and willing to commence work subject to the injunction risk being mitigated. Although as outlined above, this cannot be delivered simply through the granting of planning permission. In balancing the benefits of the development and the concerns of those whose rights it is proposed to override, there is clear evidence that the public benefit outweighs the private loss.

5.3 Accordingly, it is recommended that the land at Sutherland Street (appendix F) is appropriated from its existing purposes (which are thought to be Education and Investment Purposes) to planning purposes under s.122 of the 1972 Act so as to engage the provisions of s.237 and thereby authorise the development to be carried out notwithstanding the fact that it involves an infringement of rights to light. A previous report in September 2014 authorised the appropriation of this land to housing purposes but this was never implemented. The land was previously used for a school and later for Adult Education purposes and more recently has been a cleared site without buildings and held therefore for investment purposes.

5.3.1 This site was identified for redevelopment in 2012 as the site became vacant. Westminster Adult Education Services (WAES) had declared the site no longer fit for purpose and moved to Lisson Grove.

5.3.2 The wider area enjoys good transport links, is highly accessible and any new developments will be fully integrated by the provision of improvement to routes and spaces.

5.3.3 Appropriation for planning purposes will assist bringing forward this mixed use Scheme and eradicate the risk associated with third party rights over the neighbouring land which may serve to frustrate the development and could result in the UTC and the housing units, not being built. The Council recognises that potential third party rights do exist and if an entitlement is demonstrated, the compensation will be paid.

5.4 The UTC and its employer alliance (the Sir Simon Milton Foundation, Network Rail, BT Fleet, Alstom, University of Westminster and Landsec) will deliver the following outcomes for the Council and Westminster residents:-

5.4.1 The Council has identified an emerging need for secondary school places, a statutory duty which is covered in the School Organisation Strategy. The development will support the Council in delivering some of these much need places in time for 2017/18 school year.

5.4.2 Central government and local business have raised concerns about the lack of skilled resources being trained currently to deal with the emerging infrastructure requirements that a growing economy and country will require. The members of the employer alliance are key to delivering these large infrastructure projects and have specifically identified the need for technical and vocational training to meet this demand.

5.4.3 A key benefit of having the employers alliance linked to the UTC is reflected in the promise of guaranteed employment to all graduates of the UTC programme.

5.5 The residential for sale not only provides a cross subsidy to enable the project but also creates much needed new housing within the Borough, along with a new public realm and new sense of place by contributing to the wider objectives of the Victoria SPD.

5.6 This report is seeking to advise the Cabinet that despite the many positive aspects of the development on Sutherland Street, there are potentially a small minority of local residents on who this development will affect negatively, specifically in respect of their Rights-to-Light (RTL).

5.7 Economic Well Being of the area

5.7.1 This scheme will support the local economy via the provision of new housing within the Borough.

5.8 Social Well Being

5.8.1 The new development will contribute too much needed secondary school places in the borough and deliver the council statutory obligation to meet the secondary need within the borough and creating new school employment opportunities in the new education facility.

5.8.2 The education facility will provide much needed 6^{th} form and vocational training along with additional community space with access to the sports hall and roof terrace which will also be available to local residents through a community use agreement.

5.9 Environmental well being

5.9.1 The Scheme will make a positive contribution to the street scape particularly on the Sutherland Street. The proposed development will provide an attractive modern building, in keeping with the urban context of the surround.

5.9.2 The new development will be built to modern standards, allowing for an energy efficient development sharing plant and recycling heat with the attached school. The development will also benefit from a connection into the PDHU district heating scheme which will supply cheap heat to residents and the school.

6. Rights to Light Principles and Case Law

6.1 The new development will interfere with a small number of neighbouring properties' rights of light. Negotiations have been on-going with the residents concerned to reach agreement for release and these will continue. However if a voluntary agreement is not made the

Council may as a last resort have to use S237 powers to override these rights in order to facilitate the development .

Appropriation

6.2 For appropriation to take place, the local authority must ensure it does not require the land for the purposes it was held for before and the decision maker must consider the case being made in and notes that appropriation is permissible under this section where:-

6.2.1 The Council thinks it will facilitate the carrying out of development, re-development or improvement of the land but ONLY IF it is likely to contribute to the achievement of promoting or improving the economic and/or social and/or environmental well-being of the area: or

6.2.2 Because the land is required for a purpose which it is necessary to achieve in the interests of the proper planning of the area.

Section 237

6.3 Section 237 of the Town and Country Planning Act 1990 can only be made where the following requirements are satisfied: -

6.3.1 The erection, construction or carrying out of maintenance of any building or work will be carried out on the land;

6.3.2 The land has been acquired or appropriated by a local authority for planning purposes; and

6.3.3 The development is carried out in accordance with a planning permission.

6.4 The proposals to carry out work were granted planning permission on 5th November 2015. The land at Sutherland Street is currently held for education purposes and in order to be complying with s237 requirements the land would need to be appropriated for planning purposes under s122 of the Local Government Act 1972 Act.

Planning

6.5 Resolution to grant planning consent was made at committee on 1st September 2015 and planning permission was issued on 5th November 2015. The consent was to be subject to the agreement and signing of the s106 which is dated 5th November 2015. In addition, the 6 week judicial review period will have expired on the 17th December, at the time of writing no applications for review have been received.

Consultation

6.6 Updates have been provided to the Leader of the Council and the Cabinet Member for Finance on progress with the rights to light negotiations with leaseholders and tenants in advance of the Cabinet Decision. A briefing note summarising the actions taken to date and progress made was submitted to the informal cabinet for discussion and the feedback from those forums have been included in this updated Cabinet report.

6.7 Briefing notes have been issued to ward councillors of both Churchill and Warwick Wards on the development progress, along with a more detailed briefing note to Warwick Ward members on the RTL implications to their residents.

6.8 The Delivery Partner

6.9 The procurement of the consortium of Bouygues Development and Redrow, was crystallised in the signing of an Agreement to Lease on the 5th November 2015.

6.10 The Developers have appointed Bouygues Construction (BYUK) to carry out the project and works on the enabling package have commenced.

6.11 The Council and developer still needs to clear a few condition precedents before the contract goes live, key to this is risk of injunction.

7. Policy Context & Reasons for Recommending the use of Power

7.1 As outlined in appendix A of this Report, a 'right to light' is an easement established by long use benefitting land. In rights to light cases where an injunction is awarded due to interference with that right at the conclusion of trial, the injunction is likely to be mandatory (possibly requiring the defendant to demolish whatever has caused the obstruction) and perpetual. But if by the conclusion of the trial the obstruction is not yet in place, the injunction could be prohibitory (requiring the defendant to stop building any further or to not build at all) but this is usually where a planning permission is in place. An injunction may also be awarded before any wrongful action has been undertaken at all.

7.2 In order to remove the risk of injunction, a right to light can only be addressed in a limited number of ways:

- 7.2.1 by agreement;
- 7.2.2 by unity of ownership and possession;
- 7.2.3 by abandonment; and
- 7.2.4 by statute, and in particular by s.237 of the 1990 Act (as amended).

7.3 Where such rights are released by agreement, a Deed of Release would be entered into (as has or is being negotiated with several of the parties in this case). Where voluntary agreement is not possible and the other two methods outlined above are not appropriate, s.237 empowers local authorities to override easements, including rights to light.

7.4 The effect of s.237 is that where a local authority acquires or appropriates land for planning purposes, the authority or any person who subsequently acquires an interest in the land may implement a planning permission even though doing so might interfere with a third party interest or right, including a right to light. S.237 refers to "overriding" the right because the right will remain in existence and enforceable but the remedy will be compensation rather than an injunction. The level of compensation for interference with rights or breach of restrictive covenant is assessed on the basis of the loss in value of the claimant's land as a consequence of the interference or breach of covenant rather than a claim for equitable damages.

7.5 A local authority can only exercise its power under s.237 to override a right to light where the land burdened by the right has first been acquired or appropriated by the authority for planning purposes. The powers to acquire land compulsorily and by agreement are conferred by sections 226 and 227 of the 1990 Act respectively, and the power to appropriate land for any purposes is conferred by section 122 of the 1972 Act. To implement s 237 an appropriation to planning purposes is necessary.

7.6 Requests for use of s.237 powers by local authorities are likely to be more common as a result of the case of HKRUK II (CHC) Ltd v Heaney ("Heaney") 2010, which related to the availability of injunctions in the context of infringements of rights to light and indicated that a court may be more inclined to grant an injunction even where a property has been constructed. As a result of this case, it appeared more likely that affected owners may seek injunctive relief. In the Heaney case proceedings were not begun until the works were completed where an injunction was awarded for the removal of the top two floors of the development. The injunction was awarded even though the developer had tried to resolve matters with the claimant. Prior to Heaney, it was assumed that where rights to light holders stalled negotiations in order to increase/inflate compensation, there would reach a point where the courts would not serve an injunction as the conduct of the claimant (i.e. the rights to light holder) is taken into account. However the decision in Heaney means that it is more likely that the courts will award an injunction. Therefore, for the City Council, where it is supporting the development of sites for social, economic or environmental aims, to avoid possible injunctions of these schemes, the potential use of the powers will become increasingly relevant in future years.

7.7 However, the recent case of: Coventry (t/a RDC Promotions) v Lawrence [2014] UKSC 13; [2014] 2 W.L.R. 433 indicates that the Courts are more likely to be a bit more flexible than in the Heaney case.

7.8 The main points from this case are:

7.8.1 That the courts power to award damages instead of an injunction is an exercise of discretion and should not be fettered;
7.8.2 The prima facie position is that an injunction should be granted and that the legal burden was therefore on the defendant to show why one should not be granted, however there is no presumption or inclination by the court one way or the other;
7.8.3 One of the relevant factors which can mitigate against the award of damages can be that the defendant has acted in a high handed manner and or attempted to steal a march on a claimant or evade the jurisdiction of the court;
7.8.4 This case has effectively treated the existence of planning permission as being determinative of the claim.

7.9 The uncertainties associated with rights to light issues can result in difficulties in securing funding for developments, delays in the benefits of developments being realised, or the development not being viable as a result of either the financial burden or time constraints. The implication for the development at Sutherland Street is the risk that the intended delivery partner, could commit to undertaking the works (i.e. sign building contracts etc.) and then an injunction be served on the Council to stop the development. As a result, they are unwilling to commit to the development without the risk of injunction being removed.

7.10 As set out above, the Council can only use s.237 to override rights by either acquiring the land under s.226 and s.227 of the 1990 Act or appropriating the land under s.122 of the 1972 Act. Without using the powers under s.237, the scheme could not go ahead and the social, economic and environmental benefits as detailed in this report and more particularly in chapter 5, would not be realised to ultimately improve the health and wellbeing of residents.

8. **Legal Considerations & Counsels Advice**

8.1 In making a decision as to whether to appropriate the land for planning purposes and to override easements in respect of 'rights to light', the following matters are relevant considerations that should be taken into account by the City Council:-

8.2 **Whether appropriation to planning purposes and use of s.237 powers will facilitate the carrying out of the Development.**

8.3 The assessment as to which of the Dominant Owners would suffer sufficient injury to succeed in a claim for an injunction is a matter of both fact and law. Where there is a clear risk of injunction, no development will proceed until the elimination of that risk. This project cannot proceed without this appropriation under s.122 and therefore section 237 of the 1990 Act needs to be engaged to facilitate the Development and provide the new UTC and Residential development.

8.4 **Whether the Development will contribute to one or more of the following objectives and thus be in the public interest:**

8.4.1 The promotion or improvement of the economic well-being of the area
8.4.2 The promotion or improvement of the social well-being of that area
8.4.3 The promotion or improvement of the environmental wellbeing of the area.

8.5 With regard to the approved use of the buildings for education and housing purposes this will benefit the local community together with Council tenants and Leaseholders

8.6 In conclusion the use of s.227 of the 1990 Act to enable the operation of s.237 of the 1990 Act will facilitate the carrying out of the Development which will contribute to the achievement and improvement of the economic and social well-being of the City as a whole (through the provision of an important community facility) and of the environmental and social well-being of this part of the City through the creation of a new education and housing development. The private housing will assist with the cost of development and ensure the development is commercially viable.

8.7 **Whether rights, capable of being overridden by s.237 of the 1990 Act, exist.**

8.8 **Whether interference with the 'rights to light' is necessary in order to allow the Development to be carried out and whether agreement can be reached for release of those rights**

8.9 The infringements arise as a result of the development and it is not possible to alter the size or shape of the Development in order to overcome the infringements with regard to 'rights to light'.

8.10 It is accepted that in terms of operational viability, suitability and functional requirements an infringement of 'rights to light' is necessary in order to facilitate the Development. Without this infringement, the scheme would not be implemented and the benefits outlined above would not be secured.

8.11 In terms of the timescales provided for reaching voluntary agreement with the Dominant Owners, these are considered to be reasonable. GIA first made contact with the relevant parties in July 2015 by letter and in total therefore nearly 6 months have been allowed for the affected parties to respond and agree terms. However use of alternative methods to contact the parties in question, have been used in order to demonstrate that all reasonable attempts to reach voluntary agreement have been made.

8.12 It is also relevant to note that the appropriation is for the specific planning purpose of facilitating the approved Development (as may be amended or modified) and not for unrelated development, which may not deliver the public benefits, envisaged for the current proposal. S.237 is therefore engaged to the extent that infringements arise in relation to the approved Development.

8.13 It is considered that sufficient time for reaching voluntary agreements with the Dominant Owners has been allowed by virtue of the efforts made by GIA and consultation letters issued by the City Council to ensure that consideration of the s.237 request is reasonable, although officers have asked BYD & GIA to use additional/alternative methods to make contact with the remaining parties. Should the recommendations of this Report be agreed by the Cabinet, they will have had all the evidence necessary in order to be satisfied that all reasonable attempts to reach voluntary agreement have been made.

8.14 **Whether it is in the public interest that the development proposed in the planning made or granted should be carried out.**

8.15 Planning Policy

8.16 **Whether s.237 of the 1990 Act should be applied in relation to the rights of light and any other easements which would be overridden, and whether any interference with those rights would be proportionate (in particular to any interference with rights guaranteed by the European Convention on Human Rights ("Convention Rights"))**

8.17 For the reasons outlined above, namely the public interest of securing the benefits of the Development and the potential risk of injunction following the Heaney case, it is considered reasonable for the City Council to apply s.237 of the 1990 Act with respect of 'rights to light'. It remains necessary however to consider whether this interference with those human rights is proportionate to the public benefit.

8.18 ODPM Circular 06/2004 "Compulsory Purchase and the Crichel Down Rules" advises that compulsory acquisition under s.226 of the 1990 Act (and therefore, by analogy, an acquisition of land for planning purposes under s.227 of the 1990 Act which has the effect, by virtue of s.237 of infringing convention rights) "... should only be made where there is a compelling case in the public interest. An acquiring authority should be sure that the purposes sufficiently justify… interfering with the human rights of those with interests in the land affected....". Furthermore, following the introduction of the Human Rights Act 1998 the City Council is required to act in accordance with the European Convention on Human Rights (ECHR) in deciding whether or not to implement the arrangements.

8.19 Article 1 of the First Protocol of the ECHR provides that every natural or legal person is entitled to peaceful enjoyment of their possessions ("human rights"). Appropriation of property engages s.237 to authorise interference with rights of light involves interference with a person's rights under this Article. As these rights are enjoyed by corporate bodies as well as individuals all of those whose rights will be affected can claim an infringement. However, the right to peaceful enjoyment of possessions provided under this Article is a qualified rather than absolute right, as the wording of Article 1 of Protocol 1 permits the deprivation of an individual's possessions where it is in the public interest and subject to the conditions provided for by law and by the general principles of international law.

8.20 Article 8(1) provides that everyone has the right to respect for his private and family life, his home and his correspondence. Article 8 would be engaged as a result of interference with rights to light to a private residence. Article 8(2) allows for interference which is "in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the protection of health and morals, or for the protection of the rights and freedoms of others".

8.21 There must therefore be a balancing exercise between the public interest and the individual's rights whereby any interference in the individual's rights must be necessary and proportionate. "Proportionate" in this context means that the interference must be no more than is necessary to achieve the identified legitimate aim, thereby striking a "fair balance" between the rights of the individual and the rights of the public.

8.22 Planning permission has been granted for the Development and the public benefits arising from the Development, and thus the public interest, are set out earlier in this Report. Furthermore, notwithstanding the overriding of their 'rights to light', compensation will still be available to those who are affected. On this basis it is considered that the public interest in facilitating the Development outweighs the rights of the individuals to peaceful enjoyment of their possessions and to their homes and that the proposed use of s.237 powers results in a proportionate infringement.

8.23 **Ascertain whether those entitled to the rights are prepared to relinquish them.**

8.24 As outlined above, in this case the applicants have reached voluntary agreement with 1 affected party however there are 3 parties remaining who have not entered into discussions despite the attempts made. However, subject to the Cabinet being satisfied that all reasonable attempts have been made over a considerable time period to engage with these parties, it is considered reasonable and proportionate for the reasons outlined elsewhere in this Report, and necessary to override these rights to facilitate carrying out of the Development.

Application to the Council

The recommendations of Officers

Officers accept that the development cannot be altered to overcome the infringements without undermining the operational and commercial viability of the scheme notwithstanding the substantial educational, social, economic and environmental benefits that will flow from the development, the Council is of the view that s237 powers should only be applied when all reasonable endeavours to contact and agree with the affected owners have been exhausted. In this regard, the Powers, if used, are being applied to ensure the realisation of this important project, which will deliver substantial economic and social improvements to the local area, but should only be applied as a last resort.

Background Papers (available on request)

Planning Report and Minutes of the Committee Meeting 1st September
City for All
School Organisation (Pupil Place Planning Policy)
City of Westminster Unitary Development Plan (UDP), (adopted 2007)
City of Westminster Core Strategy (adopted 2011 as amended)
The Greater London Authority London Plan (2011)

Appendices (Confidential):

Appendix A - GIA RTL Report

Appendix B – Schedule of Contacts

Appendix C – Contract, Programme, Budgets and Comparable Process's

Appendix D – EFZ Contour Maps and Offer Letters

Appendix E – Counsels Advice

Appendix F – The Site Plan

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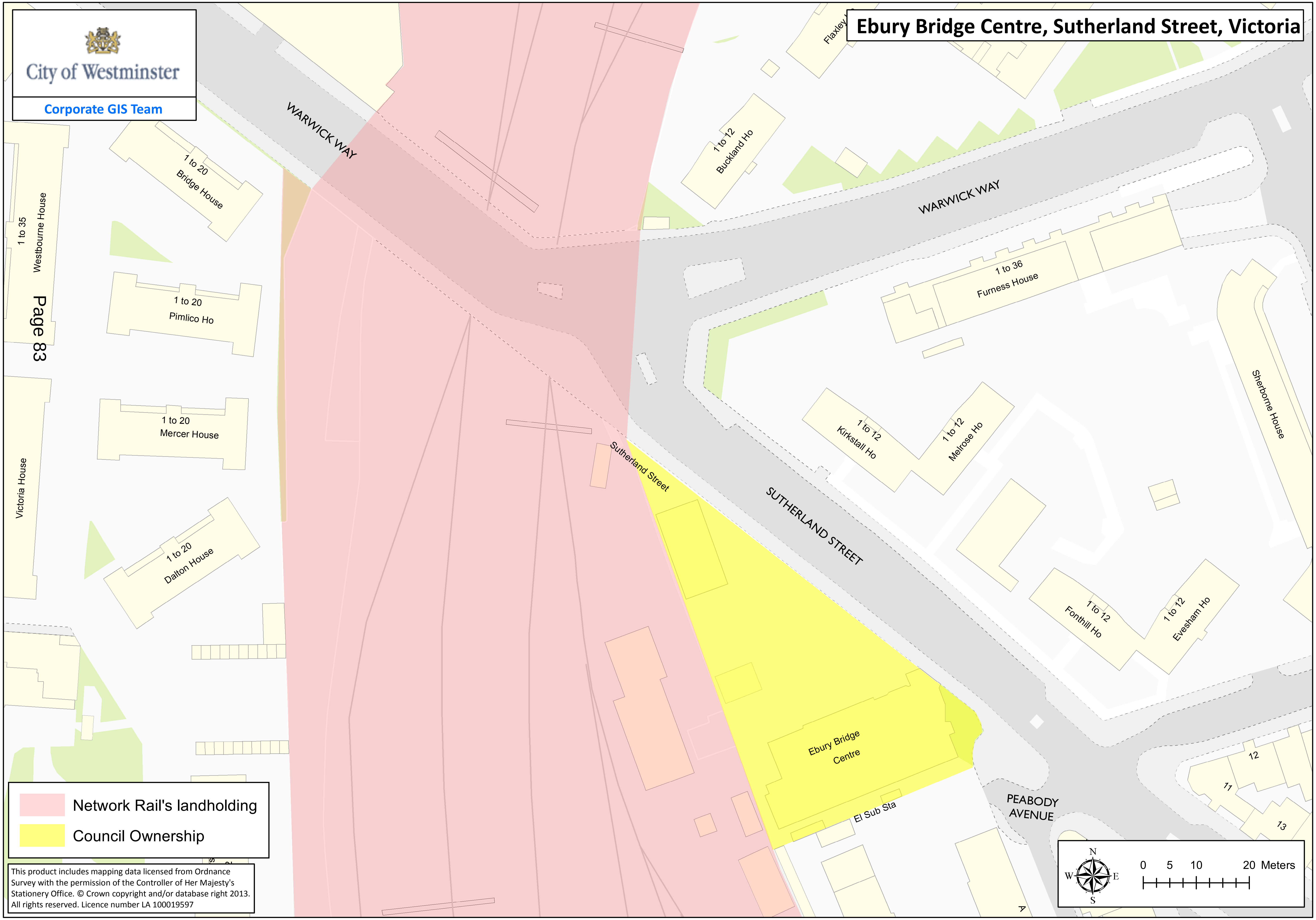
Ebury Bridge Centre, Sutherland Street, Victoria

City of Westminster

Corporate GIS Team



Network Rail's landholding

Council Ownership

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Agenda Item 10

City of Westminster

Cabinet Report

Decision Maker:	Cabinet
Date:	14th December 2015
Classification:	General Release save for Appendices G, H1, H2 and I as detailed below as paragraph 2.1
Title:	Proposed Compulsory Purchase Order for the Ebury Bridge Estate, Ebury Bridge Road, London, SW1W 8PX
Wards Affected:	Churchill Ward
City for All	The proposed scheme will meet the City Council's three year aspirations for the 'City of Aspiration', 'City of Choice' and 'City of Heritage'
Key Decision:	That the Cabinet Member agrees to the making of a Compulsory Purchase Order for the acquisition of properties and other interests on the Estate
Executive Summary	The report acknowledges that officers have been actively negotiating with estate residents to secure vacant possession since the positive vote to regenerate the estate in 2012 and that while good progress has been officers now asks for Cabinet approval to commence a planning CPO, The report highlights the work carried out to date and reasons why a planning CPO is now required to secure the regeneration and its associated benefits for the Council.
Financial Summary:	This report relates to the making of a Compulsory Purchase Order in respect of part of the Estate. The necessary funding is included within the Housing Revenue Account Business Plan approved by the Cabinet Member in December 2014. Further details on the proposed redevelopment costs, the budget to deliver the project and the viability of the project are located in the confidential appendices.
Report of:	Head of Development, Growth, Planning & Housing

1. EXECUTIVE SUMMARY

1.1. The City Council's Housing Renewal Strategy ("the Renewal Strategy") was approved in March 2010 and seeks to increase the supply of housing and improve the quality of the housing estates within the borough.

1.2. The City Council has been working in collaboration with the residents of the Ebury Bridge Estate ("the Estate") since 2010 to create the proposed renewal scheme. The project seeks to achieve the objectives of the Renewal Strategy. A resolution to grant planning permission to deliver the project was granted on 10th June 2014 by the City Council's planning applications sub-committee. A development partner is now being procured.

1.3. In 2012 Cabinet approval was granted to authorise a residents' vote upon the project proposals and a positive vote was then obtained. Following issue of the resolution to grant planning permission a further Cabinet Member decision was granted authorising officers to start negotiations with lessees and other interested parties whilst further exploring the possibility of a Compulsory Purchase Order ("CPO") being made. Negotiations have begun with key interested parties including estate residents, both lessees and tenants, Soho Housing Association, who own interests in two blocks on the Estate, and other non-housing interests.

1.4. Negotiations with affected parties have been ongoing for around 16 months and will remain ongoing throughout the CPO process. Officers have reached negotiated settlements with a number of these parties, whose rights have been affected (details of these affected parties and the negotiations are to be found in paragraph 5 of this report and confidential appendices H1 & H2). Despite good progress on these negotiated settlements, it is clear that the CPO will be required and officers are recommending that the CPO process is commenced, to ensure that where agreement cannot be reached, those interests can be acquired. The prospect of a CPO will provide certainty that the project can be delivered and will allow delivery of the scheme as it will address issues such as obtaining vacant possession, party wall agreements, way leaves, crane-over sail rights and other ancillary items.

2. RECOMMENDATIONS

2.1. That Appendices G, H1, H2 and I to this report be exempt from disclosure by virtue of the Local Government Act 1972, Schedule 12A, Part 1, paragraph 3 (as amended) in that these documents contain information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.2. That the Cabinet agree to the making of a Compulsory Purchase Order under s.226(1)(a), s.227 of the Town and Country Planning Act 1990 (as amended), s.13 and s.15 of the Local Government (Miscellaneous Provisions) Act 1976 in accordance with the procedures in the Acquisition of Land Act 1981 and to create new rights facilitating the development (and refurbishment of part) of the Ebury Bridge Estate, as defined by the CPO redline plan (see Appendix A) and other relevant powers to acquire all outstanding land and interests within the redline plan of the site. Please note that the redline plan is indicative at this stage pending further due diligence.

2.3. That the Cabinet delegate power to the Executive Director of Growth, Planning and Housing authority in consultation with the Director of Law to approve the Statement of Reasons, the Order Map (the attached plan is indicative only pending further due diligence) and Order Schedule and any other supporting documentation as is necessary to finalise before submission, to commence the CPO process and effect any other procedural requirements including (but not limited to) the publication and service of all notices and the presentation of the Council's case in the event of a Public Inquiry.

2.4. That the Cabinet delegate power to the Executive Director of Growth, Planning and Housing authority to acquire any interests in land within the Order area by agreement and the making of payments equivalent to statutory compensation or additional payments as are deemed reasonable in the circumstances and the provision of property or services in lieu of compensation in consultation with the Director of Law, in contemplation of the Order being made.

2.5. That the Cabinet delegate power to the Executive Director of Growth, Planning and Housing working with the Director of Law in consultation with the Cabinet Members to ensure that if the CPO is confirmed it is implemented and to take all necessary steps to implement these recommendations finalising the terms of the proposed arrangements in accordance with the terms set out in this report.

2.6. That if the CPO is confirmed power is delegated to the Executive Director of Growth, Planning and Housing to settle the compensation amounts payable to acquire such interests where voluntary agreement cannot be reached.

2.7. That the Cabinet authorise officers to take all the necessary steps to implement these recommendations.

3. REASONS FOR DECISION

3.1. The Estate is one of five priority housing estates identified in the City Council's Housing Renewal Strategy 2010, noted as being in need of improvement and significant investment over the next five years.

3.2. There is a compelling case in the public interest to proceed with a CPO to allow the redevelopment of the Estate to proceed.

3.3. Redevelopment of the Estate will significantly improve the area in a manner consistent with the Council's resolution to grant planning permission dated 10th June 2014 and with the adopted planning framework for the borough.

3.4. Based upon the viability assessment and the resolution to grant planning permission there is a reasonable expectation that the scheme will proceed.

3.5. The officers have considered the balance of the benefits of the scheme taking into account all the considerations in s.226 (1) (a), s.227 of the Town and Country Planning Act 1990 (as amended), the Human Rights Act 1998 considerations and the concerns of those whose interests in land it is proposed that the City Council acquire compulsorily and are satisfied that the public benefit outweighs the private loss.

3.6. Extensive consultation with residents began in 2010 when the Estate was included in the Council's Housing Renewal Strategy, as one of the City Council's priority neighbourhoods. The Estate residents have supported the scheme in voting for the proposals.

3.7. The Renewal Strategy includes the following statement in relation to the Estate, "Built in the 1930s, Ebury Bridge is one of Westminster's oldest housing estates and requires approximately £10m of investment over the next 30 years. The estate is becoming more expensive to maintain within limited Housing Revenue Account resources and provides increasingly poor value for money for lessees." It suggested that there are opportunities for synergy with the surrounding area due the potential opportunities presented by the existing retail frontage to Ebury Bridge Road and the close proximity to the Chelsea Barracks site, for which planning permission has been granted and where works have now begun. The site is on the western edge of the Pimlico grid and the Grosvenor Waterside development through which there will be opportunities to increase public access from the new Ebury Bridge development.

3.8. In 2015 City West Homes ("CWH") the City Council's arm's length management organisation which manages the Estate reviewed estimated maintenance costs for the Estate and identified a revised 30 year cyclical maintenance cost of approximately £15m as being required if the Estate is to be brought up to an acceptable standard in terms of sustainability and quality of housing. A breakdown of these costs is at confidential Appendix I. Maintenance costs upon the Estate are increasing which results in poor value for money for residents. The layout of accommodation is poor with overcrowded households on the estate. The community facilities are inadequate and best use is not being made of the public realm on the estate.

3.9. The City Council wishes to deliver a significant improvement in the socio economic and environmental wellbeing of the Estate and the local area which will also increase the overall housing supply. To this end, the Cabinet Members are asked to approve the making of a CPO to facilitate delivery of the Estate renewal scheme.

3.10. The Cabinet Member for Housing and Property approved a report entitled 'Ebury Bridge Vote' in October 2012. The scheme then proceeded to a residents' vote. The Master Plan layout submitted to residents as part of the residents' vote information is at Appendix B.

3.11. The Cabinet Member for Business, Skills and Housing approved a report dated 27th March 2014 entitled ‘Ebury Bridge Estate’. On the 10th October 2014 the Cabinet Member for Housing, Regeneration, Business and Economic Development approved a report entitled ‘Soho Housing Association’. Both reports recommend that officers explore a CPO in respect of the Estate and begin negotiations with parties having freehold and leasehold interests on the estate with a view to purchasing properties in the area required for the scheme. The reports approved awarding decant status to secure tenants to allow offers of accommodation to be made and the issue of the Initial Demolition Notices (“IDN’s”) to be served, the effect of which is to end the tenant right to buy.

4. BACKGROUND

4.1. The City Council will carefully consider the exercise of its CPO powers. Historically the City Council has used CPO powers predominantly in support of its duties either under housing and planning legislation. A similar planning CPO process carried out in relation to the Tollgate Gardens Estate. The Tollgate CPO was recently successfully confirmed.

4.2. Within the borough there is a substantial requirement for housing of all types there being a waiting list of approximately 5,500 priority households in need of social rented housing. There are also approximately 4,000 households on the intermediate rental waiting list. The Renewal Strategy is required to provide additional housing to help meet the recognised needs for new homes in the borough.

4.3. Much of the City Council’s housing stock is showing its age and despite some internal improvements through the City Council’s Decent Homes Programme will need significant investment to comply with improving housing standard requirements. The finance available for council housing refurbishment is limited and cannot fund the long-term housing needs in the borough. The proposed development at Ebury will assist with our duties in that new and refurbished homes will be made available on the estate.

Location

4.4. The Estate is located adjacent to railway lines serving Victoria Station and to the Ebury Bridge Road. Ebury Bridge acts as the northern boundary to the Estate with the recently completed Grosvenor Waterside Development to the south. Chelsea Barracks where a major residential redevelopment is underway is located immediately to the south-west of the Estate. Appendix A shows the Estate as existing. The land to be included within the red line CPO boundary is shown edged red on the plan. Subject to completion of due diligence the CPO may exclude the blocks which are to be refurbished rather than demolished however for the purposes of this report these blocks have been included. The City Council will seek to acquire all land and buildings and any third party interests which is not currently within its ownership within the red line plan at Appendix A. A list of the properties including those occupied by secure tenants and leaseholders along with other rights to be acquired are identified as being within the current indicative red line boundary is set out at Appendices H1 & H2.

4.5. A substantial part of the Freehold Estate is within the ownership of the City Council but this will be confirmed by the referencers who will produce a complete list of interests on the site. The Estate does not include any listed buildings and is not within a Conservation Area.

4.6. Cheylesmore House which is to the south west of the Estate although historically part of the Estate following collective enfranchisement is now a privately owned block of flats which does not form part of the planning application and does not fall within the proposed CPO red line boundary. Wellesley House and Wainwright House are both owned and managed by Soho Housing Association and form part of the application site and are within the CPO boundary. The Estate other than the two Soho blocks is managed by City West Homes on behalf of the City Council.

PROPOSED SCHEME

4.7. In June 2009 the City Council appointed HTA design consultants to produce a Master Plan to RIBA Stage D for the comprehensive regeneration of the Estate. The contract was subsequently awarded to HTA who then submitted a planning application which was the subject of the report from the City Council's Planning Applications Sub-Committee dated 10th June 2014. On December 20th 2013 Gate Panel approved the extension of HTA's commission to stage D+.

4.8. On 10th June 2014 the City Council's Planning Applications Sub-Committee resolved to grant planning consent for the redevelopment of the Estate. Issue of planning consent application reference 14/01295/COFUL is conditional upon completion of a planning agreement in the form of a unilateral undertaking. The unilateral undertaking was signed recently. Details of the application are as follows:-

- 4.8.1. demolition of eight existing buildings and construction of four new buildings of between four and 14 storeys to provide 271 new flats (118 x 1 bedroom, 95 x 2 bedroom, 51 x 3 bedroom and 7 x 4 bedrooms) consisting of 129 social rent flats, 26 equity share flats and 116 private/market flats;
- 4.8.2. use of ground/basement floors of Block 1 for Class A1/A2/D1 (shops / financial and professional services / non-residential institutions) purposes; a replacement community room and children's play space;
- 4.8.3. new landscaping and pedestrian route through the site;
- 4.8.4. new basement car park (62 spaces) and 12 surface level parking spaces (one car club space and 11 disabled spaces).

4.9. The current scheme proposes the redevelopment and regeneration of a significant proportion of the Estate through the demolition of selected existing buildings and the construction of new buildings to re-house existing City Council residents on the Estate and to provide new affordable housing, both social rent and shared ownership, and new private dwellings. Five of the blocks will be refurbished by the developer at no cost to the current occupiers. The blocks to be demolished and refurbished are shown on the attached plan at Appendix C, whilst it is not anticipated that any further blocks will be demolished officers and the developers will consider varying the planning consent should the Councils policies or commercial position alter in due course.

4.10. All the existing social rented units in blocks to be demolished are to be re-provided in the new build blocks and existing residents within homes to be demolished will be given the opportunity to be re-housed within new buildings on the Estate. An equity loan product is being made available by the City Council to resident lessees living in blocks which are to be demolished to assist them to remain on the Estate in new accommodation. The current phasing has been considered to minimise the number of residents decants and moves. Where ever possible residents will move directly from their existing home into a new home without having to move temporarily offsite. It is hoped that only tenants and lessees in the first Phase (Edgson, Wellesley and Wainwright) will need to move off the Estate, however this may change once a development partner is chosen.

4.11. The current scheme includes a replacement community facility, and a mixed use space within the replacement Edgson House facing onto Ebury Bridge Road.

5. THE CPO PROJECT

Council Powers and Decisions Taken

5.1. The City Council's powers to compulsorily acquire land for planning purposes are provided for under Section 226(1) (a) of the Town and Country Planning Act 1990 (as amended). This provides a positive tool for local authorities to assemble land in order to facilitate the carrying out of development, redevelopment or improvement on or in relation to that land. Ancillary powers to create new rights and to override interests in land are also provided under s.13 of the Local Government (Miscellaneous Provisions) Act 1976 and s.237 of the Town and Country Planning Act 1990, respectively.

5.2. The Cabinet Member for Housing, Regeneration, Business and Economic Development has already approved a Leaseholder policy dated May 2014 and a decant policy entitled "Tenant Decant Policy for Renewal Areas". A Local Lettings policy has been informally approved by the Cabinet Member in October 2014. These policies provide a framework for the purchase of leaseholder properties, for the movement of tenants and for the relocation of returning tenants and leaseholders.

5.3. The making of the CPO will enable the City Council to meet the City for All aspirations and the 5 housing priorities of the Renewal Strategy, listed below:

5.3.1. To increase the supply and quality of affordable homes to meet a variety of local needs, including housing for families

5.3.2. To improve the quality of the local environment with outstanding green and open spaces and housing that promotes low energy consumption and environmental sustainability

5.3.3. To promote a high quality of life for people of all ages and backgrounds, in safe, cohesive and healthy neighbourhoods, supported by a range of high quality housing and excellent community facilities

5.3.4. To enable people to maximise economic opportunity in Westminster with support for training, employment and enterprise, and housing tenures which help those in work to remain in the City

5.3.5. To create a more distinct sense of neighbourhood, ending the physical divide between the City Council's estates and surrounding local streets

5.4. The CPO will facilitate the carrying out of development of new housing and improved housing as part of the scheme and will bring significant community benefits and improvements including the provision of the new and improved community facility and improved open and green spaces on the Estate.

5.5. The City Council is satisfied that the compulsory acquisition of the CPO land will achieve the objectives of section 226(1) (a) and (1A) and the City Council's 2010 Neighbourhood Renewal Strategy provides a framework to meet these objectives.

5.6. The City Councils is able to exercise its powers under section 226 of the 1990 Act to acquire land for "development and other planning purposes".

5.7. Section 226(1)(a) of the Act is subject to subsection (1A) which provides that the City Council as an acquiring authority must not exercise the power unless it considers that the proposed development, redevelopment or improvement is likely to contribute to achievement of the promotion or improvement of the economic, social or environmental well-being of the relevant area. Section 226(1)(a) allows the powers to be used if acquisition of the land will facilitate the carrying out of the development, redevelopment or improvement on or in relation to the land being acquired and it is not certain that the interests required for site assembly can be acquired by agreement.

Delivering the Scheme - Land and interests to be acquired

5.8. City Council officers are working to select a developer to bring forward the regeneration of this Estate. Further details of the procurement are provided in paragraph 6 below.

5.9. It is intended that the City Council will under the CPO acquire, either by agreement or by using the CPO process, all land interests in the Estate which it does not already own excluding the five blocks which are to be refurbished, to facilitate the development. The details of all undertakers who may be affected will be confirmed by "Ardent" (being the specialist land referencing company employed by the City Council to collate all of the third party interest on the Estate). Initial surveys were carried out in respect of the statutory undertaker's interests as part of the planning process for this scheme and further reports were commissioned from Lambert Smith Hampton for the mini tender prepared for the Invitation to Tender pursuant to the City Council's Development Partnership

Framework, a list of known interests at the time of the report are in appendices H1 & H2.

<u>Lessees & Tenants on the Estate</u>

Soho Housing Association

5.10. The City Council already owns significant freehold interests with the Estate including all the blocks within the proposed CPO boundary, some of which are proposed to be demolished and some refurbished. Soho Housing Association ("Soho") owns a long leasehold interest in Wainwright House and the freehold title to Wellesley House. Both blocks are required to be demolished. The proposed CPO will allow for the acquisition of Soho's interest in both properties. A location plan of the Soho properties is included in Appendix D. The City Council has been in negotiations with Soho since 2012 to purchase both Wellesley and Wainwright Houses through a negotiated private treaty sale. A number of meetings have been held with the City Council and Soho officers including their respective professional teams and directors. The City Council wishes to reach a voluntary agreement with Soho on these transfer terms which shall include granting Soho's tenants at Wainwright and Wellesley secure Council tenancies once these blocks transfer to the ownership of the City Council. The City Council will continue negotiations with Soho in an effort to agree terms and will only seek to use CPO powers as a last resort. At the time of writing officers have agreed heads of terms for the purchase of Wainwright House but not Wellesley House.

5.11. The Soho blocks have been included in the CPO boundary as they are essential to the comprehensive regeneration of the estate. This principle of redevelopment was agreed with Soho before the residents' vote and it was agreed with Soho that their residents should be included in the vote upon the comprehensive regeneration of the Estate. Soho did not object to the planning application.

Lessees

5.12. At the start of the purchase process for Ebury, there were 66 long leasehold interests throughout the site that are required to be acquired. Officers have confirmed that of the 66 lessees, 22 of these are non-resident lessees.

5.13. Negotiations are underway with all lessees and to date the Council/ WCH have purchased 31 properties, and has agreed to allow a further 19 the right to return to a new build unit using the equity loan arrangements, 4 properties are owned by Westminster Community Homes (WCH) and a further 2 units are owned by A2 Dominion, (both WCH & A2 Dominion have agreed to sell their units back to the Council when required to by the Councils regeneration programme. This leaves 11 leaseholders where negotiations remain ongoing to sell their property back to the Council. Of the 11 where negotiations remain unresolved it is understood that the majority of leaseholders are waiting clarification on the final regeneration timeline and when their homes will be affected before deciding on when they will sell their properties back to the Council however 2 are non-resident landlords who object to the fact that they cannot acquire a new build property and to date have refused to negotiate on the sale of their properties.

Tenants

5.14. There are a total of 106 secure tenants who will need to be rehoused off the estate during the project's lifetime. At the time of the report Phase 1 of the project is being prioritised and 35 tenants have been moved from Edgson house. The other priority is Soho's properties and their 22 tenants (Appendix H1 shows the breakdown of tenants and lessees for the estate including the Soho tenants). Within Soho's properties, the Council is aware that a number of these tenants may require wheelchair adapted units and whilst no agreement has been finalised with Soho yet, officers are holding vacant wheelchair units off site in anticipation of a successful outcome, specifically to house these tenants.

5.15. Initial Demolition Notices were served on 61 Council tenants on 18th April 2014 identifying a period of works expiring on 17th April 2019. The purpose of these is to provide an exception to the Right to Buy ("RTB"). As a RTB will not occur unless the landlord owns the freehold or has a leasehold interest of not less than 50 years if the City Council is not the landlord then it cannot validly serve an IDN in respect of Wellesley House as they currently have no interest. The City Council has served an IDN in respect of Wainwright as the City Council is the freeholder. However as the period for the suspension of the exercise of the RTB will run from the service of the IDN the usual approach would be to serve the IDN on acquisition of the titles from Soho and this is the approach the City Council is proposing to take.

Third Party Interests

5.16. Officers are also aware of a number of third party rights and restrictions that will affect the site and have employed Ardent, a specialist land referencing company, to ascertain the full extent of these interests, a list of known interests at the time of the report are in appendix H.

Rights to Light

5.17. Malcolm Hollis have been employed by the City Council as a specialist advisor upon rights of light issues. Malcolm Hollis have undertaken an assessment of the Estate and the surrounding properties to provide an analysis identifying those properties which may suffer a material infringement of their rights of light as a result of the implementation of the proposed scheme. This analysis has now been completed and a strategy agreed with the City Council whereby affected property owners identified as likely to suffer a material infringement will be contacted to seek entry into a formal release of the relevant rights in consideration for a payment based upon valuation advice as provided by Malcolm Hollis. Rights which may be enjoyed by property owners on the Estate, adjoining the Estate and also by tenants on the Estate and which could potentially prevent implementation of the scheme if agreement is not reached will be included in the CPO being sought.

5.18. Progress on site is reflected in the tracker document in the confidential appendix H2, with resultant book value damages. To date, out of the 64 affected properties, officers and their consultants Malcolm Hollis are progressing negotiations with 53 interests. Of these 13 have either agreed a deed of release, are due to shortly, or can be discounted from consideration. This leaves 11 interests who have not responded and we intend to continue working hard to open up dialogue with these over the coming weeks.

Statutory Undertakers

5.19. The interests to be acquired will include those of statutory undertakers. Section 16 of the Acquisition of Land Act 1981 provides that a statutory undertaker whose apparatus may be impacted by a proposed CPO may submit representations to the Secretary of State regarding the proposals. At this stage it is known that the following undertakers have an interest in the site. All undertakers have been contacted by officers and have been made aware of the planning application. Further surveys will be carried out by the referencers but the current statutory undertakers are as follows:

5.19.1. **London Power Networks PLC (Electricity substation**). There are four substations on the Estate. A substation is adjacent to Doneraile House. A second station supplies Bucknill, Rye, Westbourne and Victoria Houses and this will be retained. Two further stations are at Hillersdon and Bridge Houses which supply Pimlico, Mercer, Dalton, Wainwright and Wellesley and Edgson Houses. These will be removed/relocated to next to the new energy centre at the rear of the site next to Ebury Bridge Road and there will be a need to reroute or relocate various High Voltage (HV) cabling. The new energy centre will also connect in to the London Power network.

5.19.2. **BT Open Reach** have various overhead and underground plant and joint boxes across the site including a large three panelled cabinet/ BT junction box situated alongside Doneraile House next to the sports pitch.

5.19.3. **Thames Water** has a water main entering the site, and will continue to serve the retained blocks and connect to the new energy centre. The capacity of this will need to be reviewed given the additional new homes.

5.19.4. **British Gas** – Old services will be stopped up and new ones created except for those to retained blocks which will continue to be used where possible. New connections are required for the new commercial units and the community hall. The gas supply will be extended to the new energy centre.

<u>Other Rights to be acquired</u>

Open space and access ways

5.20. There is a large play area, public realm and a sports pitch on site and an area devoted to communal gardening led by a resident on the estate. Casual use by non-estate users could be sufficient for the area to constitute open space for the purpose of the 1906 Open Space Act. Where there is any disposal of open space land there is a requirement under the Local Government Act 1972 to advertise the proposed disposal. If however works are to be undertaken to the relevant area but it will remain open space then this is permitted by the 1906 Act which provides an authority with some discretion as to the management and to "enclose it or keep it enclosed with proper railings and gates, and may drain, level, lay out, turf, plant, ornament, light, provide with seats, and otherwise improve it, and do all such works and things and employ such officers and servants as may be requisite for the purposes aforesaid or any of them." In order to guard against being in breach of requirements regarding treatment of open space the Council will treat the play area and sports pitch as open space for the purposes of the 1906 Act and observe the required formalities for dealing with the land. The following areas have been identified as used by third parties:

(1) **Play Area and Open Space generally** - Although there are no restrictions on non-residents using the play space the space is clearly located within a Council estate and intended primarily for use by residents. The play area will be replaced and improved as part of the new scheme.

(2) **Sports Pitch** - used predominantly by those who live on the estate on a first come first served basis and is not formally managed.

(3) **Gardening Club** – This is run by an estate resident on an informal basis. The intention is to provide them with improved facilities as part of the new scheme.

(4) **The Youth Club** – The club uses space in Edgson House and is run by City West Homes and is jointly funded by City West Homes and the City Council. The intention is to re-provide space for youth facilities in the new improved community space which will also cater for a wider range of estate residents who to date have not been provided for.

(5) **Access Way** – There is an access route through to Grosvenor Waterside from the estate which has been temporarily closed but the intention is that this will be opened up again when the new development is implemented. This proposal has been discussed with residents.

Commercial Units

5.21. It is not expected that the new development will have a significant effect on the existing commercial units on Ebury Bridge Road as they will be shielded from significant effects of the new build works by the retained residential blocks behind. The units may be affected by vibration from piling which could entitle them to disturbance payments on account of suffering injurious affection. The commercial units may be affected by the refurbishment works to the retained blocks Bucknill, Rye, Westbourne and Victoria where resurfacing works to the courtyard or alterations to services affected the rear walls of the commercial units. The existing commercial units are located within the ground floor level of the blocks to be refurbished. An assessment will be made of such effects by a specialist CPO surveyor.

The Ebury Bridge (Network Rail Asset)

5.22. The new development includes a 14 storey building adjacent to the Ebury Bridge structure which crosses the railway tracks. The design includes a loadbearing concrete structure in front of the bridge to avoid any additional load being placed upon the existing bridge. There will be some alterations to the fabric of the bridge including removing a section of the guard wall of the bridge where the new building and new steps will meet the bridge. The existing pavement levels will be upgraded into the new entrance and to the top of the steps. It is anticipated that a section of removable structure will be required in the event that access to the bridge structure is required for maintenance or upkeep.

Potential New Rights

5.23. There may also be a need for new rights to be acquired to facilitate development. Rights over some properties may be acquired to facilitate the construction of the development. The new rights include those rights for crane over sailing, the erection of scaffolding, decking and other protective measures and the creation of compounds and storage areas. As the developer partner has not yet been appointed and a method statement for the construction agreed, it is not possible to precisely identify the extent to which rights over third party property may be required to carry out the construction. The proposed CPO would also be used to secure these rights, if any exist, to the publically adopted highway which while currently not anticipated could be implemented through an agreement made under s278 of the Highways Act 1980 as outlined in the unilateral undertaking.

The CPO Procedure

5.24. The acquisition of the land must then take place within 3 years of the making of the CPO. This is a three-phased development with the phases running sequentially one after the other, there will only be one CPO. The proposed start on site is expected in mid to late 2017 or as soon as possible to bring about the much needed improvements. These phases are subject to change once the development partner comes on board but are currently shown as follows:

- Phase 1 the new Edgson House (including non-housing uses) along Ebury Bridge Road and refurbishment works.
- Phase 2 the new Hillersdon House along the railway behind Edgson House.
- Phase 3 the new Bridge House and other blocks along the railway.

5.25. The CPO process itself can be split into three key stages which will together take between 16-22 months from commencement through to confirmation of the CPO, depending on the level of objection received. Compensation claims will be dealt with as speedily as possible, alongside the final stage of the CPO process.

Stage One (Estimated: 2/3 months):

- Formulation and City Council Resolution (as recommended in this report)
- Referencing – Ardent have been appointed by the Council to lead on this work stream.
- Preparation of a Statement of Reasons and CPO Schedule and Map, the content of which will be informed by this Cabinet Member Report and related documents.
- CPO being made.
- Serve notices of the making of the CPO on all affected parties and publish in the local press

Stage Two (Estimated: 12/18 months):

- Objections
- Negotiations
- Date of public local inquiry fixed by the Planning Inspectorate
- Inquiry (if negotiations have not been completed and if objections to the CPO have not already been resolved at this stage)
- Decision on confirmation of CPO

Stage Three:

- Challenge Period (6 weeks)
- Possession
- Negotiation and settlement of compensation with lessees whose properties are compulsorily acquired

5.26. The recommendation authorises the compulsory acquisition of properties if the CPO is confirmed. If there is no relevant change of circumstances after confirmation of the CPO then the City Council will proceed to acquire the properties without further Committee authority.

5.27. Following confirmation of the proposed CPO, the City Council will execute a General Vesting Declaration, the result of which will be to vest ownership of all remaining interests of the CPO Land in the City Council.

6. THE PROJECT DELIVERY

6.1. Key non-housing interests have been identified subject to confirmation by the specialist land referencers, Ardent who have been appointed to ascertain the full extent of these interests and a draft schedule of interests is located in confidential Appendix H1 & H2.

6.2. City West Homes acting as development manager for the City Council has commenced work towards the selection of a development partner and has issued Expressions of Interest to the WCC Developer Framework Panel and held site meetings in March 2015. CWH will then issue tender documents and look to appoint a developer in the near future. HTA have produced draft mini tender documents and the City Council have commissioned Pinsent Masons to draw up scheme specific legal documentation using the model legal framework approved for the City Council's Development Framework Panel.

6.3. Financial deliverability, budget and viability are dealt with in confidential Appendix G.

Reasons for the CPO

6.4. The Secretary of State recognises in paragraph 24 of ODPM Circular 06/2004 Compulsory Purchase and the Crichel Down Rules that it is often appropriate to make a CPO at the same time as seeking to purchase land by agreement:

"*Given the amount of time which needs to be allowed to complete the compulsory purchase process, it may often be sensible for the acquiring authority to initiate the formal procedures in parallel with such negotiations. This will also help to make the seriousness of the authority's intention clear at the outset, which in turn might encourage those whose land is affected to enter more readily into meaningful negotiations*."

6.5. The City Council has made, and will continue to make reasonable attempts to acquire outstanding interests by private treaty and is pursuing the proposed CPO to ensure that the proposed development can proceed. Discussions will however continue with the owners of the relevant interests to seek to acquire the properties and new rights by agreement with a view to limiting the number of interests which need to be compulsorily acquired.

6.6. Despite the on-going negotiations it is anticipated that the City Council may not be able to secure all the interests within the timescale needed for delivery of the scheme therefore a CPO is required.

7. COMPELLING CASE

7.1. The City Council recognises that a CPO can only be made if there is a compelling case in the public interest (paragraph 17 of the Circular) which justifies the overriding of private rights in the land sought to be acquired. It is considered that a clear and compelling case exists in this case.

7.2. Officers are satisfied of the economic, social and environmental benefits of the proposed scheme as set out initially in paragraph 3 and in further detail below:

Economic

7.3. It is estimated that at least 1,000 construction jobs are being created across the Renewal Strategy estates. The provision and sale of additional market housing within the estate will help fund other vital environmental improvements within the Estate including additional shops and/or professional and financial services to cater for the needs of new residents which would help strengthen the retail offer of the Ebury Bridge Road local shopping centre and cater for the increased demand as the residential population of the area increases.

7.4. This increase in residential population that more housing on this site will bring will provide an enlarged customer base to support the local shops and services.

7.5. The provision of more market housing on site allows for the delivery of affordable housing and therefore a more diverse mix of tenure.

7.6. Any surpluses returned to the council would be captured in the Housing Revenue Account and be used to help deliver and support the creation of new affordable homes in Westminster.

Social

7.7. The approved redevelopment scheme offers additional and improved homes, public spaces and community uses. It will provide an overall increase of 99 flats (21 social rent, 26 equity loan and 52 private/market units) alongside refurbishments to a further 164 flats in the five buildings which are to be retained.

7.8. The development will have the following mix of bedroom sizes:

Type	Social Rent	Equity loan homes	Private	Total
I bed	58	8	52	118
2 bed	48	10	37	95
3 bed	18	6	27	51
4 bed	5	2	0	7
Total	**129**	**26**	**116**	**271**

7.9. The proposals will significantly increase the amount of affordable housing floor space in line with the City Council’s adopted policies. This will be achieved by an increase in the size of the replacement affordable homes and the addition of 47 new social rent and equity loan homes.

7.10. Overall the increase in affordable floor space will be 56% of the additional residential floor space measured by gross external area as defined by the adopted Unitary Development Plan ("UDP").

7.11. The scheme also provides for replacement landscaping, children's play space an improved and larger community facility as well as new Class A1/A2/D1 space in the ground/basement floors of Block 1 (replacement building for Edgson House) and a new underground (62 space) car park and 12 surface level car parking spaces.

7.12. All of the flats in the proposed scheme have been designed to comply with the size standards set out in the Mayor of London's Housing Design Guide.

7.13. Most of the proposed flats are dual aspect and all have private balconies or winter gardens. There are also communal gardens, courtyards and roof terraces and all of the units are proposed to be built to 'Lifetime Homes' standards, with 27 (10%) of the units designed to be wheelchair accessible or capable of being easily adapted to this standard.

7.14. Environmental improvements to the open space across the estate may encourage residents to lead healthier lifestyles.

Environmental

7.15. The scheme offers a significant improvement in the quality, configuration and greening of the open space on the estate. The proposed landscaping strategy is a key element of the estate regeneration proposals, the main aim of which is to improve the quality of the open space and public realm areas within the estate.

7.16. The schemes offer a better residential environment with new winter gardens and other amenity spaces included. The new buildings will be more sustainable and energy efficient than the existing blocks.

7.17. The regeneration will include significant enhancements to the open space and landscaping of the Estate, with the amount of green open space enhanced across the Estate. The landscaping strategy will result in the creation of a green street through the Estate leading to a central area, and this will link through to the Grosvenor Waterside development allowing direct pedestrian links to the river.

7.18. The main pedestrian route through the Estate will be transformed from an estate access road into a central linear park.

7.19. There will be the retention of key individual trees with new bio-diverse planting to park edge and new tree planting to soften adjacent building mass.

7.20. The proposal therefore provides a range of substantial benefits for both the new residents, and for the local area.

8. POLICY FRAMEWORK

8.1. The principle of estate renewal is strongly supported by the Greater London Authority (GLA) and is set out in the City Council Renewal Strategy March 2010.

8.2. The site is designated as Proposals Site 28 in the City Council's City Plan, recognising its potential for major redevelopment to provide residential, social/ community floor space, refurbished / new retail and improved public realm.

8.3. The scheme has received confirmation from the Planning and City Development Committee that it meets the City Council's policies for the area.

8.4. The key land use policies relevant to the consideration of the application are S14, S15 and S16 of the Westminster City Plan: Strategic Policies adopted November 2013 and H3, H4, H5, H8 and H10 of the UDP adopted January 2007 and relevant sections of the London Plan and the National Planning Policy Framework.

8.5. The optimisation of housing delivery is a key strategic objective for the City Council. The principle of housing estate regeneration to provide new and improved residential accommodation is supported under Policies S14 of the Westminster City Plan: Strategic Policies and H3 of the UDP and will help the City Council and the Mayor to deliver new homes in the capital.

9. DELIVERABILITY

What could be delivered without a CPO?

9.1. Without the City Council's use of its CPO powers, it is unlikely that the comprehensive regeneration of the Estate would be achievable in the short or medium term. A developer may not be secured and without a certain level of investment and development on the Estate, limited funds can be secured for the required improvements to the Estate's public realm, open, green and play spaces.

9.2. If development did occur without a CPO it would have to be on a piecemeal basis, and lacking the scale of positive change or range of land uses and benefits which are currently on offer. This would prevent the type of comprehensive regeneration of the area that has been a long held objective of Council policy.

9.3 **Steps taken to purchase the outstanding properties by agreement:**
Since March 2014 the City Council/WCH have acquired through a negotiated private treaty 31 leasehold interests on the site, as outlined in paragraph 5.12 and carried out extensive negotiations with all other leaseholders. Currently negotiations are underway with all parties including Soho Housing Association, who have granted permission for the City Council to interview their secure tenants living in Wellesley House and Wainwright House and agreed heads of terms for the purchase of one of the blocks. The Council has also been working with its tenants and currently only 4 of the 39 tenants in Edgson House are left to be moved and assessments have been carried out with all tenants on the estate,

as outlined in paragraph 5.14. An up to date schedule of progress on the leaseholder buyouts is shown in Appendix F.

9.3. This demonstrates the City Council’s commitment to securing the large-scale redevelopment of this Estate. The City Council will continue to negotiate to complete the necessary purchases and agreements, but that process is likely to lead to further years of blight and delay without any certainty of development unless a CPO is used to acquire these interests.

10. FINANCIAL IMPLICATIONS

10.1. Financial implications are exempt from publication and have been placed in Appendix G. The documents enclosed include the Council's budget for securing vacant possession and the development viability carried out by independent consultants Lambert Smith Hampton.

11. LEGAL IMPLICATIONS

11.1. Under section 226 of the Town and Country Planning Act 1990 a local authority has a broad power to make a compulsory acquisition of any land in their area in order to facilitate the carrying out of development, redevelopment or improvement in relation to the land.

11.2. In order to exercise the s.226(1)(a) powers the local authority must be satisfied that the proposed development/improvement is likely to contribute towards any of the following objects, namely the promotion or improvement of the economic or social or environmental well-being of their area.

11.3. Under section 227 of the Town and Country Planning Act 1990 the Council has the power to acquire by agreement any land which they require for any purpose for which a local authority may be authorised to acquire land under section 226 as aforementioned.

11.4. The rights of secure tenants will be dealt with under the proposed CPO. When dealing with secure tenants the Council must comply with the provisions of the Housing Act 1985 in respect of the service of demolition notices and the rehousing of secure tenants.

11.5. The Council, as a public body, is under a duty to consider whether the exercise of its powers interacts with rights protected by the European Convention on Human Rights. Section 6 of the Human Rights Act 1998 prohibits public authorities from acting in a way, which is incompatible with those rights. The Compulsory Purchase must be a “compelling case in the public interest.” and if this test is met then the Council will be acting compatibly with its duties under the Human Rights legislation Pascoe v Secretary of State [2007]. The Statement of Reasons will provide further detail on this aspect when it is produced.

11.6. The development project must be viable and have a reasonable possibility of being implemented. For this purpose all the interests to be acquired are being ascertained by the referencers and the Council's appointed CPO surveyors will provide valuations of all the interests to be acquired so that the Council can adequately identify the budget necessary to acquire them.

11.7. If the Council wishes to subsequently dispose of an interest of part/whole of its housing land to a developer or third party in the future consent maybe required. The Council is in certain circumstances empowered to dispose of housing land under Section 32 of the Housing Act 1985 and General Housing Consents issued by the Secretary of State for Communities and Local Government. However, an open market disposal of the housing land at the Ebury Bridge Estate will require the specific consent of the Secretary of State. An application will need to be made and the consent will need to be obtained to meet the lease preconditions with the developer partner.

11.8. All legal agreement(s) to be entered into will need to be in a form approved by the Director of Legal Services or if documents were drafted by external solicitors these will be approved by the firm in question.

11.9. The Director of Law has provided comments which have been incorporated into this report. There is a possibility that following the making of the CPO the City Council will receive blight notices from affected parties giving rise to potential liabilities. These will be assessed along with compensation claims following the confirmation of the CPO and acquisition of properties through vesting. There will be a need to deal with the claims which will be funded by the City Council.

11.10. Parties affected by the CPO will be entitled to be paid compensation in accordance with the general law relating to compensation known as the land compensation code, the purpose of which is to assess the payment of fair compensation to eligible parties. The compensation payable will be determined by reference to the open market value of the property acquired, supplemented where appropriate by:

11.10.1. payments in respect of disturbance;

11.10.2. compensation for loss of value of land retained by the dispossessed owner due to it being severed or otherwise harmfully affected as a result of the compulsory purchase; and

11.10.3. Certain additional payments claimable by a person who owns or occupies property subject to compulsory purchase irrespective of any particular loss; together with compensation in certain cases for interference with rights.

12. STAFFING IMPLICATIONS

12.1. There are implications on staff resources in respect of carrying out the necessary work to promote and make the CPO and support the existing residents, land and property owners and other interested parties through the CPO process.

12.2. These will include time spent by Growth, Planning and Housing staff working alongside staff from Westminster community Homes and City West Homes to progress the CPO. Should there be any concerns raised during the process, a case manager has been appointed to manage the CPO process to whom those with concerns about the proposed acquisition can have access.

13. RESOURCES IMPLICATIONS

13.1. There are no further resource implications, aside from those set out above, arising from this Cabinet Member report.

14. BUSINESS PLAN IMPLICATIONS

14.1. The proposed redevelopment of the Estate will contribute towards the achievement of a Safer, Healthier City.

14.2. The ability to enable and empower others to take responsibility for themselves and their neighbourhoods is one of the key tenets of the City Council's 'Better City, Better Lives' five year plan to "Improve the quality of life, health and well-being of Westminster's communities". Residents have been involved in the development of the proposals and have shown support for the redevelopment of their estate.

15. CONSULTATION

15.1. The City Council and HTA have worked closely with residents since 2010 in order to understand concerns and design a scheme that provides accommodation to meet the needs of residents of the Estate. The proposals have been supported by the majority of residents.

15.2. The programme of consultation lasted over two years, with workshops and consultation events throughout this period. The culmination of the programme was a decisive vote by residents in support of the redevelopment proposal in May 2013, with a 78% support vote from a 60% turnout.

15.3. Comprehensive consultation has been undertaken with residents which has included door knocking, various events and presentations, distribution of literature and a vote.

15.4. Since the positive residents vote residents consultation has continued through consultation on the planning application and through monthly residents' forums, and newsletters. Residents have been issued with two residents' packs providing further detail of the scheme so that they understand what it will look like when it is built so that they can make informed decisions as to where they wish to live.

15.5. Residents have been informed of the potential use of CPO powers for site assembly specifically in a newsletter issued in April 2014 when negotiations to purchase leasehold properties and rehouse tenants commenced. The newsletter explained how the CPO process would affect lessees and gave guidance on where to go for future guidance. The newsletter outlined how a maximum of two offers would be made to secure tenants after the Choice Based Lettings period and a time line towards a CPO is set out on the back page of the newsletter.

15.6. The CPO is also referred to in the general time line in the second pack issued to residents. Reference has regularly been made to the CPO at residents' forums and tenants are always advised that ultimately the City Council will use legal means to obtain possession at their needs assessment interview. It is intended that a letter will be sent out to all residents after the approval of this report by the Cabinet Member explaining the CPO process again in anticipation of the letters to be issued pursuant to the provisions of the Land Acquisition Act 1981 which will be issued so that the land referencing company employed by the City Council can gather all the necessary information relevant to the interests which may be affected by the development.

15.7. If agreed, further consultation will take place on the CPO itself in accordance with the relevant legislation as set out above.

15.8. As required, comments from the City Council Legal, Finance and other relevant sections within the City Council have been incorporated into the body of this report.

15.9. Local ward councillors in Churchill Ward have been consulted on the report and have made no comments. They have also been kept up to date through the regular monthly resident forums and the newsletters to residents.

16. COMMUNICATIONS IMPLICATIONS

16.1. There is a need to ensure that the any decisions are clearly communicated to those who live and / or have an active interest in the Estate.

17. EQUALITIES IMPACTS

19.1 Mindful of the need to consider such matters an Equalities Impact Statement has been prepared.

Appendices and Background papers

Appendix A Proposed CPO Boundary (from planning approval)
Appendix B Ebury Bridge Master Plan
Appendix C Blocks to be demolished and refurbished
Appendix D Soho properties
Appendix E Breakdown of tenants and lessees by block
Appendix F Progress with tenant buyouts and lessee purchases
Appendix G Financial Implications (confidential)
Appendix H1 Schedule of Property interests on the estate (draft) (confidential)
Appendix H2 Schedule of Rights to Light negotiations (confidential)
Appendix I CWH schedule of Cyclical Maintenance costs (confidential)

Background papers

City for All
The City Council Neighbourhood Renewal Strategy March 2010
Planning Applications Sub-Committee Paper 10th June 2014
Ebury Vote Cabinet Member report October 2012
Ebury Delivery Cabinet Member report March 2014
Soho Housing Association Cabinet Member report October 2014

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:
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Or
Hilary Skinner, Principal Planning Officer, Strategic Transport Planning and Public Realm, GPH
hskinner@westminster.gov.uk
Telephone 020 7641 2531

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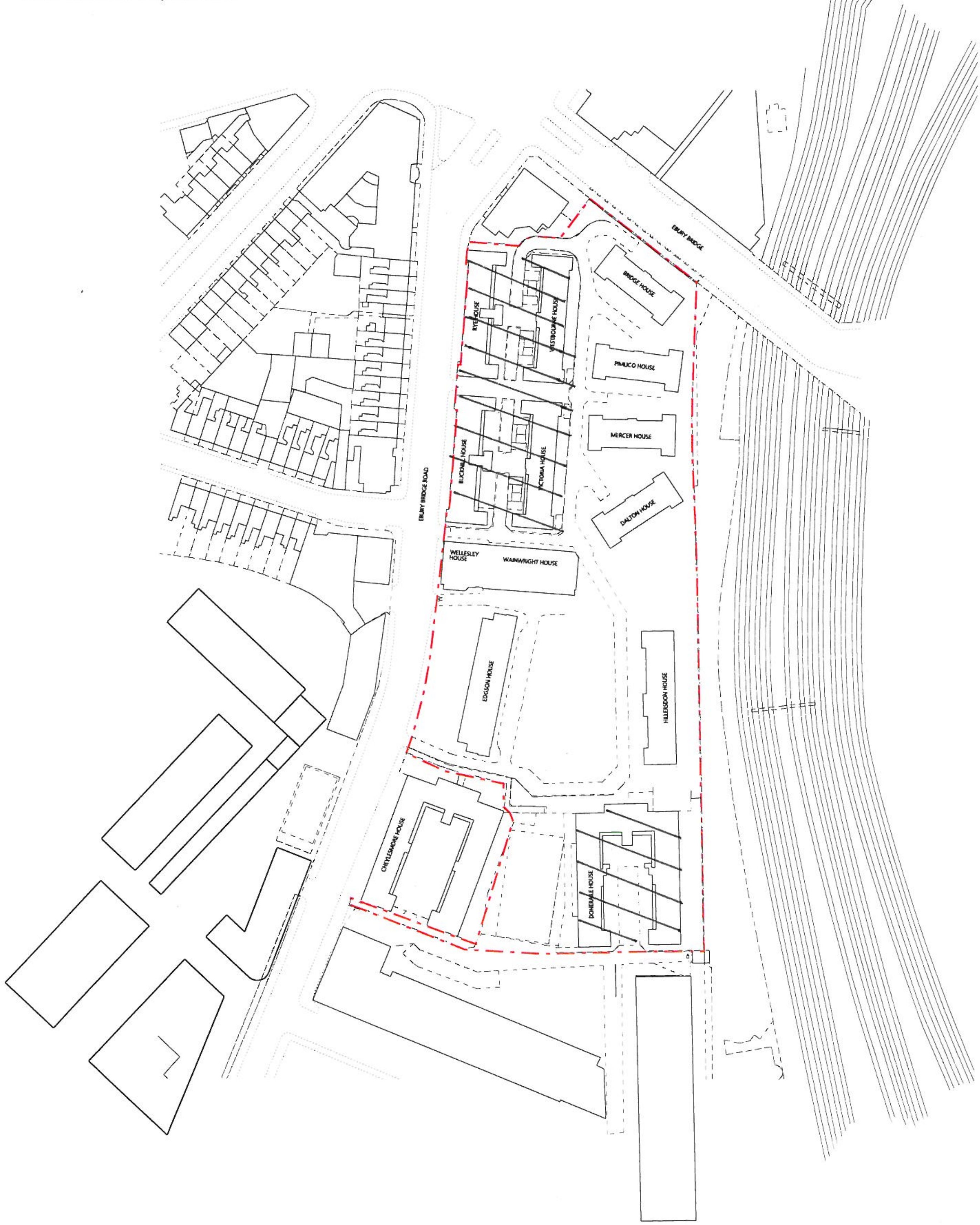
APPENDIX A - Indicative CPO Boundary Plan- nb hatched blocks may be excluded at a later stage and other variations may be made



revision	date	drawn	description
-	28.01.14	LTD	For Planning

Location Plan (as existing) — drawing title

CWH-EBE-AL-001 — drawing number

- — revision

client / job name: **City of Westminster Ebury Bridge Estate**

job reference: **CWH-EBE**

scale: **1:1250 @ A3**

drawn: **LTD**

0m 25m 50m 75m 100m 125m

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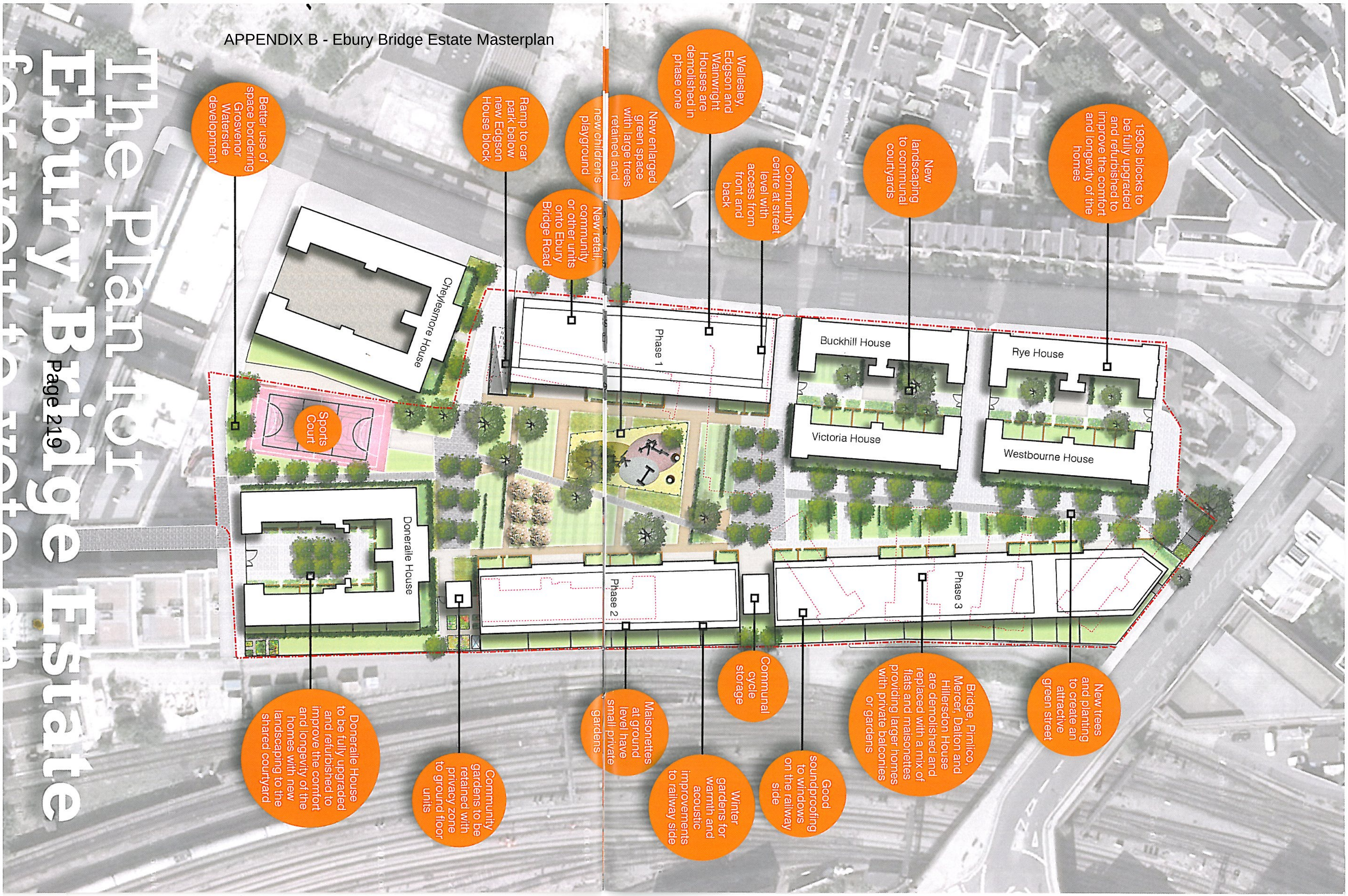
APPENDIX B - Ebury Bridge Estate Masterplan



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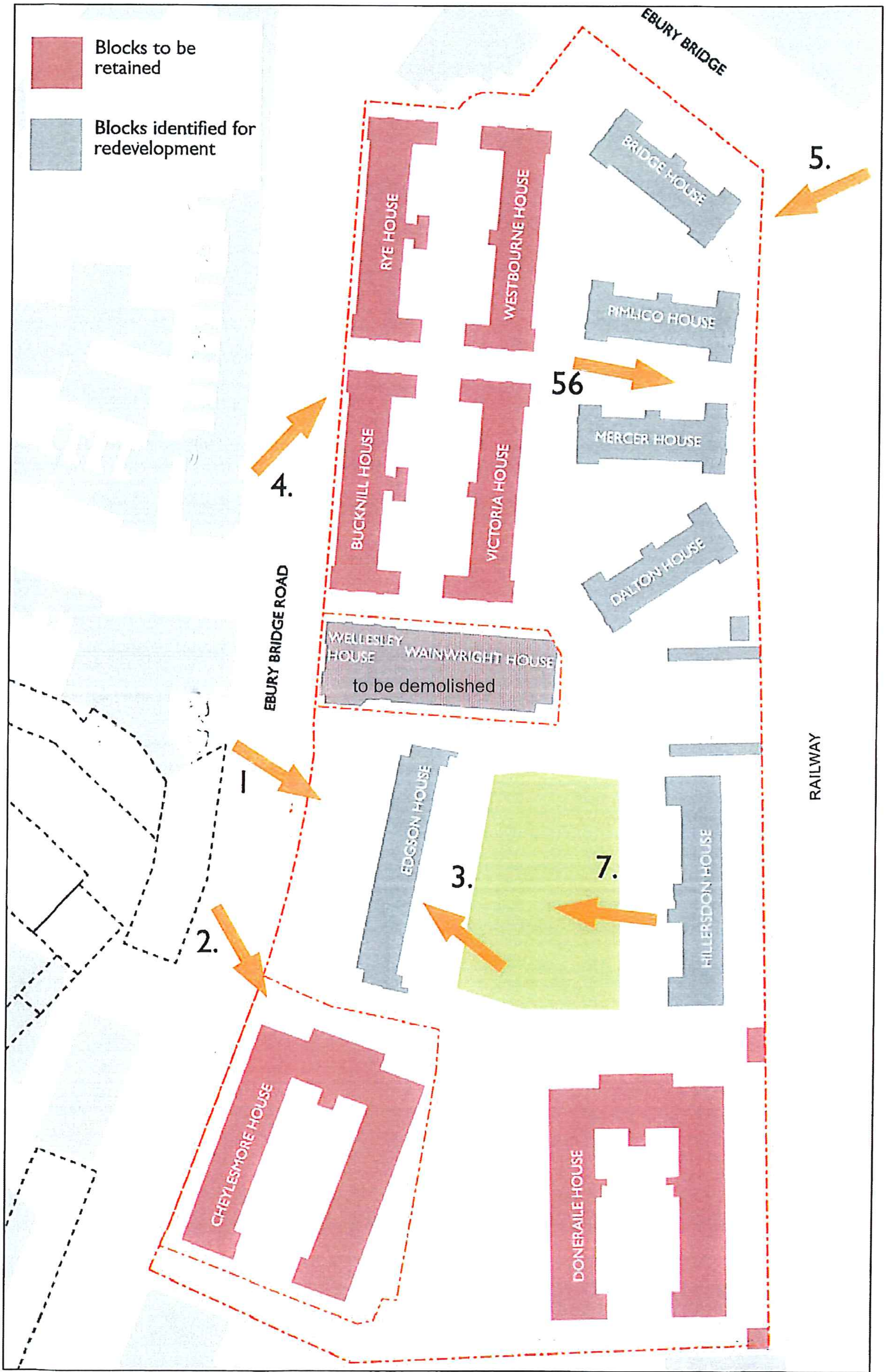
APPENDIX C - Blocks to be Demolished & Refurbished



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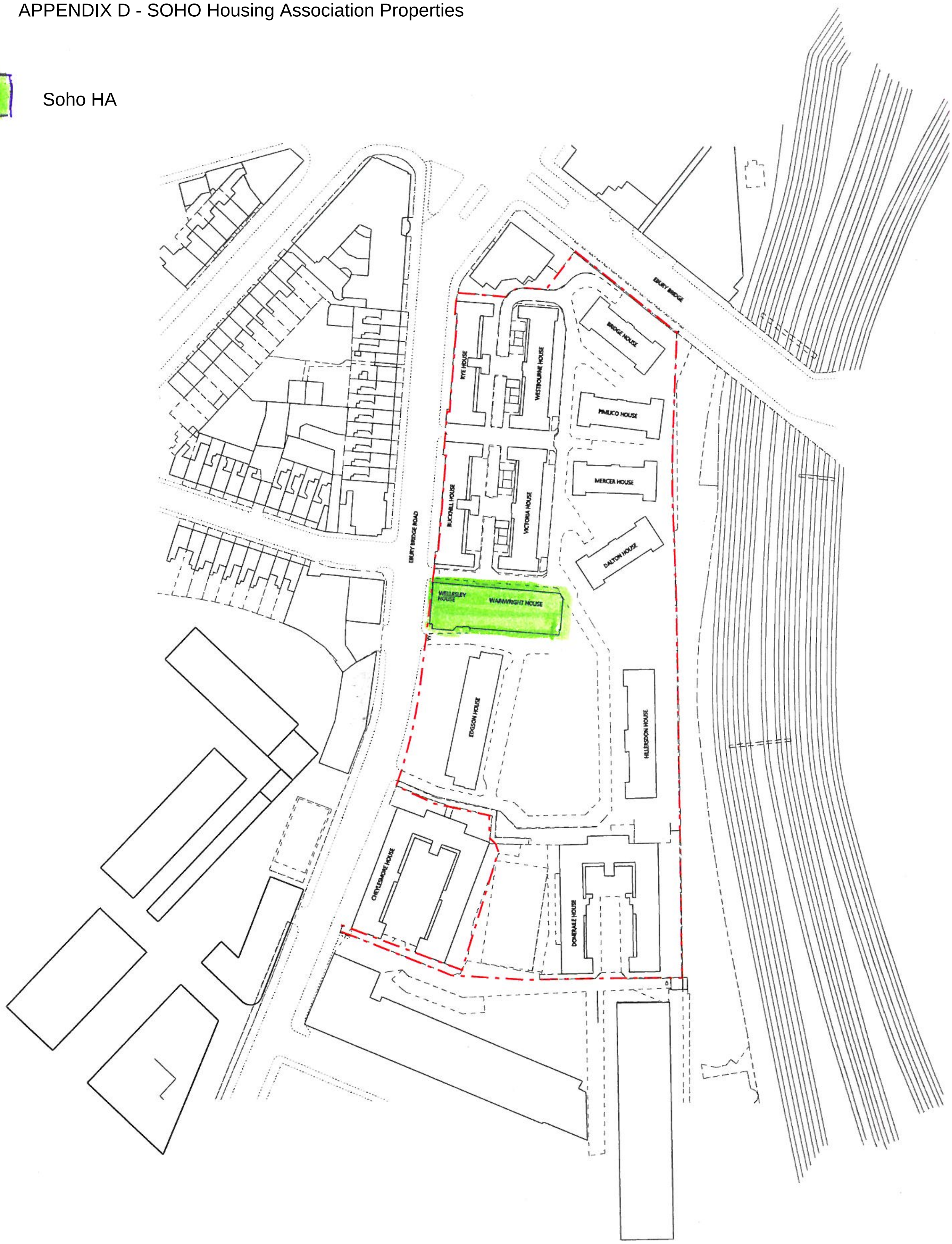
APPENDIX D - SOHO Housing Association Properties

Soho HA



revision	date	drawn	description
-	28.01.14	LTD	For Planning

Location Plan (as existing)
drawing title

CWH-EBE-AL-001
drawing number

-
revision

client / job name
City of Westminster
Ebury Bridge Estate

job reference
CWH-EBE

scale
1:1250 @ A3

drawn
LTD

0m 25m 50m 75m 100m 125m

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Revised Appendix E: Breakdown of tenants and Leaseholders by Block

Block	City Council Tenants	Non-resident leaseholders	Resident leaseholders	WCH	Soho tenants	Total
Edgson	39	8	7	1		55*
Hillersdon	17	4	6			27
Bridge	8	0	8	1		17
Pimlico	6	2	9			17
Mercer	6	3	7	1	0	17
Dalton	8	5	4		0	17
Total	84	22	41	3	0	150
Wellesley	0				10	10
Wainright	0	0			12	12
Total Soho blocks					22	22
Doneraile	35	14	13	2	0	64*
Rye	8	6	10			24
Bucknill	19	4	1			24
Victoria	11	5	10			26
Westbourne	16	6	4			26
Total retained blocks	89	35	38	2	2	164

**Edgson House 1-56 (no flat 35) * Doneraile House 1-65 (no flat 33)*

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APPENDIX F – Ebury Bridge Estate - Progress on Tenant & Lessee Purchase / Decant

Dated 3 November 2015

Block's to be Demolished	City Council Tenants decanted	Soho Housing Association Tenants	Leaseholders Purchased	WCH owned properties to be transferred	Total moved
Edgson	35 (of 39)	NA	10 (of 15)	1	45 (of 55)
Hillersdon	0 (of 17)	NA	2 (of 10)	NA	2 (of 27)
Bridge	0 (of 8)	NA	1 (of 8)	1	1 (of 17)
Pimlico	0 (of 6)	NA	5 (of 11)	NA	5 (of 17)
Mercer	0 (of 6)	NA	8 (of 10)	1	8 (of 17)
Dalton	0 (of 8)	NA	5 (of 9)	1	5 (of 17)
Wellesley	NA	0 (of 10)	NA	NA	0 (of 10)
Wainright	NA	0 (of 12)	NA	NA	0 (of 12)
Total moves so far	35	0	31	4 to be transferred to WCC	66

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