

Housing, Finance and Regeneration Policy and Scrutiny Committee

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Finance and Resources

1. Fair Funding Review and Spending Review

As previously mentioned, the Government's Fair Funding Review and Spending Review may have an adverse impact on the Council's resources. The Chancellor has recently announced a one-year settlement for 2020/21 – as opposed to a multi-year settlement that was originally planned. However, there is still uncertainty over what the impact of the spending review will be for local government, as well as uncertainty over the Fair Funding Review. We are proactively working with Government to ensure that the needs of Westminster and London are considered as part of this review and we have joined calls for a delay to the Fair Funding Review, until there is stability and certainty over the Spending Review.

2. Revenues (Council Tax and NNDR (Business Rates))

Council Tax collection is marginally below last year's collection at the same point in time. It is anticipated that this position will improve as the recovery processes progress and that we should be close to last year's highest ever Westminster collection rate (96.7%) by year end.

The current year collection rate for NNDR is progressing well and is ahead on the same point last year, which should mean that we are likely to exceed last year's collection rate of 98.0%.

The Council also collects Business Improvement District (BID) levies for the borough's twelve BIDs. Collection is progressing well with eight of the twelve BIDS showing improved collection rates on last year.

3. The Transition from Housing Benefit to Universal Credit

The requirement to provide personal budgetary support and digital assistance has, from 1 April 2019, transferred from a local authority responsibility to a national DWP contract with the Citizens Advice Bureau (CAB). The Council and DWP initially had concerns with the level of support being offered to Universal Credit clients by the CAB. However, following intervention

by the Council and DWP, the position has been rectified. In addition, the DWP's work coaches and the Council's Benefit reception sites will continue to assist with support as required.

4. Treasury

Investment balances as of 16 August 2019 stood at £1,051.1m. The weighted average return to 16 August 2019 was 0.91%. This compared with an average investment balance of £982.0m in May 2019, which generated an average return of 0.92%.

Treasury investments as of 16 August 2019 consisted of bonds, cash notice accounts, money market funds and fixed term investments (cash lent to banks and local authorities for a fixed duration). All Prudential indicators at 16 August 2019 have all been complied with and all investments are within the limits as set out in the 2019/20 Treasury Management Strategy Statement (TMSS) approved by Full Council.

5. Pensions

The valuation of the Westminster City Council Pension Fund as of 16 August 2019 was £1.504bn, an increase of £0.096bn from 31 March 2019. This was largely as a result of positive returns within the equity markets and an additional £20m investment placed with the Insight Buy and Maintain bond portfolio. The estimated funding level for the Westminster City Council Fund as assessed by the actuary at 31 December 2018 was 94.5% (95.8% at 30 September 2018) a decrease of 1.3%, this was mainly due to a fall in equity markets during this period. An up-to-date funding level will be provided by the actuary once they have completed the triennial review as the actuarial assumptions and membership data are likely to change.

The value of pension fund investments managed by the Local Government Pension Scheme (LGPS) pool, London Collective Investment Vehicle (LCIV), at 16 August 2019 was £709m. The LCIV holdings represents 47% of the pension fund investments of £1.504bn at 16 August 2019. A further £341m continues to benefit from reduced management fees, Legal and General having reduced their fees to match those available through the LCIV.

6. London Living Wage Adoption

Since July Procurement Services have been working with the Executive Director of Finance and Resources to plan implementation of the London Living Wage (LLW) accreditation. A cross-directorate Implementation Group has been formed and will be tasked with ensuring that the key requirements for Living Wage Foundation Accreditation are met against an ambitious timescale. The key requirements are that:

- All Council staff are being paid LLW (including an agreement that the Council will also extend this to all Apprentices where it became effective from the start of August 2019).
- We have a plan to incorporate the LLW into contracts with suppliers as these come up for renewal. To do this will need to identify all suppliers whose contracts that fall within the scope set by the Living Wage Organisation (essentially those which have labour content that falls above a certain threshold). Accreditation requires us to provide this information along with a pipeline of dates for contract renewals.

7. Major Procurement Tenders

Procurement Services have delivered several procurements over the last quarter and two of the larger schemes, Oxford Street Regeneration and Ebury Bridge Housing Regeneration Scheme, are progressing.

The Oxford Street Procurement is concluding as the negotiation phase has been completed. The award recommendation is currently being prepared and will be subject to approval to proceed to award the contract, in September 2019.

There have been several strands of activity on the Ebury Bridge Programme with the construction contract and the Meanwhile Use contract currently out to tender and the demolition contract will be presented for approval in September 2019 to award the contract.

8. SAP Implementation (Integrated Business Centre (IBC))

Since the implementation of SAP in December 2018, the Council has continued to move towards a self-service model for finance. The Council has fully implemented a 'no PO no Pay' process with 98% of invoices being paid with a PO – in line with expectations. Furthermore, there has been a steady increase in the number of budget managers using the self-service model to forecast their expenditure for the year. Moving forward, the Finance team are continuing to work with the rest of the Council to ensure that all the features of the SAP system are being utilised and the self-service model is fully embedded to create more efficient working practices and greater productivity, allowing our officers to focus more on front line services.

Officers continue to make positive progress in embedding IBC HR transactional processes in the Council. Whilst we have seen a reduction in the percentage of HR transactions completed by self-service in June 2019, this has been due to annual HR processes (such as the "Step up" process) that we have required the IBC to undertake manually. We remain clear that our trajectory is on track on maintaining our percentage of self-service transactions at 80%.

In response to feedback, we are working with the IBC to review the recruitment process and will be delivering recruitment training workshops for line managers from September. So far, we have a good take up on the training that we have offered and remain optimistic that our interventions will improve the end to end process further.

9. Supplier Financial Resilience

As part of our work to strengthen the assessment of supplier financial resilience, Finance and Procurement Services have worked with RBKC colleagues and agreed a program of work to standardise our approach to financial assessment at the tendering stage and after contracts have been awarded. Going forward this will involve raising awareness with all of those who have touchpoints with our suppliers and providing them with guidance and support so that we are able to assess and prepare for any emerging issues. This work will also form part of the implementation of the new Contract Management Framework. An initial round of training for Procurement and Finance colleagues is underway now.

Corporate Property

10. Facilities Management Transition

Since the departure of the council's former Facilities Management provider Amey, the Council has appointed both an in-house facilities team and a new FM provider which is Bouygues Energies and Services.

We are currently in the mobilisation phase working closely with Bouygues to ensure the service transition is as seamless as possible and a systematic approach to service delivery is undertaken under the new contract.

An analysis of service improvements has been identified and a number of workstreams are in place to ensure that these are implemented over the next 12 months. Where appropriate, working groups and cross – directorate teams have been put in place to ensure appropriate officer governance and input is in place.

11. Coroner's Court

Since the last report, all four consortium partners have agreed to contribute funding for the project. The design is at feasibility stage and the estimated total project cost is £2.8m. The target date for completion of the project is March 2022.

12. Portman Early Childhood Centre

Since the Portman Early Childhood Centre has been identified as one of three sites to become a Family Hub, Service Users at Portman have been temporarily decanted to 4 Lilestone Street and the Portman Early Childhood centre is currently fully functioning in its temporary location. The estimated construction projects cost for scheme is circa £2.6m and the capital works have gone to market with tenders returned in August. Consultation with the Portman Service End Users is ongoing. Designs for the proposed remodelling and redevelopment work have been agreed. Subject to no delays, it is expected the capital works will commence in November and will be complete by November 2020 with occupation is expected to be in December 2020.

13. Public Conveniences

A review is nearing completion of the future service provision in respect of Public Conveniences. Officers are considering value for money in coming to a view as to the best way forward. Further progress is expected to be made by Autumn 2019.

Officers are aware of recent service issues and are addressing these with the Council's contractor to improve the service.

Regeneration and Development

14. Church Street

14.1. Sites, A, B, C and Lisson Grove

A programme of engagement was held during July comprising of exhibitions and workshops held in a dedicated space on Church Street. The exhibition showed the updated designs for Sites A, B and C and the Lisson Grove Programme. The workshops addressed design issues for

Site A, which will be the first site to come forward. Following the consultation, we continue to work with the community on where to locate the library and the need for sufficient leisure facilities and community safety.

Following the decision to progress with Option Three as the preferred way forward, the design development, financial viability, decanting and phasing work continue. Residents of Church Street have been contacted to advise them of the approach to finding them suitable alternative accommodation ensuring in particular, that residents in the community housing block are dealt with sensitively.

To facilitate the decant, tenants from this block will be offered the first opportunity to move to the newly built offsite redevelopment, Lyons Place (with 37 Affordable housing units), which is currently scheduled to complete in October 2019. As the location of Lyons Place is in such close proximity to the Council's Church Street Renewal Programme, the Council intends to take advantage of this as a means of providing applicable Church Street renewal residents with the opportunity to achieve a local move to a brand-new home.

14.2. Cosway Street

Enabling works are due to start on site in October. This will involve hoarding erection, the soft strip of the internals of the existing buildings. All ahead of the demolition of buildings in January 2020. The main works are due to start in March 2020.

14.3. Luton Street

Following negotiations, the scheme is now going ahead as a partnership between the Council and Bouygues and is on site. This is a fantastic milestone for the Church Street regeneration and will deliver high-quality affordable and open market homes across two sites – Luton Street and Fisherton Street. Combined, sites will comprise 171 new homes of which 62 are brand new affordable homes for the area, amenity space, cycle parking and car parking. The scheme also provides an integrated new sports hall and community centre.

In the last month, there has been significant progress in relation to the ongoing negotiations between the Council, its wholly owned housing company Westminster Housing Investments Limited (WHIL) and Bouygues Development UK (BYUK).

An early works licence was agreed and commenced on 5 August, allowing the building contractor to make an early start on site.

14.4. Ashmill Ashbridge

Ahead of the demolition of buildings in January 2020, the enabling works on-site are due to start in October. This will involve hoarding erection, the soft strip of the internals of the existing buildings on Ashbridge. The main works are due to start in March 2020 with arrangements currently underway to close the car park at Ashmill Street for the duration of the works.

14.5. Church Street market

The Church Street Regeneration Team continue to distribute new gazebos to eligible traders on the market. To date we have issued forty-six gazebos and expect to conclude this phase of the project by the end of September 2019. The team have been preparing for the upcoming

new pitch demarcations and traffic management order. Market traders have been consulted on the proposed improvements and benefits for the market incorporated within the designs for the new development on Site A. Representation was good and attitudes to the changes were very positive.

14.6. District Heating Network

The Church Street District Heating Scheme will be developed in three phases. Phase One consists mainly of pipework and connections, and later phases will include network expansion and two dedicated energy centres.

Social value obligations and targets are being established as part of the Design, Build, Operate and Maintain contractor procurement. Officers are working on establishing the social value criteria for bidders, as social value will be an important element of the evaluation criteria for this scheme. Bidders will be advised that the social value offered to the Council will be in addition to the Section 106 commitments and will form part of the contract.

14.7. Neighbourhood Keepers Festival

This year's Neighbourhood Keepers Festival was held across Church Street Ward at Greenside Community Centre, Lisson Green Pitches and Fourth Feather Youth Club on Sunday 14 July. About 500 local residents attended the event and took part in a variety of activities organised by beneficiaries of the Neighbourhood Keeper Programme. Activities included an art class stall, group Zumba, Indian head massage, a choir, and the hugely popular planting stall where participants could plant their own herbs. It was the exhibitors who really made the event by helping to create a great sense of community spirit, showcasing our different Neighbourhood Keepers projects and letting people know about local services. Participants really enjoyed the event, brought together people from different backgrounds and advertised the wide variety of projects we fund, allowing people to take part in taster sessions.

14.8. The Antiques Anonymous Vintage Market

This year's event will be held on Sunday 22 September 2019 from 11am – 5pm. The Church Street Regeneration Programme is working with the Antiques Quarter traders and Alfies Antiques Market as well as other local businesses and charities to bring the next event to Church Street. This specialist market stretches the full length of Church Street from Lisson Grove to Edgware Road.

15. Ebury Bridge

The Ebury Bridge renewal project continues to progress at pace with a number of important workstreams underway or commencing in the coming months. The demolition of Edgson House is close to completion, with the work carried out sensitively in consideration for local neighbours. Once this enabling project is complete, work will begin on the creation of the Meanwhile Use facilities which will provide local residents with a new community café, work spaces, a new retail offer and events space. A planning application for the Meanwhile Space has been submitted and will be determined in September. An Invitation to Tender has also been issued to the construction market seeking a contractor partner to build the semi-permanent Meanwhile Use buildings.

In preparation for start of the Phase One works, the team have continued to find suitable alternative accommodation for the tenants and resident leaseholders in affected blocks. This

work has successfully re-housed all but a very small number of tenants and leaseholders. In order to facilitate vacant possession of all blocks situated in Phase One, we are continuing to identify suitable properties and make reasonable offers over the coming months.

Over the past two months a series of engagement activities have taken place with the Community Futures Group and estate residents. These sessions have focussed on developing the proposals for new public spaces, the interiors of homes and the distinct character options for different sections of the new estate. Further sessions will take place in September with the Community Futures Group.

In September the project team will commence formal pre-planning consultation with Ebury Bridge residents, neighbouring households, amenity societies and local constituted resident groups. This process will share emerging design proposals, seek feedback from residents and commence dialogue about the benefits of the renewal scheme. The period of pre-planning consultation will see two public exhibitions, detailed briefings and a dedicated consultation space for residents to access information about the project. Once this consultation has been completed a planning application will be submitted early in 2020. The single application is for Ebury Phase One detailed and Ebury Phase Two outline.

The Council have advertised a contract seeking a builder of the first phase of the renewal project. The contract value starts at £97m and will see 201 new affordable homes built on the estate. If successful at building Phase One, they could be asked to be the builder for a further £350m of work through building subsequent phases of the scheme. There has been significant interest from the construction market and residents will be involved in the process of selecting the chosen contractor.

16. Paddington Green (Parsons North)

The Parsons North construction works continue to progress well. The above ground demolition works, and the piling to the perimeter of the site is now complete, with the basement floor slab now being broken-up. The next stage of work will be to install the remaining piles, the piling rig returned to site the week commencing the 19 August and will commence work thereafter. We anticipate that the vibration-heavy works will be complete by October with our contractor continuing to engage positively with local residents and businesses.

The overall completion date for the scheme remains Spring 2021.

17. Tollgate Gardens

The developer of the scheme, Clarion, have undertaken a detailed programme review and are now advising a completion date of December 2019. We continue to engage with Senior Directors at Clarion regularly. However, our Development Team await a copy of the detailed construction programme to interrogate so that the revised dates can be validated.

The independent structural engineers have now completed their report in respect of the concerns raised by the residents of Tollgate House. The report was presented to the residents at a public meeting on Thursday 15 August; two residents attended the meeting and they were generally pleased with the findings albeit that they had not had time to read the report in detail before the meeting. The report concluded that the building is structurally safe, and that the structure has not been adversely affected by the works. The engineers provided

recommendations in respect of the new glass balustrade (which were non-critical) and these recommendations have been implemented on site.

18. Beachcroft

We are remaining on track for completion of the development and occupation in Summer 2020. Recently, the site team won an internal award within their company (Durkan) for health and safety. As well regular monitoring our professional team members have visited the site to review progress. On Wednesday 17 July, Durkan hosted the topping out ceremony marking a milestone for the scheme.

The 84-bed care home is currently going through an interior design review in order that we achieve a high standard throughout and adhere to dementia design principles. A benchmark flat will be provided by the contractor, allowing for the professional team to review and approve the agreed standard of a finished care bedroom, this agreed standard will then be delivered to the other 83 rooms.

Interest in the 31 flats for sale continues to be good with a sales and marketing strategy in place. The apartments will be available from October this year through instructed agents Jones Lang LaSalle (JLL).

The market continues to be a risk however regular assessments of value are obtained from an impartial agent, Knight Frank, who have supported JLL's view that values have held steadily throughout the last 12 months. An updated Red Book valuation is currently in progress which is due to be provided in September.

Bevan Brittan have been instructed as conveyancing solicitors for the site and are currently working with Legal Services to draft the legal packs for the scheme.

Work continues to be in progress on negotiating the care contract with Sanctuary and establishing effective estate management processes. The team is working with Housing and Property colleagues to establish an ongoing management strategy of schemes across the Development portfolio.

19. Carlton Dene, the Lodge, Peebles House, and Westmead

A decision has been made to separate the schemes to reduce planning risk and speed up delivery of both projects. For this to be achievable the Council have budgeted an increase in grant to fund the construction of Carlton Dene. It is anticipated that Carlton Dene will be 100% affordable. At present, the grant required for the redevelopment of Westmead should be minimal given its anticipated tenure mix of private, intermediate and social. However, officers seek to explore other tenure options.

We have now procured architects to take the schemes to planning; Levitt Bernstein for Carlton Dene, and Child Graddon Lewis for Westmead.

We have issued an Initial Demolition Notice on Peebles House, the adjacent HRA block, to suspend the tenants 'right to buy'. Tenants are still able to submit a right to buy application, but the Council is not required to process these for the next 5 years. A Relocation Officer has been assigned and is working with residents on their rehousing options.

We have now separated the Lodge from Carlton Dene and with the Lodge now being recognised as a separate scheme. Calford Seaden has been appointed as the architects to

progress the scheme to planning. The flats will provide accommodation for people with Autism Spectrum Disorder.

20. Pimlico (Balmoral/Darwin)

On 18 July and 30 July 2019, we ran the drop-in events for the Balmoral and Darwin House proposal. These were the first part of our early engagement phase, which aims to understand residents' feelings about development on the estate, and attitudes towards the Council.

The events were held at Darwin House on the Churchill Gardens Estate. Cllr Rigby and Cllr Mann attended the first event, and Cllr Gassanly attended both drop-in sessions. This first round of engagement has shown that there are mixed feelings on the estate. Residents of Darwin House are broadly in favour of upgrading the community supported housing, while other residents have concerns about the impact of the proposal on the surrounding estate.

Further drop-in sessions are to be held throughout August and September. The feedback received from the consultation sessions will be summarised and incorporated into the designs where possible as they begin to progress.

21. Farm Street

Caudwell Properties, the developer of Farm Street, have suspended works as they are in dispute with their main contractor. Caudwell are currently in the final stages of negotiation with a new main contractor and expect to resume works in September. There is regular, positive engagement between Caudwell Properties and the Council. The programme that Caudwell have presented to the Council now shows a completion date of April 2020.

22. The Infill Programme

Public consultation events on two larger sized infill schemes has recently completed. The redevelopment of a hard-standing car park and row of sheds on the Queens Park Estate was broadly positively received locally. The scheme will deliver twenty-three social homes, a re-configured car park area, new landscaping, an upgrade to the external nurse wall on the estate and improvements to the boundary wall with the neighbouring Church. In Marylebone, a former kickabout area will be developed to provide fourteen intermediate homes and a new community space. In both schemes, a local lettings policy will apply, meaning that existing residents have the first opportunity to avail of the new homes.

Further consultations events have commenced, or are due to start, on additional infill schemes. In bringing forward these small-scale housing developments, the Council works hard to respond to the views of local residents and stakeholders in finalising the design.

In total the Council is targeting the delivery of 200 new homes by 2023 through the Infill Programme.

23. Wholly Owned Housing Company (WOC)

The WOC Board is currently undertaking a business plan review and considering the future pipeline of schemes. This is being done as part of the Council's consideration of the overall regeneration and development pipeline and the funding available within the HRA and from other sources to support that pipeline together with assessment of the most appropriate delivery options. It is expected that the WOC will play an increasing role as more mixed tenure

schemes come forward and especially in these times of economic uncertainty and a challenging housing market.

The WOC will utilise Council staff to carry out its activities under a Service Agreement to be drawn up between the Council and the WOC. This would provide for re-charge of costs for the services provided. This Agreement together with the basis for re-charging services provided is currently in the process of development in readiness for the commencement of the first scheme, Luton Street, following financial close at the end of September 2019.

24. Jubilee

After the opening of Moberly Sports Centre, EcoWorld confirmed the financial viability of Phase Two (a community sports centre and 56 brand-new homes) had reduced mainly as a consequence of higher construction costs and lower values being achieved in the residential sales market.

Under new proposals The Westminster Housing Investment Limited will acquire the 19 apartments being constructed above the new Jubilee Community Sports Centre. The remainder of the homes, which consist of 20 townhouses and a further 17 apartments in a separate residential block will continue to be disposed of in the private sales market.

25. Dudley House

The project achieved Practical Completion on Wednesday 28 August and will be handed over to the Council by Wilmotts in early September.