

Housing, Finance and Regeneration Policy and Scrutiny Committee

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Title:	Progress on Housing and Regeneration
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Wards Involved:	All
Policy Context:	City for All and the City Plan
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1 Executive Summary

- 1.1 *City for All*, the Council's central policy document has set a target for the delivery of 1,850 affordable homes by 2023.
- 1.2 This paper sets out the definitions for affordable housing and then articulates the demand for such homes in Westminster. The Committee Paper then explores links to other Council priorities, reports on delivery progress and financial viability. The report goes on to explain the rationale for Westminster's new housing investment company. Finally, there is a summary on how the Council engages with the Community on these ambitious plans.
- 1.3 There are three appendices. Appendix I describes how the Council manages demand for its affordable stock. Appendix II details delivery progress against current live schemes. Finally, Appendix III is a projection of the pipeline from the years 23/24 to 29/30. As the projection in Appendix III is some way off, it

will be subject to change. All projects will also be dependent on the outcome of close consultation within the local communities.

Background Paper

1 Policy Context

- 1.1 *City for All*, the Council's central policy document, has set a target for the delivery of 1,850 affordable homes by 2023. The document states that:

“Building a City for All means just that - a place where every single person has the opportunity to realise their potential, where providing affordable housing gives the best possible prospects for people to thrive and where enabling businesses flourish to create economic prosperity that everyone can benefit from.”

- 1.2 The Westminster City Plan (2019-2040) reaffirms this commitment as one of its three key themes: *Housing and Communities*. The City Plan says

“An immediate need for affordable housing, brings with it opportunity. The opportunity to build not just houses, but communities. Safe communities that bring people together. Healthy communities with green open spaces. Communities that will transform the lives of the people who live here.”

2 Definitions

- 2.1 The definition of affordable Housing is taken from the National Planning Policy Framework 2018. It is essentially housing for sale or rent for those whose needs are not met by the market and which complies with one of the following definitions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme; and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.
- 2.2 **Social Housing** is affordable housing made available to households in need of accommodation and where the council has a statutory duty to house. This includes homeless households, existing social housing tenants experiencing overcrowding and medical priority cases
- 2.3 **Intermediate housing** : This is affordable housing priced at levels above social housing but below market level . As stated in 2.1 above, intermediate, affordable housing is offered at a minimum of a 20% discount on market rent.

3 The make-up of housing in Westminster

- 3.1 There are a total of approximately 125,000 homes in Westminster. Of these, including both council and housing association owned stock, there are 26,000 general needs and supported housing social housing units. Just under 12,000 of these are Council owned
- 3.2 In addition there are 2,400 intermediate homes . Many of these intermediate homes were historically bought on a shared ownership basis and where their owners have now bought outright and so these homes are not all counted as affordable housing
- 3.3 Therefore just under 21% of all housing in Westminster is social and only 2%, intermediate. As set out in the *City Plan*, it is the Council's policy to grow the intermediate sector to create a more balanced tenure mix. This will ensure more choice across the City to meet the needs of different people and families. These are often workers who are essential to the functioning of the economy and public services.
- 3.4 The need for more intermediate housing is supported by the evidence base developed for the *City Plan*. The indication is that 563 new affordable homes are needed each year. Of this number, 316 (56%) are for intermediate and 247 (44%) for social. These tenures are different. For this reason, the social housing requirements are expressed as need in the evidence base and the intermediate as the demand for such housing.
- 3.5 It is therefore important that the Council grows the proportion of intermediate housing. These homes are for rent at sub market levels. Such an approach will greatly assist those residents who do not qualify for social housing but nonetheless cannot afford homes in the Borough.
- 3.6 In addition, existing social housing stock is skewed towards smaller homes. Yet demand is for larger accommodation. Currently the affordable housing stock is made up of 50% studio and one bed homes. Therefore, new social housing, to be delivered as part of the 1,850 target, reflects current demand for two bed and three bedroom residences.

- 3.7 The official waiting lists for housing are summarised in the table below:

Table I: Waiting lists for affordable housing

Housing Register (where the Council has a housing duty) 4,089 households		Intermediate waiting list 3,066 households	
Bed Size Required	Nos	Bed Size Eligible	Nos
Studio/1bed	816	Studio/1beds	2,490
2 bed	1,570	2beds	386
3bed	1,302	3beds	151
4 bed	324	4bed +	39
5bed +	56		

- 3.8 The Housing Register shows 2,700 households in temporary accommodation. There are 184 households registered for Community Supported housing. Of this, 84 require wheelchair adapted accommodation.
- 3.9 Within the wider intermediate waiting list, most residents are registered for either sub market rent or low cost home ownership. Further information on demand and how it is managed is set out in Appendix 1.

4 The Links between Economic Development, Place Shaping and Housing

Combining Economic Development and Regeneration

- 4.1 At the beginning of this year, it was decided that the Economic Development and Regeneration Services would merge under one Director reporting to the Executive Director for Growth Planning and Housing.
- 4.2 The intention is to combine the response to both the housing and economic needs of our residents. As well as the significant home building programme, there is therefore an emphasis on assistance with employment through the Westminster Employment Service, on delivering small, local start-up enterprise space and on the opportunities afforded through s106 and Council supplier social value commitments. New Enterprise Spaces are, for instance, planned at Lisson Arches and 300 Harrow Road as part of the regeneration programme. The aim is to generate new jobs as well as housing.

The role of Place Making

- 4.3 Some of the larger developments, such as those planned at Ebury and on Church Street, offer the opportunity for extensive place making. This includes high quality public realm, green space and community facilities. During the construction programme, there is the opportunity for the creation of new “meanwhile space”, space to be used for interim activity. This includes Pop-up markets and other retail and wider creative and cultural animation.

- 4.4 In Church Street Ward, there is to be a permanent new Health and Wellbeing Hub at Lisson Grove. The Hub will integrate, sports, leisure and social activity with mainstream health services. At Church Street itself, new storage facilities are to be built for the market traders, and an improved street market with up to 220 stalls and 150 van parking spaces. There will also be a 40% increase in publicly accessible open space, new affordable workspace and business support facilities. A new cultural quarter centred around the antiques market and Cockpit Theatre is also part of the wider Masterplan.
- 4.5 On smaller projects such as at Parsons House, there will be public realm improvements made as part of the scheme.

5 Progress on housing targets

- 5.1 The delivery projections against the *City for All* target are set out below. The detail for each scheme is attached as Appendix 2.

Table II: Housing Development Forecasts

Yea	Homes delivered or forecast to deliver
2017/18	151 ¹
2018/19	147 ¹
2019/20	582
2020/21	258
2021/22	484
2022/23	478
Total forecast all years	2100

¹Actual homes delivered

²The programme is currently forecasting to overdeliver by 250 units against the target of 1,850

The Small Sites Programme

- 5.2 One other way the Council addresses the shortage of affordable housing is through the innovative development of under-utilised housing land. The type of development varies from basements to former office conversions, and from undercroft spaces beneath buildings, to the redevelopment of car park and garages sites. Infill homes are let as affordable housing, either social or intermediate. The Corporate Property Team are currently reviewing the wider Council estate and may throw up new opportunities for smaller developments. The Council plans over 200 new homes through this unique approach - a significant contribution to the *City for All* target.

6 Financial Viability and Delivery Structures

- 6.1 The total capital investment required up to 2028/29 is estimated at £1.5bn. There are a number of delivery options available to the Council as set out in Table III below:

Table III: Models for Delivery

Model	Description
Self -Delivery	The Council directly appoints a developer and acts as client. The Council either finances the development through its own funds or seeks to borrow. This approach provides significant control for the Council but also higher risk in that the financial risk is not shared.
Developer Led	A past approach outlined in 6.1, here the Council simply leases its land to a developer. The developer commits to the provision of a certain level of social and affordable housing and seeks to make a return on the sale of the private housing proportion. While the direct risk for the Council in this model seems small, current market conditions mean developers can struggle to make the model work and to achieve Council objectives on time. However, in a growing market, this option can be attractive.
Partnership Agreements	A joint venture with a housing developer, institutional investor or pension fund is a medium option in terms of risk but does mean that the Council will not have complete control over development. The Council will need to balance its social objectives with the financial objectives of its partners.

- 6.2 In previous years, with a borrowing cap in place, the Council had favoured developer led agreements as these tended to generate the greatest capital receipt for the Housing Revenue Account (HRA) and helped to maintain borrowing within the centrally controlled cap of £333m.
- 6.3 In 2018/19 the HRA borrowing cap was removed by the Government. However individual schemes, and the capital programme, still need careful consideration against the capacity of the Council to fund such expenditure.
- 6.4 The removal of the borrowing cap provides welcome additional flexibility. It is important to note though that the three models above all respond to different market conditions. Therefore, in a growing housing market, developer led agreements can be appropriate. However, in a downturn, some self delivery may be required. Where there are schemes that stretch over several years, two or more of these models may apply to the same scheme.

- 6.5 The removal of the HRA borrowing cap (6.2), has enabled the Council to alter the delivery of Phase One at Ebury Bridge to a self-delivery model. Unlocking the scheme required significant more upfront cost and borrowing than would have been possible within previous limits. Without the removal of this cap, Ebury would have been much more difficult to deliver.
- 6.6 However, to ensure the overall programme remains sustainable, each year the Council undertakes a budget setting process. The exercise considers all capital budget proposals for the following financial year. A review then ensures that financing is viable.
- 6.7 As part of this process, a prioritisation panel meets to stress test the strategic objectives being delivered by each project. This helps ensure the capital programme aligns with the *City for All* objectives.
- 6.8 Individual schemes also go through a three-stage business case to ensure they deliver financial, strategic and economic benefits. Any changes to budgets are considered at each of these stages and are closely reviewed against previous assumptions to ensure continued viability.

7 Supporting bodies

- 7.1 There are two important, associated bodies which assist the Council in meeting its target.

Westminster Housing Investments Limited (WHIL)

- 7.2 Westminster Housing Investments Limited is a company wholly owned by the Council. The body was established, together with its subsidiary, Westminster Housing Developments, following Cabinet approval on 4th December 2017.
- 7.3 The overall aim of the WHIL is to work alongside the Council (where other delivery partners are neither available nor appropriate) to deliver regeneration. The WHIL will develop and/or acquire housing. The assets will be retained within the Company and in effect will remain in the ownership of the Council.
- 7.4 Specific business objectives are to:
- Assist the Council to generate Intermediate and market housing in the city,
 - Offer new tenures and, in particular, intermediate tenures to extend the range of provision available to those living and/or working in Westminster
 - Increase the scale, pace and quality of Council housing delivery
 - Be a flexible partner for the Council in delivering housing.

Westminster Community Homes (WCH)

- 7.5 Originally In 2009, Westminster Community Homes was set up as a charitable society and became a registered provider in 2010. The body is 100% controlled by the Council which nominates all board members. Historically, WCH provided the Council with the advantage of being able to access grant funding at a time when Local Authorities could not.
- 7.6 Westminster Community Homes helps the Council achieve its housing objectives through the provision of additional affordable housing. With a portfolio of 460 properties, predominately located in-borough (30 homes outside Westminster), the body is funded primarily through a GLA grant, loans from the General and Affordable Housing Funds. Key features include:
- Its own development programme, which contributes to the Council affordable housing targets.
 - An offer of Intermediate and social tenures.
 - An incentive scheme on some of intermediate rented offerings, where residents are assisted with moving into home ownership through a lump sum of £10k at the end of a five year tenancy.
 - Provision of temporary accommodation on behalf of the Council.
 - An important role in supporting Council regeneration by assisting in the acquisition of leaseholder properties. This is required to achieve vacant possession and thereby enable renewal to progress.

8 Funding from the GLA

- 8.1 The Council has applied for, and secured, capital grant funding through the GLA's 'Affordable Homes Programme for all eligible development projects. Approximately 30 Schemes have been identified as meeting the minimum criteria, giving a total funding pot of circa £26m. Grant is allocated per unit and is based upon the level of rent charged to the tenant, as outlined below:
- London Affordable Rent or below - £70,000 grant per unit
 - London Living Rent with the unit starting on site before 31/01/2020 - £38,000 grant per unit
 - London Living Rent with the unit starting on site before 31/03/2023 - £28,000 grant per unit
- 8.2 50% of funding is eligible to be drawn down when a scheme starts on site and the remaining 50% at practical completion.

9 The Community Engagement Programme

- 9.1 Such demanding housing development requires significant community engagement. Therefore, the Council invests much time and resource in ensuring close consultation with the community. To this end, the Council relies on advice from Ward Councillors, Neighbourhood Fora, local bodies, community leaders and the residents themselves. Consultation bases have been established, for the duration of development, for large schemes such as Church Street and Ebury
- 9.2 These are peopled by engagement officers and supported by a suite of dedicated micro websites, all linked to the Council's own website. Engagement also takes the form of bi-monthly newsletters, monthly Q&A drop-in sessions, quarterly formal residents' meetings and regular, ongoing door-knocking and direct contact with residents in writing or in person.
- 9.3 At Church Street, the focus, following the approval of the masterplan in 2018, has been on engagement and consultation around the options for the Church Street Sites. At Ebury Bridge, strenuous efforts have been made on developing initial design proposals together with residents of the estate.
- 9.4 Meanwhile, Tollgate Gardens has seen extensive and regular engagement with the residents of Tollgate House. Regular engagement also continues with residents of Parsons House and the wider Hall Place Estate as part of the programme to deliver Parsons North, a new development of 60 new homes being constructed on an underused car park directly outside Parsons House.
- 9.5 Finally, the Council undertakes extensive engagement on Infill schemes. The engagement is very locally focused which is critical in gaining support for the scheme, particularly as in many cases a local amenity such as a car park or garages is to be removed.
- 9.6 The Committee is also asked to note that the Council will also capture significant social value from construction procurement and through s106 contributions. This will generate new employment, support for local schools.