

Agenda item:

[No.]

CABINET

on 8th September 2009

Report Title: **Building Britain's Future – Developments in National Housing Policy**

Report of: Niall Bolger Director of Urban Environment

Signed :

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Wards(s) affected: **All Wards**

Report for: **Key Decision**

1. Purpose of the report

- 1.1. This report is intended to update Members on recent developments in national housing policy being delivered via the Homes & Communities Agency (HCA) single conversation and the requirement for local authorities to prepare a borough investment plan for the delivery of housing and regeneration objectives leading to a Local Investment Agreement (LIA) between the Council and the HCA for 2010-2014.
- 1.2. As part of the LIA delivery plan it is recommended that Council officers explore and recommend on options other than the traditional methods for housing supply and regeneration by detailed appraisal of local asset backed vehicles (LABV) as an additional method to deliver the Councils housing and regeneration objectives.

2. Introduction by Cabinet Member (if necessary)

- 2.1. Proposals outlined in this report could have serious financial implications for the Council; we need closely watch the Government's final decisions on these proposals.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1 Council Plan Priorities:

- Encouraging lifetime well-being at home, work, play & learning.
- Promoting independent living while supporting adults and children in need.

3.2 The Council's Housing Strategy 2009-19.

3.3 The Council's Homelessness Strategy 2008/11

3.4 One of the key objectives within the Strategic & Community Housing Service's business plan is to maximise the development of affordable housing, by attracting investment and ensuring effective partnership working, to meet the needs of residents and help build strong and environmentally sustainable communities.

4. Recommendations

4.1. That the actions taken in progressing the HCA Single Conversation and the formulation of a borough investment plan for housing and regeneration be noted and that a further report be submitted following presentation of a draft plan to the HCA and negotiation of the terms of a Local Investment Agreement (LIA).

4.2. That approval is given to the Director of Urban Environment, in consultation with the Chief Financial Officer, for detailed appraisal of the options and benefits of setting up Local Asset Backed Vehicles (LABV) as a method of taking forward the Council's major housing and regeneration objectives.

5. Reason for Recommendation

5.1. The Government has recently announced in the budget and *Building Britain's Future* additional funding for various housing activity, including £200m for local authority new house building and additional public land for building new homes. The Government is also consulting about a fundamental review of the HRA accounting and subsidy system which will be the subject of a separate report to Cabinet.

5.2. The HCA is the national government's housing agency for England charged with delivering national housing policy. The HCA became operational on 1st December 2008 incorporating English Partnerships, the investment arm of the Housing Corporation and some functions of the CLG. The HCA has a London Board chaired by the Mayor of London that is a sub-committee of the main HCA board.

5.3. The HCA's London priorities are to:

- Partner with LAs, the private and affordable housing sectors to deliver affordable well designed homes
- Support LAs in the effective delivery of the Decent Homes programme and tackling growing waiting lists for social rented housing
- Working in partnership to support housing delivery through the development of brownfield sites
- Support delivery of the Thames Gateway and the London 2012 Olympics

5.4. The HCA's process for engaging with LAs and securing housing delivery at a local level, connecting local ambitions to national targets has been termed the "Single Conversation". The intended benefits of the Single Conversation are:

- Coordination of all HCA local investment
- Use of investment to support shared priorities based on local ambitions with maximum flexibility for the HCA to help achieve this
- Clear approaches for funding allocations so that councils and their partners can develop proposals with a sound understanding of how funding decisions will be taken.
- Deals at a local level with a range of stake holders to secure good outcomes for the HCA and the Local authority

The Single Conversation will cover all housing and regeneration priorities in the local area, including growth, renewal, affordability and sustainability and how these areas are interconnected. The HCA also wish to quickly move to cover strategy, investment capacity and delivery and to achieve this they have requested LAs to prepare comprehensive housing and regeneration borough investment plan for submission to the HCA in autumn 2009 for negotiation and completion of a joint Local Investment Agreement (LIA) by the end of the year. This LIA will identify partners, resources, delivery and timescales and must also demonstrate fit with the London regional, sub-regional and Haringey's strategies and plans.

5.5. To develop the Single Conversation, gather the information and develop a draft investment plan and LIA, a cross service project board has been established, under the chair of the Director of Urban Environment. In recognition of the work required in the time available a specialist external consultant with experience of working with the HCA and other LAs in the preparation of plans, is also being appointed to assist in the collation of information and preparation of an initial draft plan for presentation to the HCA and reporting to Members later in 2009. This activity is being funded from existing Urban Environment financial resources. The LIA will include not only Haringey's housing supply and regeneration objectives but also Decent Homes and estate based regeneration programmes and the Council's new build aspirations.

5.6. The Single Conversation with the HCA presents Haringey with real opportunity.

Demographic pressures will undoubtedly result in a housing “bounce back” from the current economic downturn. Demand for housing is still rising and the private rented sector is buoyant. Haringey needs to place itself in the optimum position to take best advantage of this new relationship.

- 5.7. However, we are in stiff competition with other boroughs to attract future external investment and it is clear that the HCA is adopting a ‘something for something’ strategy and in order to be successful we will need to further develop our ‘offer’ to the HCA in return for increased investment.
- 5.8. This issue has been raised on a number of occasions in the past by the Housing Corporation in discussion of funding bids for sites sold by the Council, and this was raised again recently by the HCA when discussing the funding of Tottenham Town Hall. In short HCA are asking why Haringey is not contributing a subsidy in the form of a discount or cash grant contribution when requesting HCA funding for the development of previously Council owned sites. The HCA generally look for authorities to provide a discount/subsidy. This is difficult for Haringey as the authority does not hold significant capital assets. However they see this as increasing the subsidy required from HCA resources to fund a market value receipt for the Council, and this could become a sticking point in negotiating our future LIA and attracting additional resources to the borough.
- 5.9. We also need to recognise that the Government’s next Comprehensive Spending Review 2011-14 is likely to result in a tight settlement for housing and potentially a cut in the HCA’s National Affordable Housing Programme (NAHP). The HCA’s funding to the end of March 2011 is secure and we will seek to ensure that Haringey’s strategic sites and growth plans are included in the HCA’s 2011-14 NAHP through our LIA. However, there are indications that the HCA, with its wider powers than the previous Housing Corporation, will be changing its preferred investment models from the traditional capital grant system to a more active stakeholder role investing, with LAs and developers, to accelerate regeneration and housing supply.
- 5.10. To take this forward it is therefore proposed that we explore in detail the options and benefits that could be gained in the current market and with the HCAs new investment strategy, to bring forward Council owned land for early development by the setting up of a local asset backed vehicle (LABV) in the form of a wholly owned Council subsidiary company. Such initiatives are also being actively pursued by other London authorities and it is seen as an option that should be fully explored at this time.
- 5.11. In summary a LABV is a mid/long term joint venture equity partnership between a local authority and a private sector investment partner. There is no standardised model but usually the local authority would contribute land and a private sector investment partner contributes capacity to deliver, skills, experience and funds to develop the asset. If structured correctly this can incentivise the private sector to create local job opportunities and unlock regeneration by delivering developments

that may otherwise be passed over especially in the current economic climate. As a 50% equity participant in the LABV the local authority can control the pace, location and type of development creating an asset portfolio fit for purpose and that provides maximum financial, regeneration and economic returns.

5.12. Council house building. Following government announcements on Building Britain's Future, S&CHS are also exploring other options for the construction of new homes by the Council. There are a number of detailed financial and technical issues still to be considered along with the more recent CLG consultation on the reform of council housing finance. However, if this can be recommended as a financially viable option it is proposed that the Council pre qualifies with the HCA to become an investment partner allowing it to bid competitively with other LAs, for direct grant subsidy. To be competitive such an option would of course require the contribution of Council owned land to be competitive and provide new homes at grant rates below those of RSLs acquiring development land. However, the HCA is currently only able to fund LA construction of social rented homes rather than the intermediate tenures available through other partners and the Council would also forgo any disposal receipt. To create the desired mixed tenure communities, particularly in the east of the borough, the LABV approach may provide a preferred option to deliver the Council's objectives.

5.13. In view of the financial pressures currently placed upon the capital programme, the Council is looking at opportunities within the Council owned stock for the retention and improvement of homes through self funding initiatives where receipts from selected asset disposals may be used to improve and retain other property that may be considered unfit or surplus in its current use and may otherwise be lost to the social housing stock. Such schemes would be selected to have minimum impact on the Council's overall financial position and would assist in retaining and improving homes to reduce temporary accommodation and overcrowding. Identified schemes will be brought forward individually for approval within the current policy for capital receipts.

6. Other Options Considered

6.1 No other options appropriate

7 Chief Financial Officer Comments

7.1 This report sets out arrangements for the negotiation and completion of a joint Local Investment Agreement with the Homes and Community Agency by the end of this calendar year. This activity is being funded from existing Urban Environment financial resources.

7.2 The report also recommends that a detailed appraisal is undertaken of the options

and benefits of setting up Local Asset Backed Vehicles (LABVs) as a method of taking forward the Council's major housing and regeneration objectives. This appraisal will need to include all relevant financial issues, including the potential impact on funding the Council's capital programme. It is, however, difficult for the Council to provide land or other assets to support a LABV as significant capital assets are not held.

7.3 With regard to the application of capital receipts, the Council's capital resource allocation policy is agreed on an annual basis as part of the business planning process. This policy will need to be taken into account in considering future proposals for self-funding arrangements for the retention and improvement of Council owned housing stock. The policy states:

- that capital receipts are managed corporately and applied in accordance with the business planning process;
- that best consideration will be sought for all disposals, except in the case of agreed discounting to social housing providers;
- that the spending power derived from capital receipts is maximised through the offsetting provisions for pooled (non-right to buy) housing receipts.

8 Head of Legal Services Comments

8.1 The Head of Legal Services has been consulted in the preparation of this report.

8.2 The Head of Legal Services notes the content of the proposals for progressing the HCA Single Conversation and the Local Investment Agreement. At this stage there are no legal comments to be made on the proposals set out in this report. However, legal advice should be obtained as the proposals progress and if the recommendation is that a Local Asset Backed Vehicle should be set up. Further advice may therefore be required when this matter is next reported to the Cabinet.

9 Equalities & Community Cohesion Comments

9.1 Minority and disadvantaged groups have a higher than average dependence on affordable housing and increasing housing supply, especially of social rented housing, will therefore be beneficial for those groups in helping to meet housing needs.

10 Consultation

11 Service Financial Comments

11.1 There are no specific financial implications at this time. A detailed review of financial implications will be made as the initiatives contained in this paper are progressed.

12 Local Government (Access to Information) Act 1985