

Report for:	Cabinet	Item Number:	10
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Title:	Response to the recommendations of the Scrutiny review of Council led development
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Report Authorised by:	Lyn Garner Director of Regeneration, Planning & Development
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Lead Officer:	Mustafa Ibrahim Head of Housing Commissioning, Investment & Sites
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Ward(s) affected: All	Report for Key/Non Key Decisions: Non-key
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1. Describe the issue under consideration

- 1.1 The Housing & Regeneration Scrutiny Panel (HRSP) conducted a review of the Council role in housing development, specifically to identify:
- Legal and financial instruments available to the council to further support its house building ambitions
 - What could be learnt from other Local Authorities who had already embarked on their own house building programmes.
- 1.2 The panel commenced work in December 2014 and within its plan of work held a number of evidence gathering sessions with Council officers and other local authorities. Its report was agreed by Overview & Scrutiny Committee on 19 October 2015.
- 1.3 **Appendix 1** sets out the conclusions and recommendations of the HRSP and presents the Cabinet Member's response to them.

2. Cabinet Member Introduction

- 2.1 The development of new affordable homes in Haringey is a corporate priority within Priority 5 of the Corporate Plan 2015-18. As the Cabinet Member for housing and regeneration I welcome the work of the Housing & Regeneration Scrutiny Panel on this issue and generally welcome the recommendations they have made.
- 2.2 Considerable work is being done on taking forward housing development in the borough in a challenging political and financial climate and the Panel's recommendations are a helpful contribution to this work. I note that some of the

recommendations will be challenging and will require working with partners but I am confident that the broad thrust of these recommendations will be reflected in our new Housing Strategy and our planned refreshed Housing Investment & Estate Renewal Strategy.

3. Recommendations

3.1 It is recommended that Cabinet:

(a) Notes the recommendations from Overview & Scrutiny Committee following the Housing and Regeneration Scrutiny Panel's review of council led development; and,

(b) Agrees the response to these recommendations set out in Appendix 1.

4. Reasons for decision

4.1 A decision is needed in order to respond to the Overview & Scrutiny recommendations on council led development.

5. Alternative options considered

5.1 Appendix 1 sets out a considered response to all of the recommendations of Overview & Scrutiny Committee. In arriving at these responses officers have had regard to the intention behind the recommendations and the practicality of their delivery in terms of both staff and other resources. Comments on any available alternative options are contained in the individual responses.

6. Background information

6.1 The current Housing Investment & Estate Renewal Strategy was adopted in November 2013, initiating a council led housing development programme. The first phase of this programme is now being delivered.

7. Contribution to strategic outcomes

7.1 The development of new homes contributes to Priority 5 of the Corporate Plan 2015-18, *Create homes and communities where people choose to live and are able to thrive*. The first objective under this priority is to achieve a step change in the number of new homes being built.

7.2 The development of new homes also contributes to Priority 4 of the Corporate Plan 2015-18 by contributing to growth and investment objectives.

7.3 The draft Housing Strategy and current Housing Investment & Estate Renewal Strategy set out the strategic context for the development of new homes in Haringey. Both of these key strategies will be considered by Members in 2016, providing an opportunity to further consider the Scrutiny recommendations and any funding requirements.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

8.1 The cost of undertaking this Scrutiny Review has been contained within existing budgets. The majority of the agreed recommendations can be implemented at no additional cost to the Council, but where there is a cost to implementing a recommendation, funding will need to be agreed by Cabinet before any work can take place.

8.2 The financial environment surrounding Council new build programmes is rapidly changing due to legislative changes from Central Government. The forced rent reduction of 1% per annum for the next 4 years, has reduced the viability of new build schemes and ongoing changes to the Right to Buy regime increases the risk to the Council in undertaking development as expected future rental flows may not materialise. Additionally, the Council has limited borrowing capacity within the Housing Revenue Account and may find that even where New Build schemes are viable they do not represent the best value for money for the limited funding available. Therefore it is important for the Council to be aware of the risk of further legislative change when making decisions about any future programme.

Procurement

8.4 The Central Procurement Unit note the contents of this report and that currently there are no direct procurement needs to be addressed. It will be expected as these arise that the Central Procurement Unit will be consulted on each procurement.

It should also be noted that the Haringey led London Construction Programme Major Works Framework Agreement is now in place and can be used for New Build Housing developments.

Legal

8.5 The Assistant Director Corporate Governance has been consulted on the contents of this report.

8.6 The Constitution of the Council, as required by section 9F Local Government Act 2000 ("LGA"), gives Overview and Scrutiny Committee power to make reports or recommendations to the Council or Cabinet with respect to the discharge of the functions of either. Overview and Scrutiny also have the powers to make reports or recommendations more generally on matters which affect the Council's area or the inhabitants of its area. The Constitution further provides that Scrutiny Review Panels must refer their findings and recommendations in the form of a written report to the Overview and Scrutiny Committee for approval and afterwards, final reports and recommendations will be presented to the next available Cabinet meeting together with an officer report where appropriate.

8.7 The Constitution also provides (pursuant to section 9FE of the LGA), that on such a report being made Cabinet will consider and respond to the recommendations indicating what if any action it proposes to take, and to publish its response.

8.8 No specific legal implications arise at this stage in relation to the recommendations made and the Cabinet response set out in Appendix 1.

Equality

8.9 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

8.10 The report sets out a number of recommendations in support of the Council's house building ambitions, particularly concerning the development of new affordable homes. Currently certain groups are experiencing much higher levels of housing need within the borough compared to others. For example, homelessness levels are much higher amongst lone female parents, younger residents, disabled residents, and black households. The Council's intentions for taking forward housing development in the borough will be reflected in the Housing Strategy and Housing Investment and Estate Renewal Strategy. It is noted that the Housing Strategy has been subject to a full Equalities Impact Assessment.

9. Use of Appendices

Appendix 1:

Response to the recommendations of the Housing and Regeneration Scrutiny Panel on Council led Development – October 2015

10. Local Government (Access to Information) Act 1985

Background papers:

Scrutiny Review Final Report - Council Led Development - 19 October 2015

Appendix 1: Response to the recommendations of the Housing and Regeneration Scrutiny Panel on Council led Development – October 2015

No		Agreed Partially agreed Not agreed	Budget implications	Response	Timescale and lead
1	Within the Council led development strategy, where possible the Council should seek to retain its assets (including freeholds) to maintain its strategic influence in the local housing market and maintain the possibility of developing future income streams. That in respect of those properties deemed 'uneconomic' to repair, where possible that these are demolished and rebuilt as part of a wider infill programme	Partially agreed	No new implications arise specifically.	<p>Where possible this will be the case but it will not always be possible for the Council to retain asset ownership. Delivery of new affordable housing must be financially viable while promoting mixed communities and this means most developments will be a mix of homes for rent, low cost home ownership and private sale and/or rent. Enabling development by other asset owners is an increasingly important element of overall delivery.</p> <p>"Uneconomic" properties are dealt with as part of our long term business plan for the Housing Revenue Account, which is currently being refreshed.</p> <p>The Development Vehicle will also mean that leasehold ownership of identified assets will not be retained by the Council, though the Council is expected to retain freehold of any land transferred into the Vehicle.</p>	<p>Mid 2016 Priority 5 Strategic Board</p> <p>Feb 2016 Priority 5 Strategic Board</p>
2	That the Council should adopt a strategic and proactive role in housing delivery, adhering to	Agreed	No new implications arise	The Council's Strategic Housing role is currently under review as part of the Housing Transformation programme and	March 2016 AD Regeneration

No		Agreed Partially agreed Not agreed	Budget implications	Response	Timescale and lead
	those principles endorsed within the Elphicke-House Report.		specifically.	this is likely to lead to a function broadly in line with the principles of the Elphicke-House report.	
3	That the Council develop a unified list of potential development sites from both HRA and GF owned land. Recognising their local knowledge and expertise, members and staff should be actively encouraged to contribute to the continued development of this unified list	Agreed	No new implications arise specifically.	This is already in place. A comprehensive register of potential sites has been created and is regularly maintained. It is intended to develop this as a database for all relevant staff to use and contribute to.	Ongoing AD Regeneration
4	That the Council undertake a detailed assessment of the public and private finance options available for key development sites. This should be undertaken promptly (to obtain best value from current low interest rates) and with the use of specialist financial services. In addition, the Council should continually monitor the various housing grants and alternative funding available to support new build and apply accordingly.	Agreed	No new implications arise specifically.	Comprehensive options appraisals are conducted for key development sites and finance options are a fundamental part of these appraisals. Identifying and pursuing external funding and grant opportunities will be an explicit role within the new Strategic Housing function. The Tottenham Housing Zone is a successful example of attracting funding into the borough. The proposed Development Vehicle will also be a route to lever-in additional finance.	Ongoing Director of Regeneration Planning & Development
5	That the Council should	Agreed	No new	This is happening through London	Ongoing

No		Agreed Partially agreed Not agreed	Budget implications	Response	Timescale and lead
	continue to lobby DCLG directly and through other representative organisations (London Councils and GLA) for a relaxation of borrowing limits set within the HRA. In addition, the Council should update and reassess gearing debt ratios on HRA estates to provide further evidence to support future borrowing opportunities.		implications arise specifically.	Councils and the GLA. Debt matters generally are dealt with as part of our long term business plan for the Housing Revenue Account, which is currently being refreshed.	Cabinet Member for Housing and Regeneration & AD Regeneration Feb 2016 Priority 5 Strategic Board
6	The Panel recommend that the Council actively consider joining the LG Develop Scheme to further support council home building ambitions for the borough.	Partially agreed	No new implications arise specifically.	Consideration will be given to the scheme but this must be seen in the context of the proposed Development Vehicle, which will enable funds to be raised for the development of housing.	Ongoing AD Regeneration
7	That, in line with the Elphicke-House Report, the Council actively considers the option of establishing a Housing Delivery Organisation.	Agreed	No new implications arise specifically.	The Council is actively considering this and on 10 November 2015 Cabinet approved the initiation of the procurement process.	Ongoing AD Regeneration
8	That the role of Internal Audit Team in the identification of fraudulent RTB applications is fully acknowledged, and this team continues to be fully supported and maintained.	Agreed	No new implications arise specifically.	It is acknowledged that this is an increasingly important issue and that Internal Audit play a successful role in combating RTB fraud that should continue. The funding for this to continue is currently in place. It should be noted that there is no ongoing	Ongoing AD Corporate Governance (Monitoring Officer) April 2016

No		Agreed Partially agreed Not agreed	Budget implications	Response	Timescale and lead
				funding for other housing fraud work (e.g. tenancy fraud) and this is being considered as part of the new management agreement with Homes for Haringey.	AD Regeneration
9	<p>That the council should adopt the 'Hackney model' in building up a core development team to ensure that necessary skills and expertise are available in-house to support the housing development aspirations of the Council.</p> <p>The Council should also (i) consider recruiting to more specialist posts (e.g. commercial adviser/ development modeller) to ensure that best value is obtained from each site (ii) ensure that the best available professional support is available for effective delivery of individual development projects.</p>	Partially agreed	Not known at this stage	The Council's Strategic Housing role is currently under review as part of the Housing Transformation programme and this will create a new staffing structure. Professional functions across the council cooperate and pool their expertise and where required specialist external support is used. It is recognised that in house capability in this area needs to be stronger and the current review is intended to help achieve this.	March 2016 AD Regeneration
10	That the forecast increase in development costs is fully factored in to local development plans.	Agreed	No new implications arise specifically.	The models used for financial modelling and estimating are regularly updated to reflect changing market costs.	Ongoing AD Regeneration

No		Agreed Partially agreed Not agreed	Budget implications	Response	Timescale and lead
11	That the Council provide further consideration as to how it manages its relationship with development contractors in securing housing development projects. In particular, the Council should ensure full legal and financial service buy-in to proposed development sites.	Agreed	Not known at this stage	The methods and relationships will differ from one project to another, depending on how the council delivers new housing in future. Both the creation of the proposed Development Vehicle and the review of the in house development function will inform this consideration. Development proposals will not proceed without full legal and financial service buy in and this will rely on timely resources being available.	Ongoing AD Regeneration
12	That the Council undertake further work to improve the understanding of the Housing Viability Assessment process, its impact on the provision of affordable homes and possible ways that the Council can influence/ contribute to such assessments. That the Council consider signing up to planned new initiatives by London Councils to tackle this issue on a regional basis. That the council consider following the example of Islington Council which plans to amend the planning process whereby viability assessments are	Agreed	Not known at this stage	The Council is open to improving knowledge on the issue of viability to ensure that best practice is followed, and will be engaging with other councils in regard to this to see what improvements in practice can be made to secure optimum affordable levels from new developments. The publication of viability assessments is an important contribution to transparency and engagement with affected residents. While it is recognised that Members would like to see greater ability within the Council to influence viability tests affecting affordable housing provision, improving this within the Council will come at a cost. The current practice is to commission this function from a consultant in the	Ongoing AD Planning

No		Agreed Partially agreed Not agreed	Budget implications	Response	Timescale and lead
	published in full.			determination of planning applications (a cost which is borne by the developer, but deducted from the cost associated with the provision of affordable units). To build these skills in house will require an element of cost in terms of staff, or training and relocation of existing staff.	
13	In the context of and recognising the above elements, it is recommend that an explicit consultation strategy is developed at the outset of each estate regeneration/ new build to maximise resident engagement and involvement and facilitate regeneration plans.	Agreed	No new implications arise specifically.	This is already in development following the experience gained in Tottenham and with the Phase 1 new build programme.	Ongoing AD Regeneration
14	It is recommended that those agencies which will eventually manage new build are actively involved at the planning and design stage to ensure that specifications are conducive to effective and sound housing management principles.	Agreed	No new implications arise specifically.	This is the case with the Phase 1 new build programme, where Homes for Haringey have been involved and advised on housing management principles to inform planning and design, and will be the case in any future phases.	Ongoing AD Regeneration