

Report for: **Cabinet 17 July 2018**

Title: **Setting up a Wholly Owned Company for Housing Development**

Report  
Authorised by: **Helen Fisher, Interim Director of Housing, Regeneration and Planning**

Lead Officer: **Dan Hawthorn, Director of Housing & Growth**

Ward(s) affected: **All**

Report for Key/  
Non Key Decision: **Key Decision**

## **1. Describe the issue under consideration**

1.1 Haringey's Housing Strategy 2017-2022 sets out the need to increase housing supply in the borough, and in particular the supply of affordable homes. The Housing Strategy specifically highlights the importance of using Council-owned land 'to deliver the quality, volume and density of housing growth we need'.

1.2 Most new affordable housing in the borough between now and 2022 will inevitably continue to be delivered by Registered Providers, with many of these homes already in the development process. If the Council is to increase significantly the supply of housing in the borough that the Council itself owns and that it can use to house those on its housing register and homeless households, it will need to do this through number of different mechanisms. These include:

- The Council increasing substantially its role as a developer of new affordable homes, operating through a new wholly owned company.
- The Council taking ownership of some of the affordable housing secured as part of s106 contributions in new housing developments.
- The Council acquiring or securing through partnerships, the new and replacement affordable housing on estate renewal schemes and other mixed-use schemes on Council land.
- The Council municipalising existing market housing, to be owned by the Council and used to house homeless families.

1.3 This report focuses on the first option, setting up a wholly owned company (WOC) to deliver new build council-owned homes. It is noted that, over time, this WOC could expand its role into these other areas as set out in paragraph 6.4, if necessary by developing subsidiaries or a wider family of WOCs, as has happened in other local authorities that have set up similar WOCs.

- 1.4 Councils withdrew from building social rented housing in the early 1980s as Government funding only realistically enabled Housing Associations to do so, by drawing down increasingly large proportions of private debt finance. Over recent years, Councils have started to return to house building and in Haringey, over the period 2014 to 2018, the Council built its first new homes for decades. These were 32 new Council-owned homes, a combination of Affordable Rent and shared ownership. The lessons learned from this experience has informed the thinking behind the establishment of the WOC as part of the Council's ambition to significantly scale up delivery of new Council-owned housing.
- 1.5 The WOC will, in the first instance, aim to develop mid-size sites, on Council owned land, in mixed tenure developments, as set out in paras 6.18 to 6.24. Its primary purpose, at this stage, is to maximise the delivery of Council owned housing at Council rents on these sites. These could be directly owned by the Council or owned by the WOC on behalf of the Council. The WOC will be able to operate commercially and should therefore be able to develop more swiftly and cost-effectively. It will sell any market housing it develops to cross-subsidise the Council owned housing, ensuring all surpluses are reinvested to maximise the supply of Council owned housing. But it is noted that the WOC could have a role in selling and managing market and intermediate homes, and targeting households for these homes, which would be beyond the normal remit of the Council's Housing Revenue Account functions and therefore involves some additional risk.
- 1.6 A number of Council owned sites in the borough are being considered for development through the WOC as set out in section 6. The first site, which exemplifies the type of site that would be appropriate for the WOC to develop, is the Cranwood site in Muswell Hill N10. As future sites are identified, each will come to Cabinet for approval.

## **2. Cabinet Member Introduction**

- 2.1 Haringey's Labour councillors were elected on a bold manifesto which placed housing at its heart. Our Manifesto committed to deliver at least a thousand new council homes at council rents by 2022 and that our preference is to build council housing directly through a company we fully own. It went on to be clear that we would deliver these thousand new council homes for families on the waiting list by 2022 and ensure that - wherever possible - the Council's public land and the homes built on it remain in Council ownership.
- 2.2 Our decision this evening to establish a Wholly Owned Company to drive housing development in Haringey, alongside our decision not to pursue the HDV, is a clear move to change the direction of housing in Haringey. Housing development at Cranwood and the Civic Centre - sites formerly earmarked for development by the HDV - will now deliver new Council-rented housing for our residents. These are just two of the first sites on which we are proposing development through our new Wholly Owned Company. The Council owns a number of sites in the borough on which new housing development is possible, and we are committed to maximising the number of Council-rented

homes that will be delivered on these sites. I will be working with all Members to seek to identify and then bring forward sites in their wards, ensuring that residents all across the borough can benefit from new Council owned housing of the highest quality.

### **3. Recommendations**

It is recommended that Cabinet:

- 3.1 Agree to set up a Wholly Owned Company (WOC), as set out in paras 6.5 to 6.30, with the primary purpose of maximising the delivery of new Council owned homes on the condition that the WOC shall not be incorporated until Cabinet has considered the further report set out in paragraph 3.6.
- 3.2 Note that the Director of Housing, Regeneration and Planning, in consultation with the Director of Finance and Deputy Leader of the Council and Cabinet Member for Housing and Estate Renewal, will take all necessary steps towards setting up the WOC, including but not limited to drawing up the Articles of Association of the WOC, the Shareholder's Agreement between the Council and the WOC, any other necessary agreements and legal documentation required, including, if necessary, registration of the WOC as a Registered Provider; subject to recommendation 3.6.
- 3.3 Agree that the WOC may undertake commercial activities, that is to develop market housing for sale and rent, subject to approved business cases and subject to recommendation 3.6.
- 3.4 Allocate up to £500,000 funding from the Government's Flexible Homelessness Support Grant for 2018/19 to cash flow initial set up and development costs of the Wholly Owned Company.
- 3.5 Note that where possible any costs incurred in the establishment of the WOC will be capitalised and the funding returned to the FHSG.
- 3.6 Note that decisions will need to be made on the following issues by Cabinet later in 2018:
  - The appointment of the initial Company Directors of the WOC
  - The appointment of members of the Shareholder Board for the WOC
  - The Objects Clause and Articles of Association of the WOC, the Shareholders' Agreement between the Council and the WOC and any other necessary agreements required between the Council and the WOC.
  - All further legal documentation necessary to the set up of the WOC.
  - The capital and revenue budgets to be made available to the WOC.
  - Further delegations to agree and sign off the business cases for future WOC development sites.
  - The financial limits for future delegated decisions and where Cabinet decisions will still be necessary.

- The first site business case for the WOC, ie housing development at Cranwood.
- Disposal of land at Cranwood to the WOC.

#### **4. Reasons for decision**

4.1 A wholly owned company (WOC) will enable the Council to scale up its delivery of new Council-owned homes to help deliver the Housing Strategy aims to increase housing supply in the borough, and in particular the supply of affordable homes.

4.2 To increase significantly the supply of housing in the borough that the Council itself owns and that it can use to house those on its housing register and homeless households, it will need to do this through number of different mechanisms. In addition to this WOC, this includes acquiring new homes on estate renewal schemes and municipalising existing market housing and purchasing s106 affordable housing from developers. Over time, the WOC could expand its role into these other areas, if necessary by developing subsidiaries or a wider family of WOCs.

4.3 The WOC could also expand, as has happened in other local authorities, to deliver a wider range of services or to repatriate surpluses to the Council to support the General Fund. It could also, to facilitate any such expansion, or if necessary, to facilitate the granting of Registered Provider status, be given more independence, for example having an independent chair, board members or its own staff. But to ensure a rapid start on the programme of new Council house building, a simpler more focused approach that will move as swiftly as possible to delivery has been recommended. At all times, the WOC will remain a separate entity and the board must always act in the best interest of the company.

4.4 Over the period 2014 to 2018, the Council built its first new Council owned homes for decades - 32 new homes, a combination of Affordable Rent and shared ownership. The lessons learned from this experience has informed the establishment of the WOC. As a result, it will, in the first instance, aim to develop mid-size sites, on Council owned land, in mixed tenure developments. Its primary purpose, at this stage, is to maximise the delivery of Council owned housing at Council rents on these sites. The WOC will sell any market housing it develops to cross-subsidise the Council owned housing, ensuring all surpluses are reinvested to maximise the supply of Council owned housing.

4.5 A number of sites in the borough are being considered for development through the WOC, with the first site identified being the Cranwood site in Muswell Hill. As future sites are identified, each will come to Cabinet for approval.

## 5. Alternative options considered

5.1 There were a number of other options considered, and as with the preferred WOC option, a number of Councils are operating these alternative options. The options considered below may be deemed more appropriate to pursue on future housing developments, and if the legislative and policy agenda changes. But for the purposes of the types of development identified in section 6, the WOC set out here is, at this point, the preferred option.

5.2 **For the Council not to seek to deliver any affordable housing itself:** That is, the Council could continue to rely wholly on Registered Providers to deliver affordable housing in the borough, helping the Council meet its housing need through nominations agreements to these homes.

5.3 This has not been pursued because, while Registered Partners are likely to still deliver the majority of new affordable homes in the short to medium term, relying wholly on Registered Partners eschews the ability of the Council to provide additional supply using its own resources. Any surpluses from Council led housebuilding will be reinvested in housing in Haringey or paid as dividends to the General Fund at a later stage, if other Council investment purposes are deemed a greater priority. In contrast, Registered Partners can utilise surpluses from their new build stock in Haringey to invest in other Boroughs or even outside London. In addition Council nominations are rarely 100% in perpetuity on Registered Partner homes, rents will typically be higher than Council rents and tenants and prospective tenants have expressed a preference for Council owned housing. Finally, this would miss the opportunity to bring new stock into the HRA, of good quality and with little or no debt, and providing additional rental income, which will enhance the financial viability of the HRA and support the improvement of existing Council stock.

5.4 **For the Council to deliver affordable housing itself, but not through this form of wholly owned company:** That is, for the Council to deliver affordable housing through other methods such as:

- a) The Council building directly itself, rather than through a WOC.
- b) Homes for Haringey, an already established WOC, building the new housing.
- c) The Council establishing a joint venture with a housing developer or Registered Provider.

5.5 Although Option (a) has not been pursued further at this point, this does not mean that the Council cannot consider at a future point whether there are developments that could be better undertaken directly by the Council itself or by Homes for Haringey, rather than through the WOC. However, for some sites, having the WOC option is beneficial because it is able to operate in a more commercial manner than the Council itself can. The WOC could also more easily build for market sale and market rent to cross subsidise affordable housing, and could make a return to the General Fund, activities that would not normally fit so easily within the Council's, or Homes for Haringey's, social purposes.

5.6 It is important for Members to note that homes owned by a WOC would not have the statutory Right to Buy, which they would, were they owned by the Council

directly. However, homes owned by a WOC cannot have a secure tenancy, which they would have, were they were owned by the Council directly; although if owned by the WOC they can have a lifetime assured tenancy, as most Housing Association tenants do. Depending on the Council's view on these and other relevant issues, as new homes are developed by the WOC, the Council can choose to hold them within the WOC itself, or for the WOC to sell them to the HRA.

5.7 If the Council were to develop within the HRA, then this capital investment would be constrained by the HRA debt cap. With the new pressures on the HRA on Broadwater Farm, this headroom is likely to be extremely restricted in the short to medium term. And HRA investment in new build would need to be balanced against other existing stock investment pressures, such as decent homes, fire safety and environmental improvements. The HRA is a ringfenced Account so offers less flexibility over use of surpluses than a WOC and does not as easily support trading for profit.

5.8 Option (b), utilising Homes for Haringey (HfH) as the WOC, has not been pursued, to enable the greatest flexibility going forward. It is noted that this decision is about where the legal entity of the WOC is based. The WOC will employ no staff itself and all the actual work of delivery will be undertaken by Council and HfH staff as appropriate. Basing the WOC itself within HfH, or using HfH itself as the WOC, would both distance it to some extent from direct Council control and mean that the actual delivery capacity could only sensibly be entirely within HfH. But as noted above, this decision does not preclude using HfH to deliver some or all of the programme, and, wherever the delivery of the new homes is based, the management and maintenance of the homes would be undertaken by HfH.

5.9 Option (c), a joint venture (JV) has not been pursued at this point for the types of development that the WOC is seeking to undertake. Although such a JV would bring immediate benefits in that it would be with a partner that has the delivery capacity and experience the Council lacks, this may have less long term benefits as the Council is seeking to develop that capacity itself. It typically takes much longer to procure, negotiate and enter into a joint venture agreement, whereas a WOC can be set up relatively quickly. Due to the cost and time involved in setting up a JV, this option is more suitable for larger or multi-phased developments where these costs can be justified over the lifetime of a higher value, longer term strategic development partnership, rather than the type of developments identified for the WOC in section 6.

## **6. Background information**

- 6.1 With a housing register of over 9,000 households, the Council has a pressing need for more low cost rented homes that the Council can use to meet this need.
- 6.2 There are a number of different ways that this housing could be delivered, as set out in para 1.2. Any Council-led housebuilding programme through a WOC would be complementary to these other methods of delivering Council housing.
- 6.3 However, the Council is as a major landowner in the borough, with a number of sites, primarily on HRA land, that could be ideal for new Council-led housing development. These can provide additional affordable homes to those delivered by other providers and can boost the stock of Council owned housing, which means that the Council can ensure that it has 100% nominations to these in perpetuity and that these homes are let at Council rents.
- 6.4 The Smith Institute examined local housing companies in its October 2017 report "The rise of local housing companies". This identified that there are over 150 Local Housing Companies in England, most formed in the past few years, with the largest concentrations in London. The report projected that this would rise to 200 by 2020 – covering more than half of all councils in the country. The exact structure and role of the local housing company was found to vary between local authorities according to the priorities of the local authority, with most setting up companies because they want more control and greater freedoms and flexibilities over issues like rents, borrowing and the Right to Buy. Most seek to generate income through their companies, either to cross-subsidise new affordable housing or to be repatriated to the Council to ease pressures on the General Fund.

### **Purpose**

- 6.5 The primary purpose of the Wholly Owned Company, in the first instance, is to maximise the delivery of new Council owned housing. Surpluses made by the sales of and rents from the market homes it delivers will be recycled to cross-subsidise the delivery of additional Council owned homes. Should the Council at a later date determine that it wishes to extend its role and purpose, Cabinet would need to amend its purpose accordingly.
- 6.6 For example, as part of the planning process, affordable housing is secured on new housing developments as s106 planning obligations. Current practice in Haringey is for developers to work with a Registered Provider, which takes ownership of the affordable element of new developments. As well as building new housing, the Council could determine that the WOC should acquire these affordable units.
- 6.7 Also, in parallel to the establishment of the Wholly Owned Company, the Council is proposing to establish a Community Benefit Society (CBS). The purpose of the CBS is to use recycled Right to Buy receipts to support the municipalisation of existing poor quality market housing, improve these homes and then use them to house households presenting as homeless. Again, it is possible that the Council

could determine at some point in the future that the WOC could take ownership of these properties.

6.8 But in the first instance, the WOC proposed in this report would focus on building new housing of mixed tenures on Council-owned land, as set out in this section. Market housing and intermediate housing will be delivered in order to cross-subsidise the maximum amount of council-rented housing. Mixed tenure development is also more readily planning policy compliant, where sustainable communities are generally considered to require a mix of market and affordable homes. In all cases, the maximum viable number of council-rented homes will be built.

### **Risks and limitations**

6.9 As stated below, a detailed setting out of how this approach to housebuilding will be undertaken, will be developed over the coming months. This will include a systematic approach to managing and mitigating risk. However, some key risks are clear from inception.

6.10 There is inevitable sales risk with the development of homes for market sale, particularly in what is currently a relatively subdued housing market. This is to some extent mitigated in these proposals by a number of factors:

- These will not be large speculative developments, but are relatively small scale, in well-established and more secure housing markets.
- The for sale element is, itself, a smaller proportion of the overall development than in private sector led schemes and is therefore less predominant in the viability calculations.
- Since the Council has a long-term interest in housing in the borough, it is, to a large extent, better able to weather the inevitable peaks and troughs of the housing market than private housing developers who are required to ensure a reasonably swift return on investment.
- The homes will be built in the knowledge that there is market sale risk. As such the private homes will be designed in a way that makes them easy to flip, if necessary, into either private rented units or, if funding is available, social rented homes.

6.11 There are also inherent risks in setting up the WOC in terms of building up the technical capacity to effectively manage a housing delivery programme in the Council and/or HfH. Recruiting and retaining development staff is already a problem for local authorities, who struggle to compete with Housing Associations and the private sector. This is likely to be attenuated at a time when most local authorities in London are looking to scale up their development capacity. This is likely to result, at least in the first instance, in a need to buy in some capacity and technical skills, while the in-house capacity to run the development programme is being built up.

6.12 As set out in this section, the WOC will have the primary purpose of delivering new Council housing, through mixed tenure development on fairly straightforward medium sized sites, usually in Council ownership. This means that it is not, in the

first instance, being set up to tackle some of the wider housing challenges faced by the borough, including sites which are either too large, too complex or too expensive for the Council, through the WOC, to deliver on its own, at least in the short to medium term.

- 6.13 Indeed, even delivery of the type of sites identified in this report for the WOC, would require the Council to build a significant development capacity that it currently does not have.

### **Structure and Governance**

- 6.14 The WOC will “sit” within the Council and work closely with Council departments, including, but not limited to, Housing, Regeneration and Planning, Legal and Finance and Homes for Haringey, and the latter will be managing the Council owned homes. The WOC will not employ any staff directly, or have its own offices or other forms of corporate existence. Instead it will rely on existing Council and HfH staff, to deliver its work programme or to commission others to do so.
- 6.15 The WOC will be governed by a Board of three Directors. The Directors should not be Cabinet Members who would otherwise have to excuse themselves from any decisions made by Cabinet with regard to the WOC. Similarly they should not be officers who would have other statutory roles with regard to the WOC, such as the s151 Officer or officers with any role or responsibility in planning. Over time, as the business grows, the Council may wish to add other non-Executive directors with specific expertise, but the initial nominations for the Board Directors will come back to Cabinet later in the year, as set out in para 3.6.
- 6.16 There will also be a Shareholder Board for the WOC, which will set the direction for the WOC and guide and as necessary oversee the Board of Directors. This Shareholder Board will be scrutinised by the Overview & Scrutiny Committee on the business direction and outcomes of the WOC. Any changes in the purpose of the WOC, alongside agreement of any new sites to be developed by the WOC, would require Cabinet agreement. As LB Haringey is the sole shareholder in the WOC, it is likely that this Board will consist primarily or entirely of elected members, and as with the Board of Directors, initial nominations will come back to Cabinet later in the year, as set out in para 3.6.
- 6.17 The range of decisions and financial limits for Board decision-making will be fully defined and agreed at a future Cabinet meeting later in 2018, following further discussion between senior officers and the Leader, the Cabinet Member for Housing and Estate Renewal and other councillors. The delegation from the Shareholder Board to the WOC Board of Directors will be set out in a Shareholder Agreement, which can be reviewed and amended by the Council over time as the business grows and evolves.

### **Proposed programme**

- 6.18 In the first instance, the WOC will focus on medium sized sites – usually more than ten homes and less than 150 homes – which are in Council ownership.

- 6.19 The WOC will not usually look to build out small sites below ten units. The lessons learned from the 2014-2018 small sites programme demonstrated significant inherent difficulties in these types of sites. They can be every bit as challenging to deliver as much larger sites, but are much less financially viable, since economies of scale often do not exist. Separate proposals on dealing with small sites in Council ownership will come forward in due course.
- 6.20 The WOC will not usually look to build out large housing schemes over 150-200 units. This is a scale of delivery that is beyond the capacity of the WOC and the Council acting alone in its early years, although it may well be possible once it has development experience. Where this size of scheme comes forward on Council owned land in the next few years it is likely to be delivered in partnership with a Housing Association or private developer.
- 6.21 The WOC will also not look to develop estate renewal or mixed-use schemes. The former have significant challenges with regard to leaseholder and existing tenants and require a degree of sophistication of approach that the WOC is not, in the first instance, being set up to deliver. Similarly, the latter requires a set of skills in dealing with commercial property that the WOC is not being set up for. However, although the WOC will not, in the first instance, develop these sorts of schemes, there may be some with a small number of existing residents or commercial properties, that it is determined could still be delivered by the WOC.
- 6.22 The priority for the WOC is to develop the maximum amount of new Council rented housing. To achieve this it will develop mixed-tenure housing across the sites it brings forward, including:
- Council rented housing – with rents set at target rent levels
  - Intermediate rented housing – with rents linked to local incomes
  - Intermediate housing for sale – both shared ownership and shared equity
  - Private rented housing – to be let at market rents
  - Market sale housing – to be sold privately
- 6.23 The tenure split will be decided on a site-by-site basis, subject to viability studies. However, the aim, in line with the purpose of the WOC, will be to maximise council rented housing. The Council, either directly or through the WOC, can remain the owner of the first four of these five types of housing.
- 6.24 The Council rented housing that is delivered will be managed by Homes for Haringey, who already manage the Council's housing stock. The intermediate rented homes, with rents likely to be set at around 35% of average local incomes in line with the Haringey Housing Strategy affordability guidance, could also remain Council or WOC owned and be managed by HfH, as could the shared ownership. Any purpose built private rented housing could be sold on to an experienced private sector housing manager, or the Council could decide that the WOC should retain ownership to provide the Council with an ongoing revenue income, in which case it could also potentially be managed by HfH.

## Funding and land

6.25 The Council can support the delivery of the WOC through both funding and its land holdings.

6.26 Most local authorities opt to borrow from the Public Works Loan Board (PWLB) at below market rates and then on-lend to their subsidiary companies. For State Aid compliance reasons, local authority loans to a company for commercial activities (in this case the delivery of market homes) must be provided on market terms. Specifically the loan must demonstrate commerciality in terms of the interest rate, the loan to value ratio, the period of the loan, security provisions and arrangement fees.

6.27 There is an exemption from the State Aid rules, in that where the WOC is providing affordable housing, below market rate lending is permitted. However, this is not relevant where the WOC develops homes for sale or rent at market rates. In all cases the Council would need to take adequate security over the WOC's assets in any loan agreement.

6.28 The Council cannot currently put its retained Right to Buy receipts in a WOC. This could change as a result of emerging proposals by the GLA discussed below, but at the moment neither the WOC nor HfH could be funded to deliver new homes via retained RTB receipts. But there is a range of other funding sources the WOC could access, including:

- It could use borrowing from the General Fund, as discussed above, which would require a reasonable return over the development period to fund the costs of borrowing.
- It could use Housing Revenue Account (HRA) funds, but as noted in paragraph 5.7, headroom in the HRA for any new build programme is likely to be severely restricted in the short to medium term.
- It could seek funding from the GLA. The Mayor of London published a new funding prospectus "Building Council Homes for Londoners" on 16 May 2018. This is offering £100,000 per home for new Council led social rented housing, and £38,000 per home for intermediate housing. The Council will be bidding for funding to support the WOC programme and other forms of affordable housing delivery as set out in para 1.2.
- Alongside this, the GLA is offering boroughs a deal to recycle, then ringfence, their retained Right to Buy receipts. This would remove many of the restrictions in the retention deals that Councils have signed with Government. In particular it could remove the need to return to Government retained receipts not spent within three years and remove the ban on giving these receipts to a WOC, including HfH. Officers are in discussions with the GLA on this offer and this will be reported to Cabinet later in the year.
- It could also utilise s106 planning contributions that have been collected for the delivery of off-site affordable housing including monies available for design and planning work and could bid for funding from other Government sources – but not CIL, which cannot be used to fund affordable housing.

- 6.29 The Council has powers to dispose of land held in its General Fund under Section 123 of the Local Government Act 1972, provided it does not dispose of any land for less than Best Consideration without the consent of the Secretary of State. That is, it must be sold at market value, either by disposal (ie the WOC raises capital to buy the land) or as an equity input (ie the Council invests the land at market value, without receiving a capital receipt). The Council also has powers to dispose of land held in its Housing Revenue Account under section 32 of the Housing Act 1985.
- 6.30 Fuller detail on the funding to be made available to the WOC and any land disposals, as discussed below on the Cranwood site, will be set out in the report to Cabinet later in the year in line with recommendation 3.6.

### **Sites - Cranwood**

- 6.31 The recommended sites for the WOC, at least in the first instance, will be medium sized sites in Council ownership. The first of these sites is Cranwood N10, in the west of the borough, at the corner of Woodside Avenue and Muswell Hill Road. The site currently comprises a former Council care home, as well as eight houses – six Council rented homes, and two held freehold by private owners.
- 6.32 As yet only initial work has been undertaken on Cranwood, which needs to be tested with site investigation, due diligence and further assessments before the potential housing capacity, viability and mix can be determined. Much of this work should be able to be done over the next few months and will be set out in full in the report that comes back to Cabinet to formally set up the WOC later in the year.
- 6.33 The Council will seek to maximise the numbers of homes delivered within the appropriate density for the site and its constraints, with recent changes to the London Plan providing an opportunity to review density. As the first development by the WOC, it is expected that it would deliver in excess of Haringey's borough-wide local plan targets for affordable housing, of which as much as possible would be Council owned homes at Council rent, supported by cross subsidy from market homes on the development. All these decisions remain subject to consultation, future Cabinet decisions and the statutory planning process.
- 6.34 The site has two freeholders in formerly Council owned homes and six secure tenants, who will need to be consulted on all proposals before they can be finalised and fully engaged to ensure they benefit from the new development. In addition there will need to be stakeholder engagement and close working with the local community. Initial engagement has already commenced.
- 6.35 A detailed programme for Cranwood, including key milestones, will come to Cabinet later in the year alongside the final WOC report, in addition to progressing through the standard planning process.

### **Sites – Brunel Walk and Haringey Civic Centre**

- 6.36 The next two sites being considered for the WOC are Brunel Walk and Haringey Civic Centre. These have been identified because they fit the rubric for sites set out in paras 6.18 to 6.21 and because of existing site allocations and prior community engagement.
- 6.37 Brunel Walk is a short distance from Seven Sisters station, behind the Turner Avenue council housing estate. It is narrow linear site (formerly part of a railway embankment) of approximately 0.37 hectares. It is owned by the Council and was developed in the early 1970's. It currently provides 35 single bedroom flats in two-storey blocks and one small two storey family house, all used as temporary accommodation.
- 6.38 An Options Appraisal was conducted in 2010 for Brunel Walk as the condition of the facilities badly needed improvement. The options explored demolition and new build, with conversion or minor improvements discarded as an option due to the unsuitability of the existing structures and poor energy efficiency. A 2015 Stock Condition survey demonstrated that the buildings required significant capital works and immediate essential health and safety investment – so works were carried out in 2016-17.
- 6.39 A feasibility study is being carried out with site investigation for Brunel Walk to explore the potential for development following the recent changes to the London Plan, which provide an opportunity to review the density, dwelling sizes and design of the site to improve the wellbeing and social environment of the neighbourhood.
- 6.40 During 2014 and 2015 the adjacent Turner Avenue estate residents were engaged regarding potential estate renewal, so there has been prior engagement. Brunel Walk and Turner Avenue were listed in the HDV programme as a possible combined site. As such, the Brunel Walk feasibility study will need to consider the relationship with the Turner Avenue estate and its community among other stakeholders.
- 6.41 Haringey Civic Centre on the High Road in Wood Green is a 1.1 hectare site listed in the Site Allocation DPD, which incorporates the Civic Centre building and extensive staff car park. Although the Civic Centre building will have vacant possession later this year, it is a locally listed building of merit, so any full redevelopment work could be delayed.
- 6.42 The car park and underused land to the rear of the Civic Centre building present a more immediate opportunity for new residential development, although site investigation and due diligence will need to be conducted. The close proximity to Wood Green underground station and other public transport provides the site with a high public transport access level. This, together with the neighbouring architecture and structures, provides the potential to review density and design, taking into account the heritage and planning sensitivities as the site is within with Trinity Gardens Conservation Area.

6.43 A detailed programme for both sites, including key milestones, will come to Cabinet later in the year alongside the final WOC report, in addition to these sites progressing through the standard planning process.

#### **Sites - future sites and the overall programme**

6.44 Officers are working up a long list of potential sites for the WOC. All ward members will be engaged in reviewing the deliverability of known sites and identifying additional potential sites. All decisions on future sites that may be developed by the WOC will be taken by Cabinet.

6.45 A detailed project plan and programme for setting up the WOC is being developed with key milestones and gateways for decisions. The most important of these in the short term is formal sign off by the Cabinet later in the year to incorporate the WOC. In addition individual project plans will be worked up for each site.

6.46 Individual sites will need to pass through a series of decision gateways before a decision on the transfer of any land, and before further development. These will afford Members further opportunities to ensure that the WOC is fully delivering on the ambitions of the Council.

## **7 Contribution to strategic outcomes**

- 7.1 This initiative supports the objectives of Priority 5 in the Corporate Plan – Creating homes where people choose to live and are able to thrive. In particular, the Corporate Plan notes that *“We will provide realistic and achievable options for people to find housing or alternative housing.”*
- 7.2 The Corporate Plan Priority 5 includes the objective to increase the supply of housing of all tenures and identifies a particular need for new homes that are affordable to those on the lowest incomes.
- 7.3 This aim is reflected in the Housing Strategy, in which the first objective is to: *“Achieve a step change in the number of new homes built”*. Under this objective the Strategy commits to *“Increase the supply of affordable homes for rent and for home ownership”* and that *“The council will in particular aim to unlock the value in its own land to improve the viability of affordable housing”*.

## **8 Statutory officer comments**

### **Finance**

- 8.1 The report is seeking approval to the establishment of a wholly owned company (WOC) and it is proposed that the establishment of the WOC and the creation of the associated suite of documentation will be funded from the FHSG with a budget up to £500k. The current position on the FHSG is an uncommitted balance of £9.271m that means there are sufficient funds available for this purpose.
- 8.2 The report recommends noting that the expenditure incurred in the creation of the WOC be capitalised and reimbursed to the Council. This option will be explored and reported back to Cabinet at a later date.
- 8.3 The substantive financial analysis for the implications of the WOC operating model will be developed and reported to Cabinet later in the year.
- 8.4 The report is anticipating that the developments undertaken by the WOC will initially be funded from a blended resource base: borrowing from the Council, Council grant (FHSG) and grant from external parties (principally the GLA). Once underway the WOC will continue to be funded from the initial blended resources but be supplemented by sales of market housing to cross subsidise development of housing for rent and through rents on the properties that it develops and retains.
- 8.5 In undertaking lending the Council’s primary objective is to ensure that the monies lent will be repaid, which is in accordance with CIPFA requirements. Given the WOC’s only assets will be the houses that it develops and the revenue it generates the Council will need to ensure that there is adequate security in place (which will probably mean a charge over the land/revenues of the WOC). The security arrangements for the loan will be developed in detail.

- 8.6 A further consideration relating to the lending of money to the WOC will be the effect that such lending has on the Council's overall capital programme and prudential indicators. This effect will be assessed at the next stage and any changes required to the Council's treasury management strategy statement or prudential indicators will be highlighted.
- 8.7 The report describes a very "thin" company with lots of its activities undertaken by either Council officers, HfH staff or other parties. It will be important to ensure that the Council and HfH costs are reimbursed.
- 8.8 The WOC will need to develop a detailed business plan to guide its activities and to assist in strategic and operational planning. Below the business plan, individual developments by the WOC will need to be supported by robust business cases that have been challenged rigorously. A key component of the business plan and individual business cases will be an assessment of the risk of undertaking the development.

## **Legal**

- 8.9 The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and makes the following comments.
- 8.10 Legal Services have not been instructed to provide advice on this project. Instead, the Housing and Growth business unit obtained advice from external specialist solicitors - Trowers & Hamlins LLP – which, it is understood, has a successful track record of setting up WOCs at a number of other London Boroughs in recent times.
- 8.11 That advice – which it is understood also extended to the contents of this report – confirmed that the Council has the statutory power to set up the WOC for the purposes of providing, developing or acquiring housing for rent or sale pursuant to Section 1 of the Localism Act 2011 (the Act) – the 'general power of competence' - and section 4 of the Act – the ability to set up a company to do something "for a commercial purpose."
- 8.12 In light of the above, it has to be assumed that the legal advice is sound.
- 8.13 In the event that Cabinet agree Recommendations 3.1 – 3.5, support is given for the need for Recommendation 3.6, as it will not be possible to incorporate the company without the further matters referred to all receiving Cabinet approval.

## **Procurement**

- 8.14 Strategic Procurement notes the contents of this report and would support proposals to increase Council owned properties. There is no procurement input required for the establishment of a WOC.

8.15 It should be further noted property and land transactions sit outside of the Procurement Contract Regulations.

## **Equalities**

8.16 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- 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.

8.17 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

8.18 The decision is to establish a WOC to increase housing supply in Haringey by delivering new build Council-owned homes, including council rented housing, intermediate rented housing, intermediate housing for sale, private rented housing, and market sale housing.

8.19 Delivery of new council rented housing is likely to have a positive impact on individuals in temporary accommodation as well as those who are vulnerable to homelessness. Data held by the Council suggests that women, young people, and BAME communities are over-represented among those living in temporary accommodation. Furthermore, individuals with these protected characteristics as well as those who identify as LGBT+ and individuals with disabilities are known to be vulnerable to homelessness, as detailed in the Equalities Impact Assessment of the Council's Draft Homelessness Strategy, accessible at [this link](#). As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.

8.20 Allocations for intermediate housing delivered through the WOC will be made in line with the Council's Intermediate Housing Policy, approved by Cabinet in January 2018, and for which a full Equalities Impact Assessment (EqIA) was completed and is accessible at [this link](#). Delivery of intermediate rented housing and intermediate housing for sale in line with the policy will primarily benefit individuals with fixed or lower incomes and social housing tenants. It follows that delivery of intermediate housing will have a positive impact for women, younger and older people, households where a member has a disability, BAME residents, and pregnant women and mothers of young children.

8.21 Delivery of private rented housing and market sale housing will cross-subsidise the supply of council rented housing. Delivery of these types of housing

will therefore have a positive impact on individuals with protected characteristics in line with the impact noted in para 8.8.

8.22 Delivery of mixed tenure developments will enable the Council to foster good relations between communities by facilitating diverse and sustainable communities.

8.23 Equalities considerations will be taken into account in the process to set up the WOC. Appropriate steps will be taken in order to ensure that there is no direct or indirect discrimination at any stage in the appointment of the Board of Directors or the Shareholder Board. The WOC's Articles of Association will include appropriate equalities considerations.

8.24 Future decisions to dispose of land to the WOC, including the Cranwood site, will be subject to EqlAs when they return to Cabinet for approval.