

Report for: **Cabinet 16 June 2020**
Title: **Update on the Council's Housing Delivery Programme**
Report
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Ward(s) affected: **All**
Report for Key/
Non-Key Decision: Key **Decision**

1. Describe the issue under consideration

- 1.1. This report provides an update on the Council's progress towards the Borough Plan target to deliver 1,000 Council homes for Council rent by 2022 and notes progress on providing homes for homeless families through the Haringey Community Benefit Society (CBS). The report also sets out an initial assessment of the likely impact of the COVID-19 crisis on the housing delivery programme, including on its viability.
- 1.2. Members are asked to add seven new sites of Council land - including land at Kerswell Close - to the housing delivery programme, and to remove the Roundway site from the programme.

2. Cabinet Member Introduction

- 2.1. This Council's priority is to start a new era of Council homebuilding in Haringey. After forty years without new Council homes, this report shows how far we have come in just two. We've put in place the finance, people, and systems we need to deliver this ambition; and we have identified land which we own, all across the borough, where new homes will be built. Construction work has now started on 331 Council homes across seven sites. And with the new sites which I am today recommending Cabinet approve entering the programme, there will be a site for the development of new Council homes in every ward of the borough.
- 2.2. We all need a safe, affordable, decent home – now more than ever. Along with so many other inequalities, COVID-19 has exposed sharply how broken our housing system is, and how great the need for more Council homes.
- 2.3. Our communities will face huge economic challenges as the impacts of COVID-19 combine with a decade of austerity. Our programme of Council homebuilding will not just deliver good quality homes but will also support good local jobs at a decent wage and help local businesses to build Haringey's economy.

3. Recommendations

- 3.1. It is recommended that Cabinet:

- 3.1.1. Notes the progress made to date on delivering new Council homes for Council rent, including in relation to the interim targets set for May 2020, as set out in paragraphs 6.1 to 6.12.
- 3.1.2. Notes the potential impact of the COVID-19 crisis on the housing delivery programme, as set out in paragraphs 6.23 to 6.37.
- 3.1.3. Also notes the related progress on providing homes for homeless families by the Haringey Community Benefit Society, as set out in paragraphs 6.21 and 6.22.
- 3.1.4. Agrees to add seven new sites of Council-owned land, listed at 6.13 and shown at Appendix 1, to the housing delivery programme in order that their feasibility and capacity for the delivery of new Council homes can be determined.
- 3.1.5. Notes that following the successful defence of the Planning Authority's decision, these new sites include the Kerswell Close site, which had previously been agreed for disposal to Pocket Living.
- 3.1.6. Agrees to delegate authority to the Director of Housing, Regeneration and Planning, in consultation with Director of Finance, to approve the costs of progressing these sites to Planning Application, except where the costs on any individual site exceed the existing delegated authority of the Director.
- 3.1.7. Agrees to remove the Roundway site from the housing delivery programme in order that it can be developed as a children's home.

4. Reasons for decisions

- 4.1. The Borough Plan commits to delivering 1,000 Council homes at Council rents by 2022 as the first step in a new era of Council homebuilding.
- 4.2. Adding new sites to the programme ensures that the Council is building up a pipeline of new sites to deliver a long-term sustainable housing programme.
- 4.3. However, it has been determined that the Roundway site, currently in the housing delivery programme, would be more suitable for the delivery of a children's home, so it is proposed that this is now removed from the programme.

5. Alternative options considered

- 5.1. **Not to add new sites to the programme.** This option was rejected because new sites on which to build homes are necessary to deliver a new era of Council homebuilding.
- 5.2. **Not to switch Roundway from the housing delivery programme to the programme.** This option was rejected because the site is much more suitable for the development of a children's home than for Council homes; and because there is an urgent need for local children to be placed in the borough.
- 5.3. **Not to delegate authority to approve the costs of progressing sites to Planning.** This option was rejected because the programme would be unworkable if Cabinet had to directly sign off the pre-planning budget for every individual site.

6. Background information

Update on the Council housing delivery programme

- 6.1. The Borough Plan committed to a new era of Council homebuilding - starting with the delivery of 1,000 new Council homes at Council rents by 2022. Three key elements are required for the Council to build these homes: finance, land, and development capacity. The Council has been working to ensure that it has all these elements in place.

Finance

- 6.2. The abolition of the Housing Revenue Account (HRA) borrowing cap has given the HRA capacity to partially subsidise the development of new Council homes. The HRA Business Plan, adopted by Council in February 2020, identifies a budget of £1.08bn over 10 years within the HRA to support the delivery of new homes. In addition to this, grant funding of £62.8 million has been made available to the Council up to March 2022 through the GLA's Building Council Homes for Londoners (BCHfL) programme. By 31 March 2020, the Council had drawn down £11.9 million of this BCHfL allocation, with more to be drawn down as there are starts on site on future schemes.
- 6.3. For the programme to be viable, the Council will have to provide cross-subsidy by building and selling some homes at market value. The Medium Term Financial Strategy, adopted in February 2020, sets out a programme level assumption that 40% of homes delivered will need to be homes for market sale and 60% Council homes at Council rents, although the mix on individual sites will be determined through the planning process and by Cabinet.

Land

- 6.4. The Council's preference is to build Council homes directly, on its own land, and has already identified enough land for the first 1,000 Council homes. This land is a mixture of land held in the HRA and land held in the General Fund, which will need to be appropriated into the HRA. The HRA land primarily comprises 'infill' sites; underused land, generally on or around housing estates. General Fund land ranges from the conversion of shops into homes, to the redevelopment of larger sites such as the former Cranwood Care Home.
- 6.5. On 9 July 2019, Cabinet approved 47 sites for inclusion in the Council housing delivery programme, alongside 14 sites that had existing approvals. In January 2020, Cabinet approved nine more sites to enter the programme. A further seven sites are identified later in this report.
- 6.6. As an integral part of its programme, the Council is also actively seeking opportunities to acquire new-build homes to let at Council rents. This includes the acquisition of homes being developed by private developers as affordable housing under existing s106 agreements.

Capacity

- 6.7. In July 2019, Cabinet noted three key objectives over the next six months:
- To recruit the staff necessary to deliver the programme
 - To put in place the processes and systems essential to underpin delivery
 - To produce key documents on design, development procedures and consultation that will ensure high quality development
- 6.8. The Housing Development Team is now fully staffed with a team of 16 to deliver the programme, and industry standard Programme Management systems have been set up. The GLA Home Building Capacity Fund has supported all this, alongside the purchase of financial viability and project management software for housing development and the funding of a Public Practice placement.
- 6.9. Cabinet were also asked to note that four key documents would be put in place to aid delivery: Design Principles, Employer's Requirements, Development Procedures and a Communication & Engagement Strategy. Haringey's Design Principles document is attached at Appendix 1. Employer's Requirements have been put in place to provide contractors with detailed specifications for the building, scope of service required, and allocation of risk. Development Procedures have also been put in place and embedded in the work of the team. Work is ongoing on the Communication & Engagement strategy.

Delivery of Council homes and performance against targets

- 6.10. In July 2019, Cabinet noted that over the next 12 months the Council housing delivery team is aiming to achieve two key delivery objectives ie that:
- 500 new Council homes will have achieved planning consent.
 - 350 new Council homes will have started on site.
- 6.11. As of the end of May 2020, the Council housing delivery programme had delivered:
- 350 homes on 17 sites had achieved planning consent - 70% of the target
 - 331 homes on 7 sites had achieved start on site - 95% of the target
- 6.12. It is noted that work was suspended due to COVID-19 on all schemes that had started on site: this is discussed in further detail below from 6.22.

New sites proposed for the housing delivery programme

- 6.13. Cabinet is asked to add seven sites, set out in the table below, to the housing delivery programme. This will allow consultation, feasibility and capacity studies to be carried out. Red line drawings are included in Appendix 1.

Site	Ward	Land held in
Stokley Court	Hornsey	HRA
Haringey Sea Cadets 345 White Hart Lane	White Hart Lane	GF
Fredrick Morfill House 69a&b Bounds Green Road	Bounds Green	HRA
Kerswell Close	St Ann's	HRA and GF
Waltheof Gardens	White Hart Lane	HRA
Chettle Court	Stroud Green	HRA
Blaenavon Garages	Fortis Green	HRA

- 6.14. Each of these sites has been identified as a potentially suitable site on which to build new Council homes.
- 6.15. On 14 May, ward members received an initial briefing on each proposed site in their ward. The briefing made it clear that no plans or decisions have yet been made for these sites, and that this Cabinet decision is the first stage of consideration in a defined process of engagement and consultation.
- 6.16. **Kerswell Close** is proposed for inclusion following the Planning Authority's successful defence on appeal of its refusal of planning permission to Pocket Living. The Council owns this land as part of the wider site including the adjacent estate and a commercial unit held on General Fund land. The site had Cabinet approval for disposal to Pocket Living, contingent on achieving planning. As planning consent was not achieved the sale did not complete and the site has been retained by the Council.
- 6.17. **Stokley Court** was previously approved for potential development by Cabinet on 9 July 2019. However, that approval was for a small infill scheme on the adjacent car park. Investigations of the site have identified the potential for a larger scheme, and we are now asking Cabinet to approve investigation of that wider site.
- 6.18. At **345 White Hart Lane**, the Haringey Sea Cadets hold a long lease on Council owned land. The Cadets have agreed to bring a scheme forward jointly with the Council for around 15 new homes and improved accommodation for the Sea Cadets.
- 6.19. The **Waltheof Gardens** site has existing plans in place for a new adult day care centre and includes buildings leased to a dentist surgery and Citizens' Advice. Consideration of the site for housing purposes would aim to retain these uses, improve access to green space, and also deliver new homes.
- 6.20. Cabinet is being asked to approve further work to assess each site's suitability and capacity. This work could determine that a site is not suitable for housing development. In that case, any costs incurred will not be recoverable by the Council and no grant will be available to meet those costs. However, it is expected that any such costs will be relatively minimal for the programme.
- 6.21. **Roundway** is an example of this, in that Cabinet is now being asked to remove this site from the housing delivery programme. Cabinet added the site named as Roundway to the Council Housing Delivery programme for further investigation on 9 July 2019. Those investigations have determined that the

highly enclosed nature of the site makes it much more appropriate for the development of a much-needed children's home.

Haringey Community Benefit Society

- 6.22. The Haringey Community Benefit Society (CBS) was set up following the Cabinet decision of 18 July 2018 as an independent organisation in which the Council has a minority shareholding. As set out in its articles, the CBS can only let its homes to households nominated by the Council, and rents are set by the CBS at the Local Housing Allowance level.
- 6.23. Cabinet agreed in December 2019 to purchase five residential blocks of 92 family-sized homes. These were leased to the CBS in April 2020, meaning a total of 112 homes have now been acquired and leased to the CBS. All have been let to homeless households, with the lets since April being prioritised to respond to the emergency housing needs arising from the COVID-19 crisis. A further 22 properties are anticipated to be leased to the CBS in July and the programme subsequently aims to provide an additional 65 properties each year.

The impact of COVID-19

- 6.24. The COVID-19 crisis has already set the housing delivery programme back. The ultimate length of the overall delay depends on the progress of the pandemic and the restrictions associated with it. All programme timescales are under regular review as the impact of COVID-19 plays out across individual schemes
- 6.25. Current analysis suggests that by the end of March 2022 the Council could still achieve planning approvals and starts on site for over one thousand homes, but the number of completions is likely to be severely curtailed. It is currently looking likely that around 200 Council homes at Council rents will now be completed by May 2022, although this should increase substantially in the following year, with around 800 homes delivered by the Council by May 2023. This particularly sharp impact on completions is because the new schemes that have started, or were due to start, this year were mostly scheduled to complete toward the end of 2021/22. So the likely six month or more delay caused by COVID-19 has pushed them back into the next financial year.
- 6.26. This projection necessarily remains highly provisional. The course of the pandemic and its impact across different aspects of the development process remain unknowable, as are the full details of the exit from lockdown. These assessments are based on information available at the time of writing and broad assumptions about the impact of COVID-19 on the housing development sector. They will need to be continuously refined as events unfold.
- 6.27. Organisational capacity will continue to be a factor in that, while the development team is able to work remotely, this is inevitably less efficient, and capacity in supporting services will be stretched.
- 6.28. The Planning Authority has now moved to virtual committees to keep decision-making going and essential consultations have just resumed, in as much as like many other planning authorities, Haringey has taken the view that sending out notification letters generally meets this duty.

- 6.29. The corporate suspension of consultation and engagement was lifted on 20 May. However, the nine week suspension meant that most development work from design stage to planning application was effectively halted . Engagement work resumed immediately, and virtual consultation processes are being finalised for s105 consultations to resume during June.
- 6.30. External capacity is likely to remain an issue. Tender deadlines have already had to be extended and procuring work is proving challenging.
- 6.31. Construction is probably the most significant single factor in delaying progress. Work was suspended entirely because of COVID-19 on four of the Council's active sites: Plevna Crescent, 500 White Hart Lane, Templeton, and Red House. Welbourne and 1a Ashley Gardens officially remained open but had minimal work going on. Works on 500 White Hart Lane resumed on 4 May, albeit at a much-reduced capacity. Work preparing demolitions at 1a Ashley Gardens started on 21 May, and work at Welbourne resumed on 11 May. Site works at Red House will not resume until at least October because the existing building is now being used for temporary accommodation in response to the COVID-19 crisis.
- 6.32. However, even with this earlier-than-expected return to construction, social distancing measures and supply-chain problems will slow output considerably.
- 6.33. In the longer-term, it is quite possible that some contractors will go out of business; borrowing and financing will be a significant problem for many; there is a risk that some will default on existing contracts; and there will be labour and material shortages with increased costs.
- 6.34. Finance is also a significant risk, and there will be a full review of assumptions in the HRA business plan as a result of COVID-19. This is because there could be a substantial impact on the HRA from potential losses of rent and service charge income, and this could impact on borrowing capacity to support the programme. However, it is noted that this will to some extent be offset by the reduction announced in the Budget to the Public Works Loan Board interest rate for housing schemes.
- 6.35. Negotiations are ongoing between the GLA and MHCLG regarding the extension of BCHfL funding and targets. The GLA accepts that development in Haringey, and all across London, will be severely set back by COVID-19.
- 6.36. The best-case scenario is that in six months, all aspects of the programme will be back working at full capacity. However, it is quite possible that the impact of the shutdown will cause delays in resuming work across the programme, delaying completions by longer than this, so each scheme is under review to assess the impact. If a second wave of the pandemic causes similar (or potentially even greater) restrictions to be introduced, then the programme's resumption could be even more significantly hampered and delayed than this.
- 6.37. At the same time, the COVID-19 crisis may present opportunities for good value acquisitions into the Council housing delivery programme. Developers are returning to site but are not optimistic about a V-shaped recovery or sales, and the shared ownership market is showing signs of pressure. Although there is no sign of a fall in land values yet, there is likely to be scope for counter-cyclical investment in rented products.

- 6.38. The acquisitions target for properties to lease to the CBS will be challenging because of COVID-19; that is, there is likely to be a fall of between 60% and 80% in transactions during the lockdown period. In the short-term, there will be very few transactions going through, but some analysts are suggesting that house prices may then fall, so the Council may be in a strong position relative to individual buyers to take advantage of lower prices for homes to lease to the CBS.

7. Contribution to strategic outcomes

- 7.1. The Council Housing Delivery Programme is at the heart of delivering the top priority in the 2019-2023 Borough Plan - a safe, stable and affordable home for everyone, whatever their circumstances. Outcome 1 of that housing priority in the Borough Plan states *“we will work together to deliver the new homes Haringey needs, especially new affordable homes”*, with specific objectives to *“deliver 1,000 new Council homes at Council rents by 2022”* and to *“secure the delivery of supported housing that meets the needs of older, disabled and vulnerable people in the borough”*.

8. Statutory officer comments

Finance

- 8.1. It is acknowledged that COVID-19 has potential impact on the housing delivery programme which is being carried out through the Housing Revenue Account (HRA).
- 8.2. The potential impact of COVID-19 on the HRA is being reviewed and will be presented to cabinet in a separate report. The viability of the HRA is key in sustaining the housing delivery programme.
- 8.3. The housing delivery programme may be impacted by building cost inflation post COVID-19. It is expected that the level of bad debt (rent & service charges) will increase.
- 8.4. This will have impact on the revenue contribution to capital outlay (RCCO) which is one of the funding streams of the housing delivery programme. However, the reduction in PWLB rates will offer some level of mitigation to these.
- 8.5. Finance will continue to review the HRA modelling assumptions considering macro and micro economic indicators (in conjunction with the service) to ensure the long-term viability of the HRA.
- 8.6. The addition of the 7 sites to the delivery programme does not guarantee approval to progress sites. The sites viability within the HRA will be appraised and approval sought to progress each site if they are appraised as being viable.
- 8.7. The initial cost of progressing these sites such as further feasibility costs etc will be accounted for as part of the cost of delivery of the units. There is a revenue risk where such sites did not progress.
- 8.8. The HRA Financial plan adopted by Cabinet in February 2020 was developed with the flexibility to add/remove sites in the programme while ensuring that the HRA plan remains viable over a long time; and this is constantly reviewed.

- 8.9. The Roundway site was to deliver 4 units in the HRA business plan. The budgeted cost of delivery of these units will be utilised to deliver other replacement units.

Legal

- 8.10. The Assistant Director of Corporate Governance has been consulted on the content of this report.
- 8.11. Any sites added to the programme would require a report of title and may also require section 105 Consultation should the decision be made to proceed with the redevelopment. Legal advice must be obtained where required.

Procurement

- 8.12. Strategic Procurement note the contents of this report.

Equalities

- 8.13. 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 those people who do not
 - Foster good relations between people who share those characteristics and people who do not.
- 8.14. 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 apply to the first part of the duty.
- 8.15. The proposed decisions are to note progress made to date with regards to the Council's housing delivery programme, note the impact of Covid-19 on the programme, and agree to add seven new sites of Council-owned land to the housing delivery programme.
- 8.16. The decision to add seven sites to the housing delivery programme will increase the supply of homes which are genuinely affordable to local residents by delivering new build council-rented homes. This 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 [\[link\]](#). As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.
- 8.17. It is proposed that the Roundway site be removed from the housing delivery programme and instead be developed as a children's home. This will enable local children to be placed in the borough and can be expected to improve outcomes for vulnerable children. The decision therefore represents a step to meet the needs of these children and mitigate inequalities that may arise.

8.18. It is noted that Covid-19 will cause a degree of disruption to the housing delivery programme. Evidence suggests that the pandemic will have disproportionate impacts on vulnerable and marginalised groups, who will include some of those who would otherwise have benefited from the housing delivery programme. The Council is taking all possible steps to mitigate the impact of Covid-19 on Haringey's communities and will seek to address any inequalities that have emerged during the pandemic and any that have been exacerbated by it.

9. Use of appendices

Appendix 1 – Red Line boundaries of new sites

Appendix 2 - Housing Design Principles

Links to Cabinet papers referred to in the report:

- **17 July 2018 - Setting up a Community Benefit Society:**
[https://www.minutes.haringey.gov.uk/documents/g8824/Public reports pack 17th-Jul-2018 18.30 Cabinet.pdf?T=10](https://www.minutes.haringey.gov.uk/documents/g8824/Public%20reports%20pack%2017th-Jul-2018%2018.30%20Cabinet.pdf?T=10)
- **9 July 2019 - Update on the Council housing delivery programme:**
[https://www.minutes.haringey.gov.uk/documents/g9151/Public%20reports %20pack%2009th-Jul-2019%2018.30%20Cabinet.pdf?T=10](https://www.minutes.haringey.gov.uk/documents/g9151/Public%20reports%20pack%2009th-Jul-2019%2018.30%20Cabinet.pdf?T=10)
- **11 February 2020 - Budget and 2020-25 MTFs Report:**
[https://www.minutes.haringey.gov.uk/documents/g9157/Public%20reports %20pack%2011th-Feb-2020%2018.30%20Cabinet.pdf?T=10](https://www.minutes.haringey.gov.uk/documents/g9157/Public%20reports%20pack%2011th-Feb-2020%2018.30%20Cabinet.pdf?T=10)

10. Local Government (Access to Information) Act 1985

As above