

Report for: **Housing and Regeneration Scrutiny Panel**

Item number:

Title: **Update on the Council's Housing Delivery Programme**

Report

Authorised by: **David Joyce, Director of Housing, Regeneration and Planning**

Lead Officer: **Robbie Erbmann, Assistant Director Housing**

Ward(s) affected: **All**

Report for Key/

Non Key Decision: **Non-key**

### 1. Describe the issue under consideration

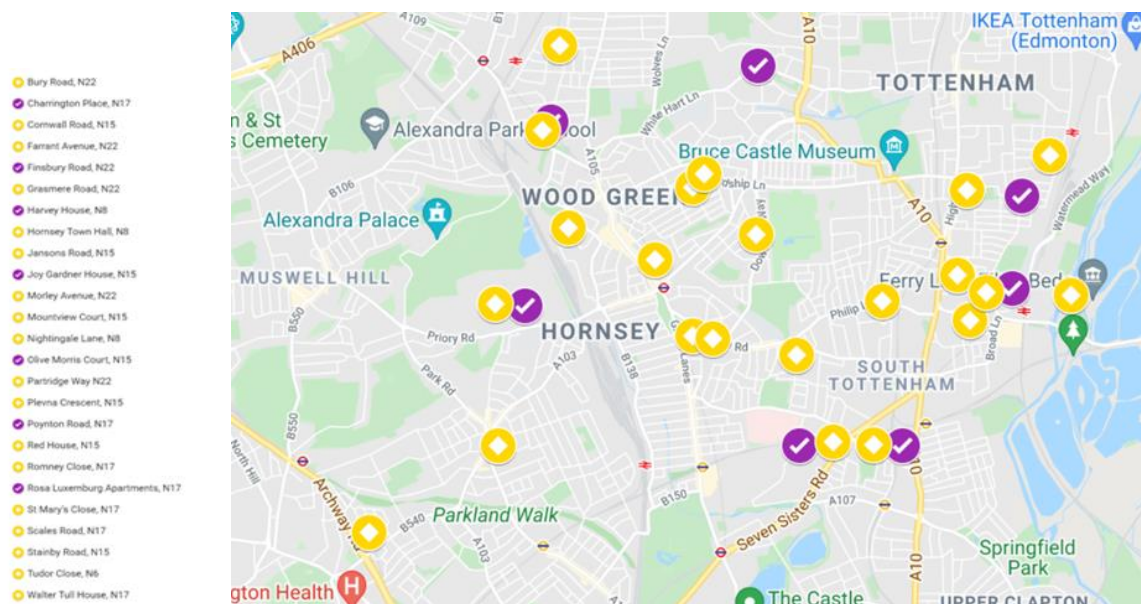
1.1. This report gives an update on the progress of the Council's Housing Delivery Programme

### 2. Recommendations

2.1. Housing and Regeneration Scrutiny Panel is recommended to note this report.

### 3. Update on the Housing Delivery Programme

3.1. The Borough Plan adopted in February 2019 committed to delivering 1,000 council homes at council rents by 2022 as the first step in a new era of council home building in Haringey. We have achieved that ambitious target.



3.2. A total of 1,011 new Council homes have now started on site.

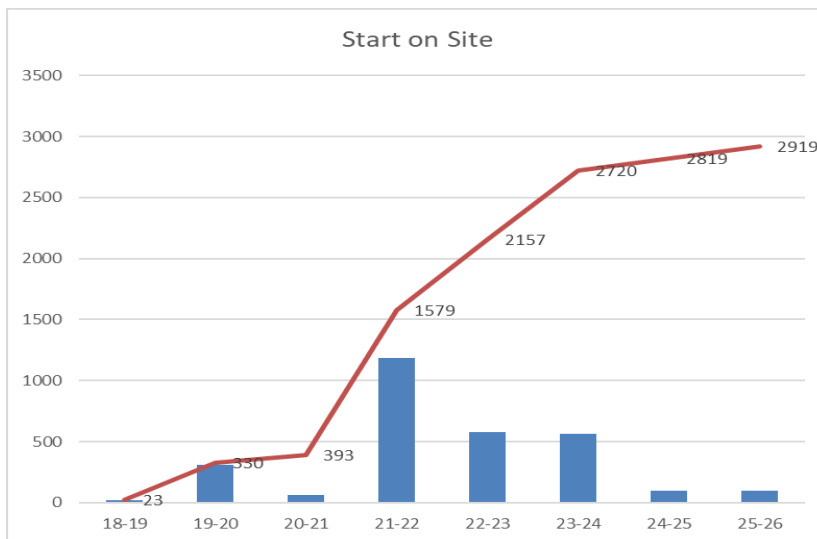
3.3. This includes 80 homes at the Chocolate Factory where demolition and groundworks started on 8 February, and, with the demolition of the British Queen pub on Love Lane, 500 new Council homes at High Road West.

- 3.4. By 31 March, we are forecasting that work will have started on site on at least 1,289 Council homes. This includes major development schemes such as 191 Council homes at Hale Wharf and 46 at Remington Road. There is the potential for a further 288 homes to have started on site by the end of March.

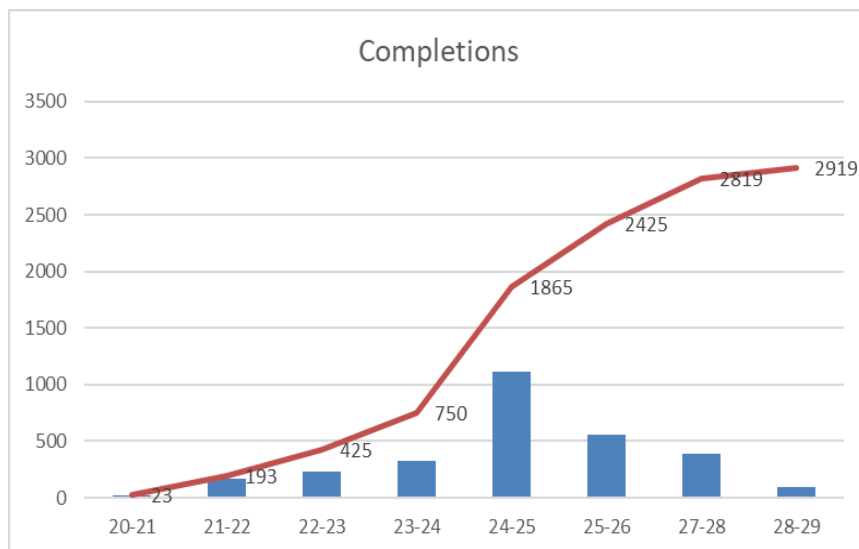


*46 Council homes at Remington Road, Seven Sister starting on site March 2022 – fourteen with three-bedrooms and four with four-bedrooms, and five fully accessible for wheelchair-users*

- 3.5. 173 new Council homes have been completed. We will have completed 20 more by the end of March, and 3,000 by 2031.
- 3.6. Our total current programme comprises 3,463 homes on 87 sites that have either been completed, or started on site, or are under active development. These include 2,919 council homes for council rent and 544 homes for market sale (including 6 shared ownership homes completed at Charrington Place).



*Projected starts on site for Council homes*



Projected completions for Council homes

- 3.7. We have acquired 1,028 homes at pre-construction stage from private developers in order to deliver them as Council homes let at social rent. Acquiring in this way allows us to guide the development process to ensure that the homes met the standards we require.
- 3.8. The HRA capital programme supports the delivery of approximately 3,898 homes, of which about 3,221, or 83%, are for social rent. This is an improvement on last year's plan, where we had forecast that we would deliver 75% of the homes for social rent in the first five years and 60% of the homes in the second phase of the Business Plan.
- 3.9. Of course, building new council homes is not just about the quantity that we build. We need to build the kind of homes that our communities need.

### **Responding to the Climate Emergency and delivering high quality homes**

- 3.10. Energy efficiency and sustainability are integral to the design and delivery of this new generation of Council homes. The Council has ambitious targets to ensure sustainability standards. This means that:
  - We use existing brownfield land in established residential areas with access to public transport facilities
  - To date, we have targeted zero-carbon development on-site and applied Passivhaus principles wherever possible. We have just adopted new Employer's Requirements that require this for every development going forward.
  - We use environmentally sustainable materials
  - Our new Council homes use air source heat pumps, solar panels, green roofs, and energy efficient appliances
  - Our homes are positioned to make maximum use of sunlight and ventilation and are at least dual aspect.
  - We build car-free or where there are disabled tenants 'car-light' schemes and we promote sustainable travel through for example the provision of secure cycle storage for new and existing residents, car-club/car-sharing arrangements.
  - We ensure our new homes enhance biodiversity, for example through high-quality landscaping, planting, SuDs, and green roofs.
  - We will connect homes to the District Energy Network wherever feasible.

- All our direct-delivery schemes aim to achieve zero-carbon through Passivhaus principles and are achieving reductions significantly beyond those specified in the London Plan. Our first eight fully zero-carbon Council homes have started on site at Park Road/Edith Road in Bounds Green.
- 3.11. We actively manage all stages of design and construction to ensure the homes we deliver are the highest quality they can be, with excellent space standards and storage provision, high-quality landscaping including play facilities and enhanced biodiversity.

### **Homes for Families**

- 3.12. 2,064 households on the housing register are overcrowded. 205 households have homes larger than their needs.
- 3.13. 1,309 households in bands A and B on the housing register - 35% of all households in bands A and B - need a three-bedroom home; 466, representing 12%, need a home with four or more bedrooms.
- 3.14. Just 30% of the Council's 15,097 rented homes have three or more bedrooms. More than a third have one bedroom.
- 3.15. It is financially extremely challenging to build new homes with three or more bedrooms: the differential between the cost of building a larger home and the social rent we can charge for it is too small to support borrowing in the way that it does for one- and two-bedroom social rent homes. Grant levels, although substantially increased by the Mayor of London, remain historically low and do not sufficiently bridge this gap.
- 3.16. As a result, Housing Associations have for more than a decade delivered very few three or four bed homes. Only eight four-bedroom homes have been built in Haringey in the last ten years – and those were let at “affordable rent”. No four-bedroom homes had been built for social rent.
- 3.17. The Council recognises the urgent need of homeless families and families living in overcrowded homes and is committed to building the homes these families need. We do this by approaching financial viability at a programme rather than at an individual scheme level, and by building homes for market sale to cross-subsidise the programme. Work is done on every site to try to maximise the number of new three- and four-bed homes. However, it remains financially very challenging in the current climate to build the homes that families need.
- 3.18. Excluding the 32 one-bedroom homes built at Olive Morris Court specifically for single homeless people moving from the streets, a quarter of all the Council homes we have completed to date have three or four bedrooms: 34 homes with three bedrooms and one with four bedrooms.
- 3.19. Excluding High Road West, a quarter of the Council homes that will have started on site by 31 March 2022 will have three or four bedrooms - 225 will have three and 38 will have four bedrooms.



Ashley Road Depot site.

3.20. Our current target is that 35% of the homes we build will have three bedrooms, and 10% will have four bedrooms or more. We will be consulting on a new target for larger family-sized homes in the housing strategy.

3.21. **New homes for local Council tenants**

3.22. The Council's Neighbourhood Moves Scheme prioritises newly built Council homes for existing secure Council tenants who live close to these homes, with local tenants in housing need have priority over local tenants that have no housing need.

3.23. Of course, when a local tenant moves into a new home, their existing home is made available to let through the housing register. The scheme incentivises tenants to move into smaller homes, creating positive lettings chains: 10 of the 11 homes at Joy Gardner House were let through Neighbourhood Moves, and this freed five larger homes for letting to overcrowded households.

**Homes for people with specific needs**

3.24. Building new homes gives us the opportunity to design some homes specifically around the individual needs of households on the housing register. These are people who because of the nature of their additional support needs cannot be adequately housed either through relets of existing social rent homes or in a standard design home.

3.25. This in turn presents the Council with an opportunity for considerable cost savings by preventing or reducing some households' need for residential and domiciliary care.

3.26. We also have an opportunity to specify wheelchair adaptable homes to meet the individual needs of disabled households in advance of letting.

3.27. The Bespoke Homes Programme has been established to realise these opportunities.

3.28. During the last year, a great deal of work has been done to establish the need and potential scope of the programme. Nearly 200 households have been identified for the programme, and homes have been adapted and allocated at Charrington Court, Joy Gardner House, and Rosa Luxemburg Apartments.

3.29. A number of vulnerable people have had their lives transformed through the provision of a home designed around their particular needs. It is now necessary to consolidate

that work, take it forward within a clear structure, and ensure that its benefits are maximised.

3.30. Key challenges include:

- Developing a better overview of complex housing need on the housing register in order to meet it at a programme level, and agreeing how we identify the households who need individually-designed homes
- Identifying households at the right stage of the development process so that homes can be designed around their needs.
- Ensuring bespoke homes are developed and allocated within legal and policy frameworks.
- Identifying potential savings to the General Fund.

3.31. In addition, 20 per cent of the homes we build will be wheelchair adaptable.

### **Supported Housing**

3.32. All sites assessed for supported housing, and we work closely with colleagues in Adults Social Care Commissioning to develop supported housing that meets their clients' needs.

3.33. We have a target for 10% of the programme to be delivered as supported housing. So far, we have delivered 32 supported homes. Another 11 will complete at Hornsey Town Hall in March, and another 20 supported homes to be on site by the end of this month.

3.34. New supported homes are currently under development for:

- care-leavers
- people who have slept rough
- adults with learning difficulties
- adults with enduring mental health needs

### **Organisational capacity**

3.35. In May 2018, when the promise was made to build 1,000 Council homes, the Council had no capacity to build them. Like councils across the country we had spent a generation no longer building and had lost all institutional expertise and structural capacity. Over the last four years, that capacity has been built up from a standing start– and during a period when the Covid pandemic set the programme back in all kinds of ways.

3.36. The housing delivery team now comprises 40 dedicated officers, a blend of skilled development and programme management professionals and skilled council officers on our 'grow your own' programme with a shared passion for building high quality, sustainable, genuinely affordable council housing. The team was shortlisted for the UK Housing Awards council of the year 2021 and Inside Housing's London Development Team of the year

3.37. Consultation and engagement are at the heart of designing and delivering our programme, the team includes a dedicated team of engagement officers to ensure this is carried out to a consistently high standard.

3.38. 50 separate consultation or engagement programmes have been carried out since January 2020, with 80 engagement events and more than 13,000 unique visits to our

web engagement hub. More than 15,000 households have received paper communications.

- 3.39. Staff capacity across the council has had to develop at a similar pace after a generation in which councils lost their expertise in housing development finance, procurement, and legal support.
- 3.40. The delivery of hundreds of new homes is also a new challenge for allocations and lettings. We are working closely with Homes for Haringey to improve the lettings process for new properties and after care.
- 3.41. Our first **market-sale** homes will be on site in March. It is crucial that we maximise returns from the market sale element of the programme in order to provide as much cross-subsidy as possible for Council homes at Council rent – and through as few market sale homes as possible. We have never marketed and sold homes on a commercial basis, so in the interests of cross subsidising the delivery of as many Council homes at Council rent as possible, we are about to appoint our sales and marketing strategist to help us develop our Haringey brand and marketing strategy to maximise value for this key part of our overall programme.
- 3.42. We have put in place robust financial and programme management systems that allow us to integrate individual scheme costs with programme accounts in real time.
- 3.43. The Council's aspiration is for a new era of Council house building. To consolidate the delivery of council homes at the heart of the Council's operations, we need to identify a pipeline of sites beyond 2027 on which to build. We have recently invested in software that can analyse the entire borough at granular level using geospatial science to identify potential development sites, filter those sites through a supervised learning algorithm, and produce a database and interactive map of potential sites with scored attributes. This will allow us to screen sites using a plan-led methodology.

#### **Financial capacity**

- 3.44. The HRA Financial Plan's Ten-Year Financial Model agreed in 2021 provides £1,288m to March 2032 for the delivery of high-quality council homes at social rents. The model underpins the delivery of 3,088 council homes in the period within a delivery programme that is viable in the long term.
- 3.45. On 8 February 2022, Cabinet recommended a £900m Five Year Capital Programme to March 2027
- 3.46. We have to date secured £345.3 million capital grant for housing delivery to 2026:
  - GLA Building Council Homes for Londoners 2018-22 - £120.2m
  - GLA Affordable Housing Programme 2021-26 - £127.5m
  - GLA High Road West - £91.5m
  - GLA Rough Sleeper Accommodation & Support Grant – £2.1m
  - Cabinet Office Brownfield Land Release Fund - £3.8m
- 3.47. Even with prudential borrowing and this level of grant income, it is not possible to deliver the number of Council homes we need – and particularly the number of family-sized homes we need - without cross-subsidising the programme. Initial projections for the programme were that 40% of the homes would need to be built for market sale. Our Five-Year Capital Programme now supports by far the greater proportion of the new homes being developed for social rents, increasing the proportion of homes for social rent from an initial base of 60% and the Ten-Year Model of 75% to 83%.

This is made possible by increased grant in the Affordable Homes Programme (AHP) 2021- 26, forecast reductions in borrowing costs, and Council rent increase.

- 3.48. We continue to review our programme-wide financial modelling of scheme cost assumptions and appraisal metrics.

### **Challenges and risks**

- 3.49. **The cost of construction materials and labour** remains our most urgent risk.
- 3.50. Nationally, the BCIS Materials Cost Index showed that increases in the costs of construction materials in the UK reached a 40-year high. Increased global demand, combined with the multiple and complex impacts of the pandemic and logistic issues, led to unprecedented shortages, delays and increased prices of materials and labour across the economy. Brexit exacerbated this situation, affecting all aspects of trade and labour availability.
- 3.51. Average material costs across the sector were 23.5 per cent higher than they were in August 2020, according to the Department for Business, Energy and Industrial Strategy (BEIS), with steel and timber prices costing nearly 80% more than pre-pandemic.
- 3.52. Our own contractors reported increases over 2021 of 20% on timber, 7.5% on plasterboard, 31% on cable, and 10% on blocks. Recent tenders have been returned 10% higher than forecast and some contractors are seeking additional funds due to the pressure of cost inflation. This puts considerable pressure on the HRA and the delivery programme.
- 3.53. The latest statistics produced by BEIS show that material prices stayed flat in the month to November 2021 for the first time since September 2020. The price of steel and timber came down in the period. The price of imported sawn or planed wood dropped by 7.6 per cent, with fabricated structural steel prices going down by 0.3 per cent month on month. But imported sawn and planed wood is still 52.4 per cent more expensive than it was a year ago, while steel is 66 per cent more expensive than it was in November 2020.
- 3.54. Although it is widely believed that material-price growth could be nearing its peak, it is also predicted that material and labour shortages are likely to persist, driving up construction costs in the next year. Brexit, HGV driver shortages, strong global demand for construction products, and Covid-19 disruption continue to affect both the availability of labour and supply and demand.
- 3.55. We are actively managing these risks including by:
- Using metrics on price trends to inform our tendering and contract management. We consider change of specification where this is appropriate, for example moving to stud rather than brick/concrete walls.
  - Broadening procurement routes to ensure as much competition as possible. We have recently joined new construction procurement frameworks and are confident that early results show an impact on costs.
  - Building in additional contingency in forecasting build costs underpinning the HRA Business Plan revisions,
  - Remaining in constant dialogue with the GLA and central Government.
  - Maintaining robust working relationships with contractors to proactively discuss challenges at scheme level.



- Consolidating tender metrics and holding a monthly review of actual tender prices (compared with estimate prices).
- Ensuring that our contracts are clear on disruption arrangements with appropriate planning of key milestones, and suitable float/buffer to represent current delivery environment.

3.56. **Recruitment and retention of project and technical staff** for programme delivery remains a risk. We are managing this including by:

- a blended recruitment approach utilising permanent staff, fixed term contracts, placements, and consultants
- Taking a 'grow your own' approach through our development roles
- Restructuring when necessary to maintain correct team balance and interest
- Offering appropriate training opportunities
- considering counter-offers where resignations are tendered
- exit interviews to understand reasons for leaving.
- reviewing mentoring and leadership opportunities

#### **4. Contribution to strategic outcomes**

4.1. This report allows members to scrutinise the Council's progress towards delivering the Housing Priority in the new Borough plan: "We will work together to deliver the new homes Haringey needs, especially new affordable homes". Within this, the Borough Plan sets the aim to "Ensure that new developments provide affordable homes with the right mix of tenures to meet the wide range of needs across the borough, prioritising new social rented homes". In particular, this report enables scrutiny of the strategic commitment to deliver 1,000 new council homes at council rents by 2022 and a new era of Council home building in Haringey.

#### **5. Use of appendices**

None

#### **6. Local Government (Access to Information) Act 1985**

Not applicable