

Report for: Housing and Regeneration Scrutiny Panel - 29 September 2022

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

Report

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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. After a generation in which no new council homes had been built in Haringey, in May 2018 the council began work to establish a housing delivery programme.

3.2. A total of 1,444 council homes have now started on site and 1,503 council homes have been granted planning permission.

3.3. This includes two of our larger schemes on the site of the former Ashley Road Depot and around Wood Green's Chocolate Factory.

3.4. Work started on the site of the former Ashley Road Depot in June 2022 to create a new community of 272 homes. Half of the homes will Council homes – and two thirds of these will be family homes with three or four bedrooms. The highest standards of sustainability run from early design to build stage: all homes will be constructed to Passive Haus standard, and the scheme will provide a large amount of cycle parking and storage, vehicular charging points and a car club. It creates a new relationship to Down Lane Park, opening up routes across the site to encourage pedestrian and bike travel to the park, the marshes, and Tottenham Hale district centre. North- south connections for existing residents are further improve by including a new vehicular route connecting Ashley Road with Park View Road North and a pedestrian only route through the centre of the Site.



Image of Council homes currently being built at Ashley Road development – view from Park View Road (West)

- 3.5. The Chocolate Factory development will provide 80 council homes alongside affordable workspace in the Wood Green Cultural Quarter. These homes have also been designed to the highest standards of energy efficiency, and the development will be net zero-carbon. As well as incorporating solar panels on the roof, they will in time all be connected to the District Energy Network, harnessing energy from otherwise wasted sources to reduce emissions and protect residents against fuel poverty. All homes will have access to a shared podium garden and a public courtyard with new trees, planting, and landscaping.



Image of new Council homes currently being built at the Chocolate Factory

- 3.6. 184 council homes have been completed. These include homes completing recently at Scales Road in West Green, Mount View Court (St Margaret's Avenue) in Harringay and Romney Close in Northumberland Park.
- 3.7. Each of these homes will transform lives.
- 3.8. Mr and Mrs Abdi moved into their new home at Mountview Court in July 2022. Mr Abdi told the council: "We previously lived in a two-bedroom home with five children – it wasn't easy. This new house has changed our lives: the kids have so much more room to play and love their new home."



Mr Abdi outside his new home with Cllr Ruth Gordon and Robbie Erbmann, July 2022

- 3.9. Simone Samuel moved into Rosa Luxemburg Apartments in January 2022. She said:
- The opportunity to give your children the best you can and most importantly, what they deserve is a feeling I cannot describe – as a mother, that's all you want to do.*
- I have three children and we outgrew our previous home, and we needed more space. This new apartment, given to me by Haringey Council, has enabled me to give my eldest child who is now five years old, his own room. It was such a special moment for us all – especially him as he was so happy. Seeing this filled my heart with so much joy.*
- This is the start of a new journey and will provide us with better living conditions and a happier home environment.*

Co-production

- 3.10. Engagement and consultation with residents have been at the heart of designing and delivering our programme, and we are working towards genuine co-production of council homes. A dedicated team of development engagement officers ensures our statutory consultation and engagement work from the earliest design state and throughout the build programme is carried out to a consistently high standard. We have a robust set of engagement procedures and during the pandemic developed an online engagement strategy, coming out of the pandemic we evolved a hybrid approach to combine both in person and online engagement to endeavour to reach as many different people as possible.
- 3.11. Since May 2022, work has progressed towards defining coproduction in the housing delivery context so that it is delivered in a meaningful way. From co-designing a new homes standard, or coproducing communal and play spaces to choosing fixtures and fittings in new homes, the Council is committed to finding ways to put residents at the heart of delivering new homes. We are also developing a 'Neighbourhood Improvement Approach' to take the programme to our strategic, next level, by coordinating our approach to development with repairs and asset management. This will help ensure we are listening and responding to the needs of Haringey's residents and improving the lives of existing as well as new residents through our development programme.

Responding to the Climate Emergency and delivering high quality homes

- 3.12. 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 adopted new Employer's Requirements that require Passivhaus as a standard for our developments going forward.
 - We use environmentally sustainable materials
 - Our new Council homes use renewable energy sources such as air source heat pumps, solar panels, photovoltaic 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 electric charging points 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. We have been granted planning permission for the boroughs first zero-carbon schemes to be achieved on site. And Council homes achieving this standard are under construction at Park Road in Bounds Green and Ashley Road in Tottenham Hale.

- 3.13. We actively manage all stages of design and construction to ensure the homes we deliver are the highest quality they can be and have a robust set of employer's requirements that is annually updated to achieve this. Our design standards ensure excellent space standards and storage provision, high-quality landscaping including play facilities and enhanced biodiversity.



Eight zero-carbon Council homes at Edith Road/Park Road in Bounds Green

Homes for Families

- 3.14. Half the households in greatest need, those in bands A and B of the housing register, need a home with three, four or more bedrooms – more than 1,700 households.
- 3.15. 30% of the Council's stock of 15,097 rented homes have three or more bedrooms. More than a third only have one bedroom.
- 3.16. Last year just 59 homes with three or more bedrooms were let through the housing register - less than 20% of lettings. More than half the lettings were homes with one bedroom.
- 3.17. It is financially extremely challenging to build new council 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 in the latest bidding round, remain historically low and do not sufficiently bridge this gap. Put very simply, generally rental income from one-bedroom homes let at social rent make a new contribution over their construction costs to the HRA; two-bedroom Council homes break-even; and Council homes with three or more bedrooms tend to have a negative financial impact on the HRA.

- 3.18. 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, using s106 commuted sums in conjunction with GLA funding, 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.
- 3.19. 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.
- 3.20. 21.5% of the Council homes handed over this year will have three or four bedrooms, rising to around 27% over the next three years.
- 3.21. Our consultation on the housing strategy between September and December will propose a target that 50% of council homes started subsequent to its adoption will have three or more bedrooms.



46 new sustainable Council under construction at Remington Road, Seven Sisters -14 with three bedrooms, 4 with four bedrooms, and five fully accessible for wheelchair-users.

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: ten of the eleven homes

at Joy Gardner House were let through Neighbourhood Moves, and this freed five larger, family 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, often complex medical 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 cost savings by preventing or reducing some households' need for residential and domiciliary care and the possibility of expensive out of borough placements.
- 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. 18 households to date have had their lives transformed through the provision of a home designed around their particular needs.
- 3.29. In early 2022, Ms Mohamoud moved into a home designed and built around her needs at Rosa Luxemburg Apartments. She told the Council:

The new house has completely changed me and my family's life. The old house was very cramped especially as we have a big family, I have three girls and three boys, four of them are teenagers.

My youngest daughter who is 8 has Bohring-Opitz syndrome, this is a rare condition with severe development difficulties especially with speech and communication. The condition also impacts her walking, but she's able to grab on to stuff to keep her balance and sit down with support. In addition to this, she doesn't know how to stand on her own which was very difficult for us as we had to always pick her up when she's going up and down the stairs and she barely had space for her equipment and toys.

I can finally say the new flat provided by Haringey Council has been adjusted to my youngest daughter's needs, it's located on the ground floor so she's able to get to different rooms without support, she has her own spacious room where she can fit in all her special equipment and toys. Also, she has an accessible toilet in her room, which has been useful and easy for her to use and myself when giving her a shower.

The process at the start of this was very nerve racking and I almost refused the accommodation at the start because I thought it may not be suitable for my family, especially as I had concerns about the kitchen and the sitting room being in the same room. When I spoke to the project manager Denise about my concerns, she took everything I said on board and reassured me that the kitchen and sitting room will be separated with a wall (which she did) and promised me that the house will be perfect for me and my family.

When I saw the finished look with all the changes being made that I was concerned about I couldn't believe my eyes, it brought me to tears and most definitely left me gobsmacked. My family were also filled with excitement and joy, we finally realized at that point it was going to be our happy home, the children and I couldn't wait to decorate their spacious rooms.

3.30. Work is underway including through a series of cross-departmental sprints to consolidate the programme and take it forward within a clear structure and governance process and to ensure that its benefits are maximised.

3.31. 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.

Supported Housing

3.32. All sites are 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 at Olive Morris Court. Another eleven will complete at Hornsey Town Hall in March 2023.

3.34. Designs for new supported homes are currently being developed for:

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

Organisational capacity

3.35. After a generation during which the Council was unable to build the homes our communities need, we had, like councils across the country, lost the institutional expertise and structural capacity needed to deliver council homes. Over the last four years we have built the organisational capacity required to build again, and build homes of a very high quality.

3.36. The housing delivery team now comprises 38 dedicated officers, a blend of skilled development and programme management professionals and council officers with transferrable skills who have developed as housing, project managers on our 'grow your own' training programme. All have 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 two years running, the results of the 2022 awards will be announced later this month. In addition to this a number of individual officers in the team and developments (that have now completed) have been shortlisted and won awards.

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. Governance, programme and risk management is also key to managing a programme of this scale that is the recipient of large amounts of government grant funding (£345.3 million pounds to date and most recently the third biggest award of any London borough).
- 3.39. As part of this announcement Haringey were awarded funding for 647 affordable homes to the tune of £127,487,000. This is the third biggest award of any London Borough (23 boroughs were awarded homes in the programme) and will represent the fourth largest number of social homes which any borough will deliver.



Community engagement event on Ashley Road scheme held at Living Under One Sun Community Centre

- 3.40. The council has established and built a programme management function to ensure this is managed and monitored correctly.
- 3.41. Staff capacity across the council has also had to endeavour to develop at pace after a generation in which councils lost their expertise in housing development finance, procurement, and legal support.
- 3.42. The delivery of hundreds of new homes is also a new challenge for other teams including allocations and lettings. We are working closely with Homes for Haringey to improve the lettings and handover process for new properties and after care.
- 3.43. 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 and we report on these via monthly project review meetings and monthly programme reviews at housing board (formerly Council housing delivery board)
- 3.44. In July 22 Mazars concluded the 2021/22 audit on the Housing Development programme. It is important to note that this covers the Council Housing Delivery programme only and does not cover regeneration projects). The objective was to evaluate and assess the adequacy and effectiveness of the control environment surrounding the programme. The result was green. This category represents a finding of substantial assurance with no significant weaknesses and confidence that overall risks are being effectively managed. This is notably an improvement from the early audit done on the programme in 2019.

Financial capacity

- 3.45. 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.
- 3.46. In March 2022, the Council adopted a Five Year Capital Programme to March 2027 providing more £900.5 million for the delivery of new Council homes - £704.8m for direct delivery, with spend peaking in 23/24 at £286m; and £195.7m over five years for acquisitions.
- 3.47. We have to date secured allocations of up to £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 – £2m
 - Cabinet Office Brownfield Land Release Fund - £3.8m
- 3.48. The revised financial plan was supported for the first time by a 30-Year Financial model which enables the Council to take a longer-term view of the HRA. The 2022 review continued a revenue contribution to capital outlay (RCCO) minimum of £8m, increased the working balance to £20m and introduced interest cover ratio (ICR) of 1.25 to ensure that there is adequate net income for repayment of interest. Over the MTFS period, the plan's ICR ranges from 1.27 to 1.54.
- 3.49. Borrowing across the entire HRA was set at £848.2 million over five years to 2026/27 – with nearly 60% of this - £504m– borrowed in the first two years, 22/3 and 23/4.
- 3.50. Of this £848.2 million, £534.8m was forecast to support the housing delivery programme over the five years to 2026/27.
- 3.51. Even with prudential borrowing and grant income at this level, it is not possible to deliver the number and quality of Council homes our communities need – and particularly the number of family-sized homes we need - without cross-subsidising the programme. Our strategy has been to achieve maximum cross-subsidy through building some homes for market sale.
- 3.52. Initial projections for the programme were that 40% of the homes built would need to be sold. 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 was made possible by increased grant in the Affordable Homes Programme (AHP) 2021- 26, Council rent increases reverting to CPI after the removal of the government's 1% cap – and reductions in borrowing costs following the Government's reversal of an October 2019 increase to the Public Work Loans Board interest rates.
- 3.53. 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 have been working with a consultant strategist to develop our marketing strategy to maximise value for this key part of our overall programme. Cabinet will decide in September whether to appoint a dedicated sales and marketing service.

- 3.54. Our first market-sale homes will be built at Ashley Road Depot – in line with our approach, the homes for social rent are of exactly the same quality as those for market sale and are located in more favourable parts of the development. Where the market sale homes are in a high-rise block, the homes for social rent are in a mix of medium height blocks and mews houses, many overlooking the park.



Work underway clearing site at Ashley Road, Tottenham Hale

Developing the Housing Delivery Programme

- 3.55. The current Housing Delivery 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
- 3.56. Across departments, the Council is developing a range of measures to ensure a sustainable pipeline of new sites and developments and to integrate these new sites with managing and improving our existing assets. The Council wishes to centre an approach to housing delivery that ensures building new homes always starts with an analysis of how those homes can bring wider improvements to the area in which they'll be built.

4. Challenges and risks

- 4.1. Our key risks and challenges are external factors impacting across the economy, most notably in terms of inflation and interest rate rises.

The increasing cost of construction materials and labour

- 4.2. At the end of 2021, growth in the Building Cost Information Service (BCIS) material cost index reached a 40 year high. Since then, supply chain pressures have persisted, and labour shortages have become even more acute.

- 4.3. The BCIS Materials Cost Index has increased at an unprecedented rate, with annual growth in excess of 20% in both November 2021 and April 2022, up from a low of minus 1% as recently as June 2020. The last time materials inflation was this high, in 1980, it had built up gradually.
- 4.4. There were significant increases across all the groups of materials, with the highest increases in steel and oil products. Steel prices have been extremely volatile since the beginning of the pandemic, and the war has further exacerbated this trend. Annual prices for specialist steel grew by 78.9% - or 15.7% on a monthly basis, the second highest monthly increase since the initiation of the series with the highest increase of 18.9% in March 2022.
- 4.5. Other materials showing annual increases in April above 25% were aluminium products (43.2%), precast concrete structural components (36.2%), lifts and escalator materials (29%), metal structures (26.7%) and timber (25.9%)
- 4.6. The BCIS Materials Cost Index is forecast to grow by 7.4% in December 2022 compared to December 2021, with materials cost rises to remain a concern due to worldwide supply issues, increased raw material input costs, energy inflation and labour shortages.
- 4.7. The Department for Business, Energy and Industrial Strategy's material price index for construction materials for new housing also increased - by 22.8% in June 2022 compared to the same month the previous year.

Chart 1: Construction Material Price Indices, UK
Index, 2015 = 100



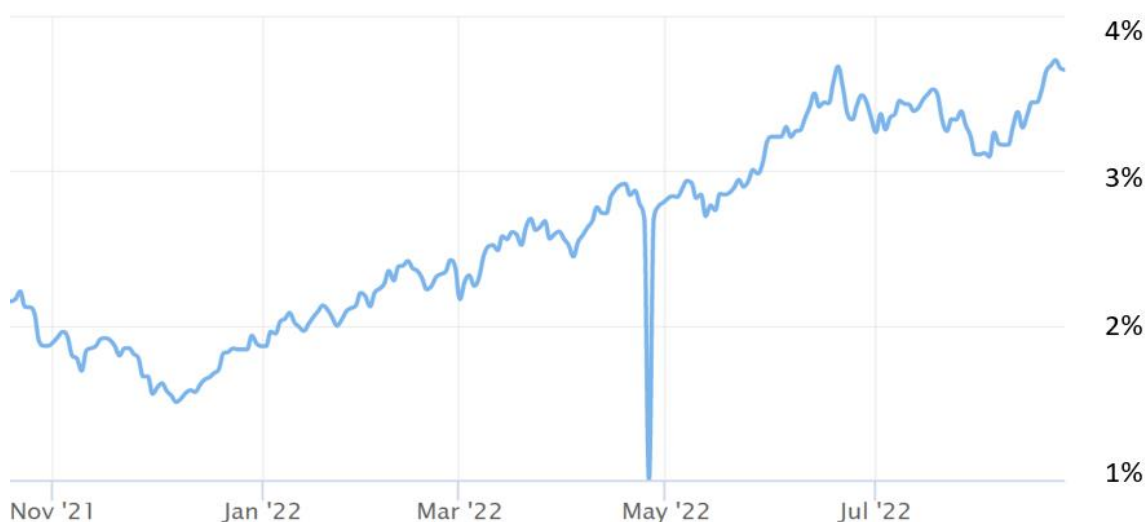
Source: Monthly Statistics of Building Materials and Components, Table 1

- 4.8. The BEIS noted widespread shortages including an 8% decrease in seasonally adjusted brick deliveries and a 10.4% decrease in block deliveries in June 2022 compared to the same month the previous year.
- 4.9. The Bank of England's most recent update to the Agents' Summary of Business Conditions on 16 June 2022 noted that construction output growth weakened modestly as rising materials costs and labour shortages caused projects to be delayed or cancelled and expected the pipeline of construction projects to slow as cost increases result in more projects being put on hold. It noted that many expected

rising costs and squeezed household budgets to weigh on demand for new homes this year and next.

The increasing cost of borrowing

- 4.10. Local authorities can borrow money from a number of different sources. These include borrowing on the markets; using the Public Works Loan Board; or municipal bonds.
- 4.11. Like most local authority capital borrowing, borrowing to fund the Council's housing delivery programme has been from the PWLB which has offered the lowest rates available.
- 4.12. PWLB interest rates are determined by HM Treasury based on gilt yields, the returns on government bonds. In effect, for the Housing Delivery Programme borrowing from the PWLB costs the Council 1% over the 50-year gilt rate.
- 4.13. Since December 2021, as monetary policy increases interest rates, gilt yields have been rising at their fastest rate since the 1990s. Over the last quarter, they increased by 1%. Correspondingly, 50-year PWLB loans that had been priced as low as 1.26% in December 2021 have risen to a current price of 3.97%.



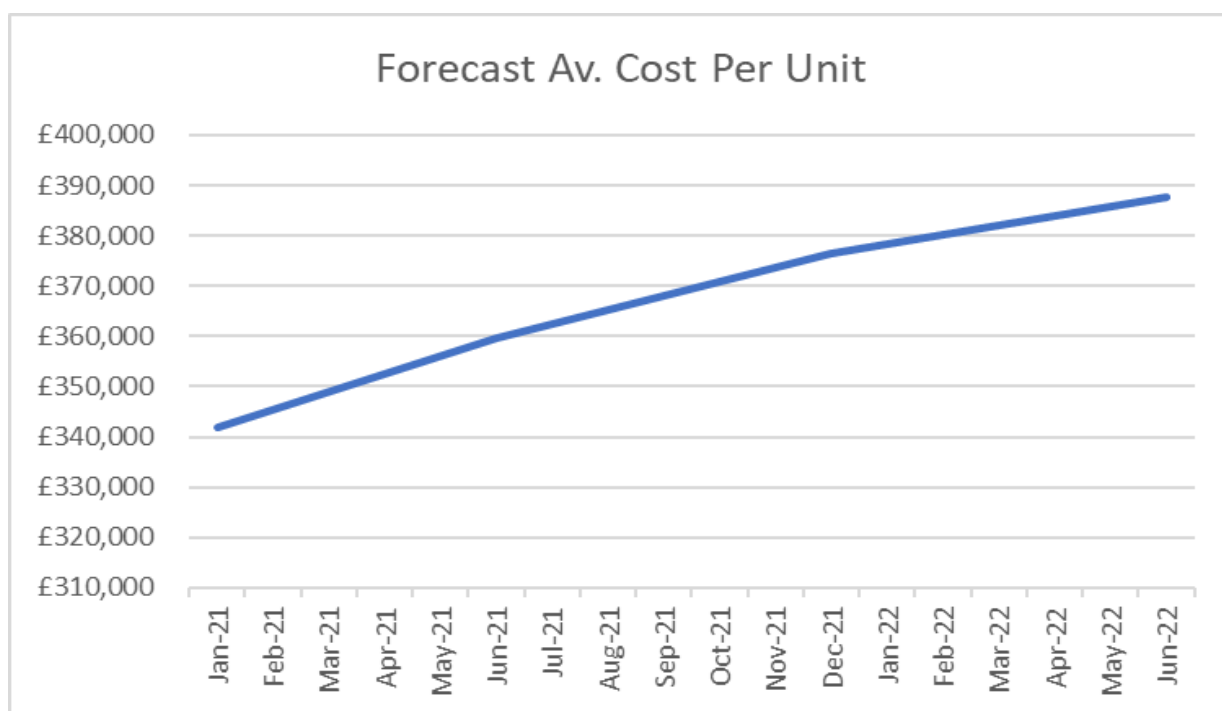
Increase since December 2021 to PWLB 50-year loan rates

The impact of economic conditions on the programme

- 4.14. Since the 2022 MTFS that underpins the current assumptions about the programme, the Council's costs for new loans have increased sharply and steadily from around 1.26% to a current price of 3.97%.
- 4.15. As set out above, £534.8m of borrowing is required to support the programme over five years.
- 4.16. It is not just the sharp price increases that have challenged the programme's viability: the volatility of costs has caused considerable challenges for procurement. Construction contracts in particular have been hard to let and tender prices have come back consistently over the estimated budget. In several cases, winning contractors have sought to renegotiate their bids in order to increase the contract value and seeking inflation clauses to protect them against market fluctuations. Not

only does this cause direct cost pressures for the Council but it also causes significant delays to starting and completing schemes.

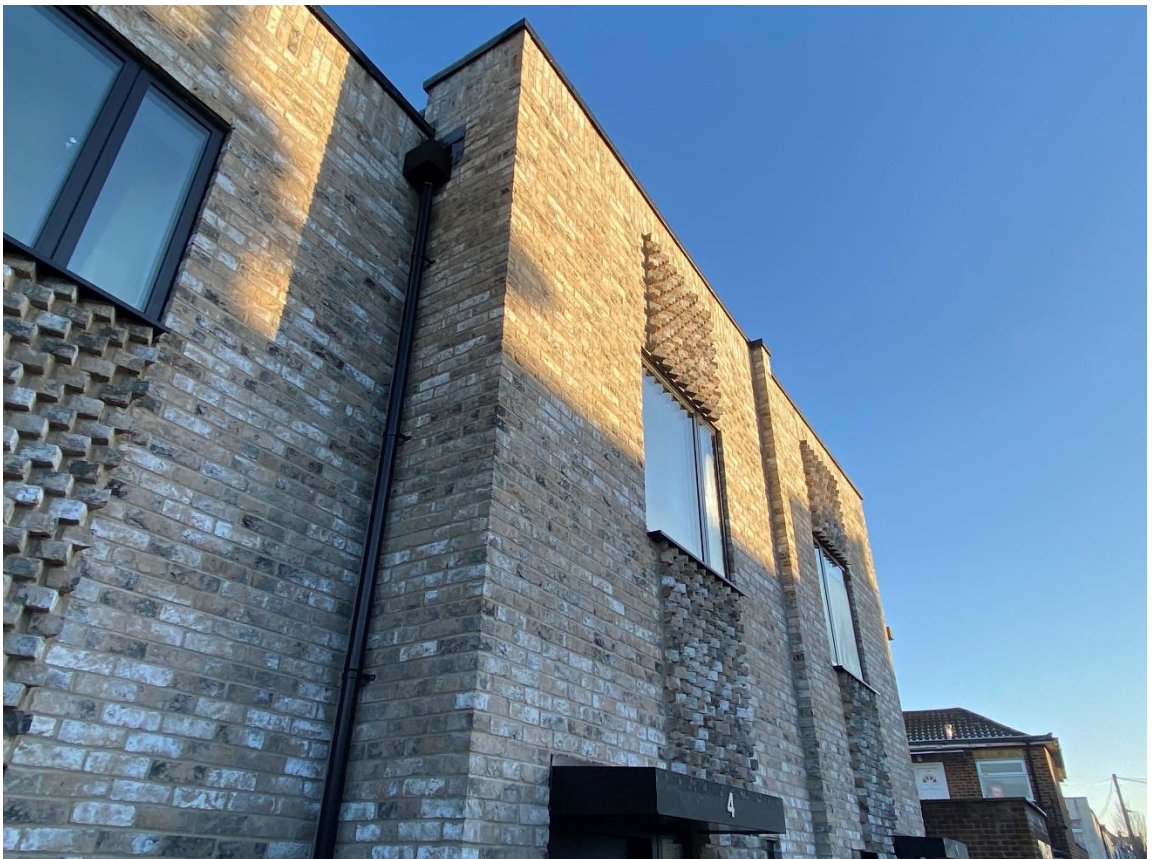
- 4.17. Delays caused by procurement issues in turn put GLA grant at risk as it is tied to defined milestones.
- 4.18. Delays during a period of sharp inflation cause further direct cost increases and indirect losses due to delays to rental income.
- 4.19. Contractors face the same pressures, of course. Two firms on Council developments – at Crawley Road and Hale Wharf - have gone into administration during the last quarter (though both schemes remain on track to complete on time). We are actively monitoring the finances of other contractors which are at risk.
- 4.20. Data obtained from the Insolvency Service shows that 360 house builders went into administration during the past financial year, including a record number of 117 in the first quarter of this year. These are all SME house builders such as those employed on Council schemes – major developers are increasing their profits at unprecedented rates.
- 4.21. Perhaps the clearest high-level indicator of the impact of rising costs to the Delivery Programme is the 13.4% rise over 18 months in the average forecast cost per unit.
- 4.22. Since we started producing structured programme forecasts for HRA business planning, the forecast cost per unit has increased with every iteration: from £341,983 in Jan 2021, £359,759 in June 2021, and £376,440 in December 2021 to June’s forecast of £387,729.
- 4.23. While it is of course worth noting that several factors can influence the average cost per unit– for example the average size or specification of the units- there has been no significant shift in factors other than the external market and inflationary factors that can explain these increases.



Business Plan Forecast – Average cost per unit

- 4.24. We are actively managing these risks including by:

- Maximising grant income, from GLA and elsewhere
- Supporting individual scheme viability through the use of commuted s106 planning contributions and Right to Buy receipts
- 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).
- Sharing information and ideas with our fellow London boroughs via the London Housing Directors Development group and a London benchmarking group.
- Ensuring that our contracts are clear on disruption arrangements with appropriate planning of key milestones, and suitable float/buffer to represent current delivery environment.



Three-bedroom Council homes at Poynton Road in Tottenham Hale, completed and let January 2022

4.25. It is clear that exogenous factors will present increasing challenges to the programme as the country enters a period of recession, inflation and interest rate rises. These are all factors that are being worked through as part of the HRA Business Planning process – with the draft budget coming as part of the MTFs to December Cabinet.

5. Contribution to strategic outcomes

5.1. 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 a new era of Council home building in Haringey.

6. **Use of appendices:** None

7. **Local Government (Access to Information) Act 1985 :** Not applicable