



Haringey Council

Report for:	Cabinet 14 July 2015	Item Number:	
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Title:	Housing Investment Strategy
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Report Authorised by:	Lyn Garner Director of Regeneration, Planning & Development Signed:
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Lead Officer:	Mustafa Ibrahim Head of Housing Commissioning, Investment & Sites
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Ward(s) affected: All	Report for Key/Non Key Decisions: Key
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1. Describe the issue under consideration

- 1.1. In November 2013 Cabinet agreed the Housing Investment and Estate Renewal Strategy. This followed approval in July 2013 of the Decent Homes programme for 2014/15 and 2015/16. It is now necessary to make further decisions in relation to capital investment priorities both for the existing housing stock and for building new homes.
- 1.2 Drawing on the experience to date of implementing the investment strategy, the report identifies the issues to be considered for the next phase and that will inform long term investment planning and decision making.

2. Cabinet Member Introduction

- 2.1 The council's Corporate Plan includes objectives to both increase the supply of new affordable housing and the quality of the council's existing homes. The council has also recently approved a new Housing Strategy for consultation, setting out more detail on how and with whom we propose to deliver these priorities.



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- 2.2 This report updates on progress on improvements to the council's existing stock and our Housing Investment Strategy for new homes, and makes recommendations on bringing these two areas of work together to describe how our ambitions can be achieved by making best use of the financial resources currently available. It also proposes greater flexibility in our use of Right to Buy receipts to provide more affordable homes in the borough through Housing Associations.
- 2.3 These initiatives reflect the council's determination to improve housing for local people and to create communities where they can thrive. I am particularly pleased to recommend significant further investment in our existing homes through the Decent Homes programme, extending to yet more residents the benefits of a greatly improved home.

3. Recommendations

It is recommended that Cabinet:

- 3.1 Approves the priorities for Decent Homes investment in 2016/17 set out in paragraph 5.5.
- 3.2 Agrees the approach to Decent Homes investment set out in this report, including where investment is deferred or delayed due to possible regeneration or estate renewal considerations (paragraph 5.8); where investment needs are beyond the normal scope of works (paragraph 5.21); and the move to longer term programme planning described in appendix B.
- 3.3 Notes the commitment of £12.7m from the approved HRA capital budget to Phase 1 of the new build programme including the Templeton scheme (paragraph 5.13).
- 3.4 Extends the Director of Regeneration, Planning & Development's existing Delegated authority for the approval of grant funding using Right to Buy receipts for the development of affordable housing by Registered Providers to now include all RPs developing in the borough up to the approval limit of £500,000, following consultation with the Assistant Director (Finance) (paragraph 5.16).
- 3.5 Approves the immediate changes required to facilitate delivery of the current Housing Investment & Estate Renewal strategy by providing flexibility in site identification, appraisal and resident consultation in accordance with paragraph 5.23 of this report.

4. Alternative Options Considered

- 4.1 For Decent Homes investment, alternative priorities for the new schemes commencing in 2016/17 were available but discounted, in order that the



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number of homes achieving decency is maximised and that essential works commence for the Noel Park estate.

- 4.2 For the second phase of new build investment, options for development sites and delivery methods have not yet been finalised and are not finally determined by this report. Any development will be based on further studies currently being carried out and decisions will be determined by the most advantageous mix of cost, risk, outcome and deliverability.

5. Background

- 5.1 Priority 5 in the council's 2015-18 Corporate Plan is to '*Create homes and communities where people choose to live and are able to thrive*'. Underneath that Priority, the Corporate Plan sets the more detailed objectives both to '*Achieve a step change in the number of new homes being built*' and to '*Drive up the quality of housing for all residents*'. In March 2015, Cabinet approved a draft Housing Strategy which sets out in more detail – among other things – the council's ambitions both to contribute to new housing supply and to drive up the quality of the council's existing homes. The draft Housing Strategy will be the subject of public consultation during summer and autumn 2015.
- 5.2 In February 2015 the Council adopted the new Medium Term Financial Strategy 2015-18 (MTFS). Within the Housing Revenue Account (HRA), a capital programme was agreed that prioritised investment in the current housing stock through the Decent Homes programme and provided funding in 2015/16 to build new homes in line with the Housing Investment and Estate Renewal Strategy. The approved capital budget is summarised in appendix A.
- 5.3 Although the capital budget has been approved to March 2018, there are a number of immediate priorities to be determined for the Decent Homes programme in 2015/16 and 2016/17 and the new build programme. These decisions need to be made in the light of higher than expected expenditure on the 2015/16 Decent Homes programme and on the first phase of the new build programme.

The Decent Homes Programme

- 5.4 The Decent Homes programme for 2015/16 is underway but increased costs in 2014/15 mean that the whole of the approved programme cannot be delivered within the available budget. Costs for 2014/15 schemes are higher than the anticipated budget due to generally higher construction costs throughout the industry and the volume of required works being greater than originally anticipated, following the completion of detailed surveys of homes included in the programme. The main areas of variance include:

- A higher than anticipated number of required roof renewals



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- A higher than anticipated number of required window and door renewals
- Higher than anticipated costs of window and door renewal due to the conservation status of homes
- Higher than anticipated access costs (scaffold) due to new health and safety legislation and scaffold requirements
- The inclusion of a number of key health and safety items not originally within the scope of the works but essential to complete while onsite

5.5 As a result of these variances, the cost of delivering the 2014/15 programme has increased from £38m to £49m and some schemes from the 2015/16 approved programme have consequently been re-programmed for delivery in 2016/17. As well as this re-programming, estimates of the cost of 2015/16 schemes have increased to reflect 2014/15 experience. The 2016/17 budget is £28m but approximately £19.5m of this will be needed for schemes re-programmed from 2015/16, leaving £8.5m for starting new schemes. It is proposed that the priority for this funding should be:

- Essential health and safety works on the Noel Park estate, particularly the commencement of a programme for the “Pod” properties;
- Works to augment the GLA funded programme for the Noel Park estate, which is being delivered in 2015/16 but falls a long way short of the total required investment;
- Internal works for those properties previously limited to external works only, in order to bring the maximum possible number of homes up to the Decent Homes standard.

5.6 2016/17 is the first year that investment in the current stock will be funded wholly from the Council’s own resources, without GLA grant. The longer term investment and funding planning that is now required provides an opportunity to reconsider the approach to the programme and its branding. This is developed further in appendix B, along with supporting information in relation to the prioritisation above.

5.7 The Decent Homes programme has been affected in recent years by the deferral of approved schemes, as a result of regeneration or estate renewal considerations. Consideration of the long term future of a particular estate has delayed works, in some cases after residents had been informed of inclusion in the programme. In some cases properties have remained non-decent with residents living in conditions we would wish to improve, resident expectations have not been met and clear communication with them has been difficult.

5.8 In future, tighter alignment of investment planning will avoid this but it is nevertheless appropriate to adopt a more consistent approach to stock affected by this. It is proposed that this is based on an assessment of stock condition, investment requirements, landlord obligations, health and safety,



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lead times for any future redevelopment and a lifecycle-based value for money assessment. Such an assessment will inform whether works should proceed and assist with clearer resident communication.

The New Build Programme

5.9 The initial new build programme was set out in the Housing Investment and Estate Renewal Strategy agreed by Cabinet in November 2013. The strategy classified new build/estate renewal under three broad headings:

- Small/infill sites
- Medium size estates
- Large renewal projects

The capital budget for the estate renewal and new build programme in 2015/16 is £28.3m, funded from the HRA.

Small/infill Sites – Phase 1

5.10 The strategy identified 11 sites and work has progressed on 10 of these sites, the exception being the garages and land adjacent to 8 King's Road N17 which was replaced by Hillcrest, originally included in the "medium estates" category. The Council has achieved planning consent for 30 mixed tenure units on 8 of the 11 sites and a constructor partner has been appointed.

5.11 The total cost of bringing these forward is in the region of £10m or about £320,000 per property. This is higher than expected but we anticipate reducing the average build cost per unit to around £280,000 in future, which is closer to the industry norm for such properties. A detailed consideration of cost and value for money is provided in appendix C.

5.12 The three remaining sites of phase 1 are Cranwood House, Hillcrest and Templeton Hall & garages. The current position on these three sites is:

(a) **Templeton Hall & garages:** This scheme will deliver 10 low cost home ownership (LCHO) units with grant funding from the GLA of £15,000 per unit. Delays have been incurred due to negotiations with Network Rail who own a portion of the site and have right of way over the whole site for maintenance of the railway line and embankment. The scheme is financially viable in its own right and planning consent could be achieved by the autumn of 2015. Assuming we are able to achieve the build costs set out in 5.10 above and receive GLA grant, the net cost to the Council will be £2.7m.

(b) **Cranwood House and Hillcrest:** An update on these sites will be included in the Housing Investment & Estate Renewal strategy to be reported later in 2015/16.



- 5.13 Thus the Council is proceeding with Phase 1 at a cost of £12.7m. It is not proposed to commit funds to Cranwood House and Hillcrest at this stage. This means £15.6m is uncommitted from the 2015/16 budget, along with £4.8m carried forward from last year. A total of £20.4m is available to invest in other schemes.

Small/infill Sites – Phase 2

- 5.14 The original Phase 2 programme identified 17 possible sites with the potential to deliver 141 homes, consisting of 38 social rented units, predominately in the centre and west of the borough, and 103 low cost home ownership units predominately in Tottenham. Subsequent analysis has established that at least four of these sites will prove difficult to bring to fruition. In addition the experience from Phase 1 suggests that the sites providing a very small number of units (five or fewer) would be delivered more effectively through a different approach than that for the larger sites.
- 5.15 A revised potential programme is being considered, in consultation with the Lead Member for Regeneration and Housing, to include a number of alternative larger potential sites. Once that programme is determined, capacity studies will be commissioned for the potential new sites and for all of the original Phase 2 sites. A procurement exercise is underway to appoint architectural consultants, which will be funded from the available revenue budget. Financial appraisals for these sites are being updated or prepared. The commissioning of capacity studies will be below £500,000 in value and the scope of any further work to be commissioned coming out of these studies/ options appraisals will be subject to further Cabinet Reports as necessary.
- 5.16 A further measure to expedite overall affordable housing delivery, while also ensuring the maximum use of the council's receipts under the Right to Buy (RtB) programme, is to use receipts as grant funding for development by Registered Providers (RPs). This approach was agreed by Cabinet in November 2014 and limited to our preferred partners. Approval of such grant funding was delegated to the Director of Regeneration, Planning & Development up to a limit of £500,000 and grants above this level will require Cabinet approval. Given the level of RtB receipts and planned acceleration of grant funding, it is proposed that the Director's delegated approval of such grant funding up to a limit of £500,000 is extended beyond Preferred Partner RPs to include all RPs developing in the Borough, in order that the Director can award grants to a wider range of RPs after consultation with the Assistant Director (Finance) and in accordance with the Council's Financial Regulations.

Medium and Large Estates



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- 5.17 The Housing Investment & Estate Renewal Strategy identified 11 medium size estates and we have begun consultation with residents on some but not yet all of these estates. Capital provision has not been made for these schemes (although some have had Decent Homes investment). Capacity studies have not been completed for all of these sites and consultation is ongoing. An update on these sites will be provided as part of the Housing Investment & Estate Renewal strategy that will be reported later in 2015/16.
- 5.18 The large sites outside of the Tottenham Programme are Broadwater Farm and Noel Park. The current position on Noel Park is set out in appendix B and the position on Broadwater Farm will be reported later in 2015/16.

Housing Investment and Estate Renewal Strategy

- 5.19 It is clear from the new build programme to date that construction costs are increasing, site identification and appraisal needs to be more robust and the programming of procurement needs to be sufficient to enable adequate time for tendering and agreement of price. Resident consultation and the use of independent advisors have in some cases been problematic to maintain and communication needs to be clearer with resident expectations set more fairly. It is also evident that some schemes will not be viable at current social rent levels without cross subsidy. Also, there is no provision in the Capital programme for new build/estate renewal beyond the current year.
- 5.20 These lessons and requirements are being absorbed and will inform a refreshed Housing Investment and Estate Renewal Strategy later in 2015/16. The current strategy is limited to new build with a separate asset management strategy prepared by Homes for Haringey. These strategies need to be integrated so that a holistic approach to investment is taken.
- 5.21 For the current stock, a number of issues will be addressed by the refreshed and integrated strategy, including:
- (a) Investment in areas not addressed to date by Decent Homes, principally energy efficiency and environmental improvements;
 - (b) Investment in the homes that to date has been excluded from Decent Homes;
 - (c) Investment after the end of the GLA funded Decent Homes programme; and,
 - (d) The strategic approach to those estates with significant investment needs beyond usual Decent Homes works and the available funding.

Where homes require works beyond the normal scope of Decent Homes works, the current approach is to seek to identify solutions that generate funding and do not rely solely on council funding to deliver. It is proposed that this approach is confirmed in the refreshed strategy.



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- 5.22 For new build, the new strategy will address the lack of a clear financial plan in the current strategy and will identify options for the ongoing approach to and funding of the Council's new build programme. This will need to include consideration of tenure balance and rent policy for new housing, and how we maximise access to funding including GLA grant. The refreshed strategy will also deal with any important omissions in the current strategy, for example the approach to energy efficiency and with any changes required as a result of government policy.
- 5.23 Two immediate changes are required that cannot await the refreshed strategy, as follows:
- (a) The current strategy identified specific estates and sites and listed them. This is an unhelpful restriction as flexibility is needed so that all potential sites can be considered; it is therefore proposed that this restriction is removed, so that account can be taken of financial viability, other development constraints, resident consultation or other factors that may require the programme or individual schemes to be varied.
 - (b) The approach to resident consultation on infill development is currently limited to consultation on the planning application only, but this has caused confusion, especially in light of the statutory requirement to carry out s105 consultation with Council tenants and has been unnecessarily restrictive. It can be necessary and appropriate to consult earlier and more widely, ensuring a more robust engagement with residents and greater transparency of the process. To achieve this consultation timing and methods need to be more flexible and tailored to the needs of residents of particular sites so it is proposed that this stipulation is removed.
- 5.24 In order to achieve a robust and comprehensive approach to housing investment underpinned by a viable financial plan, a refreshed HRA Business Plan is being developed to provide the framework for future long term housing investment decisions. This will need to fully align with other housing and related initiatives that affect the resources and choices available and will be reported for decision between now and February 2016.

6. Comments of the Chief Financial Officer and Financial Implications

Decent Homes Programme

- 6.1 Cabinet in February 2015 approved a budget of £32,938,000 for the 2015-16 Decent Homes Programme. However, due to unanticipated additional costs in the sum of £16,060,000 for 2014-15 described in the body of the report, some of these projects have to be re-programmed into 2016-17. Included within the 2015/16 budget is the funding that has been secured from the GLA in the sum of £11.3m. The GLA has stipulated that £6m of this allocation is to



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be earmarked for Noel Park, thus it is sensible a proportion of the proposed budget allocation relates to Noel Park, as it will provide the match funding that enables the Council to utilise this grant funding.

- 6.2 The approved Decent Homes budget for 2016/17 is £28,000,000 but it is estimated £19,500,000 of this will be required to deliver existing commitments. This leaves £8,500,000 to be allocated. Due to the large variations from budget experienced in previous years, the Decent Homes programme will need to be extremely closely monitored during 2015-16.

New Build and Infill Sites

- 6.3 The existing budget for the new build programme is £28,300,000 as agreed by Cabinet in February 2015. This budget was assumed to be broken down as follows;

£10,100,000 for Phase 1 projects
£4,600,000 for Hillcrest
£11,000,000 for Cranwood
£2,600,000 for Templeton

These budgets include the cost of borrowing and are not purely for construction costs and fees.

- 6.4 Additionally the new build capital budget for 2014-15 was underspent by £4,800,000 and a carry forward request was agreed at June Cabinet. Thus the budget for 2015-16 and later years is now £33,100,000.
- 6.5 The Council will need to ensure that any revised new build programme can firstly be contained within the existing budget and secondly is viable over a 30 year period, as the strong industry wide construction cost pressures have significantly impacted on the ability to achieve viable new build schemes at social rent levels.
- 6.6 Other variables affecting the viability of a new build scheme include the tenure mix, including the level of upfront private sales; the rent levels set and the level of GLA or Right to Buy subsidy factored into the scheme. The level of GLA subsidy has been limited to £15,000 per unit for a Low Cost Home Ownership scheme and £30,000 for an affordable unit. If Right to Buy receipts are used, then the level of subsidy is limited to 30% of construction costs.
- 6.7 The funding package assumed for the existing programme is a combination of prudential borrowing, GLA grants, Right to Buy receipts and income from the disposal of newly built homes. The section 151 officer would need to authorise the funding package for any revised scheme.



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6.8 It is important to note that one of the funding sources, Right to Buy receipts, are subject to significant limitations on their use. Firstly they can only form 30% of the funding for any affordable housing scheme, so for every £100,000 of right to buy receipts to be used the Council will need to identify an additional £233,000 of funding from elsewhere in its budgets. Secondly, they are time limited and the Council must use the receipts within 3 years of receiving them, otherwise they will need to pay them back to central government along with interest at a punitive rate.

Medium and Large Estates

6.9 The recommendations within this report generally do not involve any direct costs for redeveloping the medium and large estates. The viability and costs related to any such projects will need to be addressed in subsequent Cabinet reports before these projects could progress.

6.10 The costs of the further works identified within this report around investigating delivery options and consultation with residents can be met from existing approved revenue budgets.

6.11 The report points to the need for a longer term financial plan for housing investment and estate renewal and this can be achieved by refreshing the HRA Business Plan in alignment with the proposed new Housing Investment & Estate Renewal strategy and the Council's Medium Term Financial Strategy.

7. Comments of the Assistant Director of Corporate Governance and Legal Implications

7.1 The Council has the power under section 1 of the Localism Act 2011 to do anything that individuals may do except for any boundaries imposed by other statutes.

7.2 Where there are secure tenants on the sites involved, the Council must carry out statutory consultation under section 105 of the Housing Act 1985 in respect of matters concerning housing management.

7.3 In respect of any grant funding legal advice should be obtained before the making of any grant to ensure such grant complies with State Aid rules.

8. Comments of the Head of Procurement

8.1 Following the approval of the Housing Investment Strategy the delivery of outcomes that address the Recommendations set out at paragraph 3 above will be supported by the Central Procurement Unit. A number of the initiatives relating to the Housing Infills phase 1 and 2 are already in place or being procured.



- 8.2 All tenders will be required to meet the recommendations for the Housing Strategy and will need to adhere to the Public Contracts regulations 2015 and the Contract procedure rules of the Council.
- 8.3 Further discussion will be required with consultants, contractors or development partners regarding the content of the tendered documents so that the priorities of the Council are addressed. Including employment and skills requirements where possible.

9. Equalities and Community Cohesion Comments

- 9.1 The Asset Management Strategy 2007-2017 covers all investment in the Council's housing stock, including Decent Homes. In drawing up the strategy, an Equalities Impact Assessment was undertaken. The findings have been incorporated into Homes for Haringey's planning processes for delivering Decent Homes. This includes ensuring that all residents receive the same standard of work and consideration of specific language and other needs are identified and addressed when drawing up programmes of work.
- 9.2 The new build programme contributes to mixed and balanced communities. The availability and allocation of new homes for rent or low cost home ownership is subject to current policies (e.g. the Council's Allocations Policy) or developing policies (e.g. the Council's Shared Ownership Policy). All such policies have been or will be subject to an Equalities Impact Assessment and targeted action to ensure fair access and promote inclusion.

10. Policy Implication

- 10.1 The proposals in the report implement the policies set out in the Council's Corporate Plan 2015-18 and the draft Housing Strategy.
- 10.2 Priority Five of the Corporate Plan, and the draft Housing Strategy, both include the following objectives:
- Achieve a step change in the number of new homes being built
 - Drive up the quality of housing for all residents

The proposals in the report will improve the quality of the Council's own housing stock through the Decent Homes programme and will provide new housing for rent and low cost home ownership.

11. Reason for Decision

- 11.1 A decision is required to enable work on the Decent Homes and new build programmes to proceed. By deciding the priorities for and approach to the available budget, investment can proceed to ensure that the number of



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existing homes made decent and the number of new homes built is maximised.

12. Use of Appendices

- 12.1 Appendix A - HRA Capital Programme 2015-18
Appendix B - Decent Homes Programme: Supporting Information
Appendix C - New Build Programme: Value for Money Considerations

13. Local Government (Access to Information) Act 1985

13.1 Background Papers:

- Housing Capital and Decent Homes Programme 2014-16 (Leader's Signing, 30 July 2013)
- Housing Investment and Renewal Strategy (Cabinet, 28 November 2013)



HRA Capital Programme 2015-18

	2015/16	2016/17	2017/18	TOTAL
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Mechanical & Electrical	3,000	3,000	3,000	9,000
Asbestos Removal	160	160	160	480
Boiler Replacements	5,000	5,000	5,000	15,000
Lift Improvements	1,000	1,000	1,000	3,000
Structural Works	200	200	200	600
Capitalised Repairs and Minor Works	420	420	420	1,260
Extensive Void Works	300	500	500	1,300
Professional Fees	2,000	2,000	2,000	6,000
Decent Homes Works	32,938	0	0	32,938
Successor Programme	0	28,000	27,000	55,000
Estate Improvements	1,000	1,000	1,000	3,000
Energy Conservation	100	100	100	300
Planned Preventative Maint	3,269	2,673	2,000	7,942
Supported Living	750	750	750	2,250
Extensions & conversions	600	600	600	1,800
Fire Safety	3,000	3,000	3,000	9,000
Disabled Adaptations	1,200	1,200	1,200	3,600
Stock Survey	80	0	0	80
Aids and Adaptations (decent homes)	250	250	250	750
Total Bids for Mainstream Programme	55,267	49,853	48,180	153,300
Funding for Mainstream Programme				
HRA surplus	8,941	26,534	24,861	60,336
Decent Homes Grant	11,270	0	0	11,270
MRA	19,319	19,319	19,319	57,957
Leaseholder Contributions	2,000	2,000	2,000	6,000
RTB Receipts	2,439	2,000	2,000	6,439
Assumed C/fwd from PPM	1,500	0	0	1,500
Assumed C/fwd from Decent Homes	2,000	0	0	2,000
Usable Leaseholder Balances	7,798	0	0	7,798



	55,267	49,853	48,180	153,300
				Contd.
Project Programme				
Infill/small sites Ph 1 and Purchase Programme *	28,327	0	0	28,327
High Road West - Leaseholder Purchases	6,000	2,143	2,143	10,286
High Road West - Homeloss / Disturbance	2,480	0	0	2,480
Projects Sub Total	36,807	2,143	2,143	41,093
Funding				
GLA Grant / Right to Buy Receipts	3,327	0	0	3,327
Capital Receipts	11,910	0	0	11,910
Borrowing (within Headroom)	21,570	2,143	2,143	25,856
				0
	36,807	2,143	2,143	41,093
Borrowing Headroom				
Headroom remaining	34,465	32,322	30,179	
* Expenditure on Small sites & Infill Programme is provisional at this stage. Awaiting final cost information from Contractors'				

The Decent Homes Programme: Supporting Information

- B1 The current Decent Homes programme was agreed in July 2013 for 2014/15 and 2015/16 (years 7 and 8 of the programme). Capital funding of £71m was approved for the programme. Since then, Haringey has successfully bid for a new round of backlog funding for 2015/16, which has secured additional GLA grant of £11m, of which £6m is earmarked for Noel Park and £5m is for general DH works. This is almost certainly the final year of grant funding.
- B2 Noel Park was not previously included in the Decent Homes programme due to the complex investment needs on the estate driven by a number of factors, including:
- Prefabricated “Pods” on the rear of properties which need replacement
 - The Conservation and Article 4 status of the estate
 - The size of kitchens and bathrooms in some properties which do not allow for a standard Decent Homes approach
- B3 Homes for Haringey (HfH) was commissioned to undertake a comprehensive options appraisal of the estate. This review has concluded that the estate requires investment of at least £35m in the next five years to bring homes up to the Decent Homes standard, address the issues associated with the Pod properties and convert homes which have excessively small bathrooms and kitchens.
- B4 The £6m GLA grant will fund an initial phase of Decent Homes works to 212 properties on the estate and this has now been added to the 2015/16 programme. A further £5m of funding for 2016/17 is recommended as a priority to begin to address essential health and safety works including the Pods.
- B5 It is highly unlikely that the HRA can itself fund the remaining £24m of works required in the short to medium term, given other demands. An approach not wholly reliant on available Council resources is needed, both for Noel Park and other estates where this might be the case in future. Such estates will need to be able to generate funds or reduce cost, which may involve:
- Small scale stock transfer
 - Disposal of financially unviable stock
 - Deferral of works or reduction in standards
- B6 Homes for Haringey has been further commissioned to develop a proposal that achieves decency for the estate and provides higher quality homes by 2020/21. This will need to be considered alongside other funding demands and decisions on future standards.



- B7 The Decent Homes successor programme will commence in 2016/17 and the proposals for the programme set out in the report anticipate a more strategic approach to Decent Homes investment in future. Planning in the wider context of housing investment priorities, including an approach to the deferred schemes, supports this longer term approach. It is proposed that we move to a five year programme, rather than the current annual approach to enable better planning and to support continuity of delivery.
- B8 HfH has started working on the development of the new Asset Management Strategy for the borough's housing stock. The focus of the previous strategy was primarily on delivering Decent Homes and the new strategy will form an important part of the Council's overall housing investment and estate renewal strategy. To ensure the new strategy is based on sound information, HfH is currently undertaking a stock condition survey to refresh the information held regarding the condition of the housing assets.
- B9 This updated information will inform consideration of the following:
- Is the current Haringey standard the right standard?
 - How do we take account of elements outside the current standard, such as environmental improvements, energy efficiency and mechanical/electrical works?
 - Moving from asset maintenance to more proactive asset management, which will require us to have the right parameters and tools in place to objectively assess and determine stock viability, and the level and type of investment required for the borough's housing assets.
 - Is the current (or future) standard affordable and sustainable?
 - Should we assess long term viability within defined parameters e.g. if an estate is not financially viable over 30 years is it right to invest?
- B10 These questions will be considered within the context of a refreshed HRA 30 year business plan, which will reflect the agreed approach to all of the investment required i.e. current stock post-Decent Homes programme, new build, estate renewal and regeneration priorities.

New Build Programme: Value for Money Considerations

- C1 The cost of delivering the new build programme has exceeded the original projections. The main reasons for this are:
- An increase in industry wide construction costs of around 25% compared to initial projections made in 2013.
 - The initial programme did not include adequate provision for the small nature and complexity of the sites which were not costed in the initial appraisals (smaller sites cost more per unit to build compared to large sites due to economies of scale).
 - The high build specification of the units which are designed to a standard above that normally seen in affordable housing and which was not costed in the initial appraisals.
 - The units are significantly larger than standard set out in the London Housing Design Guide.
 - Additional, unforeseen design work.
 - Insufficient time allowed for realistic tendering and agreement of price with contractor.
- C2 These have resulted in construction costs of c.£3,000 per sq m against original projections of £1,900 per sq m. It is expected that these costs can be reduced in future as the Council gains experience and knowledge of building new homes and also develops larger sites than the phase1 small infills which will provide greater economies of scale. However, given the most significant factor for the increase is a general increase in the industry wide cost of construction, it is anticipated that future schemes will cost in the region of £2,500 per sq m
- C3 The refreshed Housing Investment and Estate Renewal Strategy, which it is proposed to bring to Cabinet in late 2015 or early 2016, will need to include a consideration of value for money in the context of available resources and long term financial planning. This should include consideration of alternative methods of delivery, in the light of decisions on the proposed development vehicle, the future of housing delivery, and consideration of future new build tenure mix and rent levels in the light of further experience with the current programme.
- C4 In considering the Council's approach to the new build programme, the impact of tenure and rent levels on scheme viability and deliverability is key. The ability to deliver viable schemes relies on sufficient levels of upfront funding, often by way of borrowing (subsidised by grant funding) and rental income over an established pay-back period in order to cover the cost of any initial borrowing.



- C5 National subsidy has fallen by around 65% since 2010 with grant levels from the GLA ranging from £15,000 for a low cost home ownership unit to £35,000 for an affordable rented unit. To access the GLA grant for rented accommodation, councils and registered providers must comply with the Mayor's funding criteria, which include offering fixed term tenancies and providing affordable rent products with rents at up to 80% of market rent. Alternatively, councils can utilise their own retained Right to Buy receipts to fund the delivery of rented units which has no conditions attached (other than it cannot be used to fund LCHO housing). The level of funding available from RtB receipts is far greater than grant offered by the GLA.
- C6 Building affordable housing, especially rented affordable housing with significantly reduced subsidy available, is an expensive option because, unlike market housing, there is no immediate sales revenue to cover the cost of construction. As a consequence, building mixed tenure schemes that include market sale and low cost home ownership properties is an accepted way of cross subsidising the cost of rented affordable housing and many councils across London are adopting this approach.
- C7 There is balance to be struck between the level of upfront subsidy by way of sales revenue and the rental stream required to generate sufficient funding over time to cover the initial outlay. If Members wish to retain rents at target rent levels the units will generate a lower rental stream over their lifetime and the programme will need to include more units for outright market sale in order to cover the cost and make the scheme viable. However, if the aim is to maximise the number of affordable houses to rent, consideration could be given to increasing rent levels above target levels which would generate a higher rental stream and enable more affordable rental homes to be built. The optimum approach is likely to be a mixture of providing more units for market sale together with rent levels at a level above target rent but not as high as 80% of market rents. Remaining within the Local Housing Allowance for housing benefit purposes is an important consideration. The draft Housing Strategy proposes a guide on maximum rent levels in Haringey for housing providers as follows:

<i>Bedrooms</i>	<i>Market Rent %</i>
One	Up to 80%
Two	Up to 65%
Three	Up to 55%
Four or more	Up to 45%

- C8 Current target rents in Haringey are around 40% of local market rents and by setting rents in line with the guidance offered in the draft Housing Strategy, the Council could generate significantly more rental income over the lifetime of a new property to pay back the initial cost of construction.