

Report for:	Overview and Scrutiny Committee – 27 th July 2015	Item Number:	14
Title:	COUNCIL'S HOUSE BUILDING PROGRAMME SCRUTINY PROJECT - Council role in housing development – interim project report		
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Ward(s) affected:	All	Report for Key/Non Key Decisions:	N/A

1. Describe the issue under consideration

- 1.1 Under the agreed terms of reference, scrutiny panels can assist the Council and the Cabinet in its budgetary and policy framework through conducting in-depth analysis of local policy issues and make recommendations for service development or improvement.
- 1.2 In this context, the Housing & Regeneration Scrutiny Panel (2014/15) conducted a review of the Council role in housing development, specifically to identify:
 - (i) What legal and financial instruments were available to the council to support its house building ambitions;
 - (ii) What could be learnt from other Local Authorities who had already embarked on their own house building programmes.
- 1.3 The panel commenced work in December 2014 and within its plan of work held a number of evidence gathering sessions with Council officers and other local authorities.
- 1.4 This is an interim report which details the work of the panel and the emerging conclusions and recommendations it has reached. It is proposed that a further meeting with officers is scheduled to confirm and validate findings, with a final report presented at the next meeting of the Committee.

2. Cabinet Member introduction

- 2.1 N/A

3. Recommendations

3.1

- (i) That the Committee note this report of the Housing and Regeneration Scrutiny Panel;
- (ii) That the Committee note the emerging conclusions and recommendations contained within the report;
- (iii) That the Chair of the review and the Chair of Overview & Scrutiny meet with the relevant Cabinet member and officers to discuss the review recommendations in September; and
- (iii) That a finalised report is presented at the next meeting of the Committee.

4. Alternative options considered

4.1 N/A

5. Background Information

Introduction

5.1 Reform of the Housing Revenue Account (HRA) has devolved new responsibilities to Local Authorities and provided greater flexibility in the management of local social housing stock. Key aspects of the new 'self-financing' HRA framework included:

- The transfer (or repayment) of debt to stock owning Local Authorities (and now bear interest rate and inflation risks);
- Local Authorities to retain all rental income from housing stock;
- Greater flexibility to borrow against these assets, including the finance of new build.

5.2 The amount which local authorities can borrow to finance new build, the 'headroom' in the HRA account, is prescribed centrally through the Department of Communities and Local Government (DCLG). The borrowing caps set by the DCLG have on the whole been restrictive, with around half of all authorities able to borrow £10million or less, which at 2014 rates would only be sufficient to build 80-90 houses,¹ (though with the recent increases in associated costs, as detailed in 5.42, this figure could be substantially lower).

5.3 The desire to build new houses from within the borrowing cap has of course to be balanced against other housing needs within the HRA for example, the maintenance of existing stock to Decent Homes Standard. So given this, and the overwhelming levels of housing need, many Local Authorities have sought alternative models of finance and capital investment outside the HRA framework to support their home-building ambitions.

5.4 In Haringey, once existing borrowing is taken into account, the council has headroom borrowing of approximately £56million. The Council is using part of this borrowing capacity, together with income from other sources (e.g. Right-to-Buy), to fund a £28million local house building programme (Phase 1 Estate Regeneration and Infill Strategy) which will see the delivery of approximately 100 new homes. If the Council is to take a more active role in housing delivery to help meet local demand however, it is clear that additional sources of finance will need to be sought to fund such ambitions.

Aims, objectives methods

5.5 In the context of the above, the panel undertook an in-depth review to assess what additional legal and financial instruments were available that could further assist the

¹ Where is housing heading? Why is it important to change local authority borrowing rules? Chartered Institute of Housing *July 2014*

Council in its own house build ambitions. In addition, the panel also sought to assess what could be learnt from other council house building programmes in other local authorities that could inform policy and practice here in Haringey.

- 5.6 Within this overarching aim, the panel sought to address a number of the following key questions.
- What funding mechanisms have been used to support council-led development?
 - To what extent have the availability of land and land values impacted on council led development?
 - How has the availability of internal knowledge, skills and experience impacted on council-led development?
 - How are council ambitions for delivering mixed communities achieved or supported through Council led development?
 - How have council led programmes sought to restrict Right-to-Buy options within council led development?
 - An increased role for the Council in housing development, naturally brings greater risks, how are these managed?
- 5.7 A range of information gathering methods were employed to ensure that the panel had access to the necessary evidence to assist it in its investigation, which included:
- Evidence gathering sessions (with Council officer and local authorities);
 - Attendance at specialist housing conferences;
 - Formal panel meetings (to coordinate, plan and monitor work).
- 5.8 Evidence to assist the panel in the project objectives was primarily taken at four evidence gathering sessions which were as set out below:

Evidence gathering session	Key Aims & objectives	Informants
1.	<ul style="list-style-type: none"> ▪ Establish local policy & practice 	<ul style="list-style-type: none"> ▪ Planning Service, LBH ▪ Finance, LBH ▪ Legal, LBH ▪ Housing Regeneration, LBH
2, 3 & 4	<ul style="list-style-type: none"> ▪ Establish comparative policy & practice 	<ul style="list-style-type: none"> ▪ London Boroughs of: Barking & Dagenham, Ealing, Enfield, Hackney, Newham & Sutton.

Conclusions and recommendations

- 5.9 The panel have undertaken a preliminary assessment of the evidence and have formed the following conclusions and recommendations.

Council development strategy

- 5.10 In the context of ongoing squeeze on local government finance, a diminishing central grant and greater reliance on localised income, evidence received within the review would suggest that **retention of the Council’s assets** should underpin the Council’s housing development strategy. Within this approach, the Council would be able to maintain its **strategic position to influence the local housing market** as well as maintaining and developing **long term income streams**.

5.11 Evidence received from other authorities strongly backed such an approach and many had adopted this within their own development programmes. In a neighbouring borough, the panel noted that all private sales were on a leasehold basis, as the retention of the freehold presented opportunities for future income generation. But perhaps most compelling of all was the evidence from an authority with many years house building experience, where it was noted that in the early years of this programme, freeholds were released which in hindsight diminished the role and future influence of the Council.

Recommendation 1

Within the Council led development strategy, where possible the Council should seek to retain its assets (including freeholds) to maintain its strategic influence in the local housing market and maintain the possibility of developing future income streams. That in respect of those properties deemed 'uneconomic' to repair, where possible that these are demolished and rebuilt as part of a wider infill programme.

Challenges for council-led development

5.12 Evidence from local authorities indicated that councils face a number of distinct challenges in embarking on their own build programmes. These included:

- a) The availability of land suitable for housing development;
- b) The value of land available and possible housing options this presents;
- c) Borrowing limitations set within the HRA (borrowing cap);
- d) Financial tensions between maintaining the existing housing stock (decent homes) and ambitions to deliver new housing stock;
- e) The loss of housing stock, even new build, through existing and new Right-to-Buy regulations;
- f) Lack of in-house experience, skills, and expertise to support council delivery programmes.

5.13 Whilst accepting that there will be local variations, it is clear that a local housing development strategy should seek to resolve the above challenges.

Increasing role for the Council in housing development

5.14 Despite the challenges listed above, it was apparent that councils were taking a very active role in housing delivery, mostly driven by necessity. Among those boroughs which gave evidence, there was widespread recognition that the current operation of the **housing market was dysfunctional** in that it was not delivering the quantum, type or quality of housing to respond to local housing needs. In particular, there was concern that the housing market as it currently operated was not delivering:

- (i) The quantum of housing needed to fulfil targets set within the London Housing Plan (Mayor);
- (ii) The number of **affordable housing units** which were most urgently needed in London.

- 5.15 Further evidence of the need for councils to adopt a more active role in housing delivery was cited in the attitude of developers to particular aspects of local housing development. London boroughs participating in this review noted that it was **difficult to obtain developer interest** in a number of circumstances:
- (i) In-fill developments where a small number of units may be scattered across a wide area;
 - (ii) Estate renewal where there was little or no scope for additional development or where it was uneconomic to do so (e.g. site clearance issues).
- 5.16 Evidence presented to the panel indicated that local authorities were adopting a proactive position in local housing delivery to respond to areas of market failure and meet local challenges and expectations. A number of authorities indicated that they were playing **an active role in land assembly** and land preparation for development, which included:
- Land clearance – e.g. decontamination of land, particularly Brownfield or old industrial sites;
 - Consolidating ownership to de-risk potential sites – e.g. use of Compulsory Purchase Orders
 - Land acquisition (and assembly) in development opportunity areas;
- 5.17 From the submissions from other local authorities, it was noted that such active land-assembly policies helped to create greater interest in the sites from potential developers. It was suggested that with a **greater number of developers** interested in the site, this could strengthen the hand of the council procurement and contracting processes to help maximise the outputs from the site (e.g. in proportion of affordable homes).
- 5.18 In discussions, it was noted that **stalled development sites** could also present a significant issue, particularly where these occurred in key development opportunity sites. In this context, there was evidence that authorities were taking an active role by offering to buy off-plan from developers to provide necessary cash injection to stimulate development.
- 5.19 Further evidence for Councils to take a more strategic role in housing delivery is provided through the Elphicke House Report.² This national investigation into the current and future role of local authorities in housing delivery, strongly recommended that local authorities undertake a step change from their current role as statutory provider to more strategic role as **Housing Delivery Enabler**. The report argues that this role should encompass a number of functions:
- Community leadership and strategic clarity on development;
 - Creating new housing opportunities;
 - Shaping a stronger housing finance market;
 - Effective management of housing supply;
 - Business leadership.

² From statutory provider to Housing Delivery Enabler: Review into the local authority role in housing supply Elphicke- House Report, DCLG, January 2015

Recommendation 2

That the Council should adopt a strategic and proactive role in housing delivery, adhering to those principles endorsed within the Elphicke-House Report.

- 5.20 During the course of its work, the panel noted that there are currently two lists of sites for potential development, one of which centres on the land owned by the HRA and another list by General Fund (GF). To ensure a full assessment of local development opportunities, it is suggested that the council create a unified list of potential sites within both the HRA and GF. It is also suggested that members, with their experience and local knowledge, should also be able to suggest sites for inclusion on to this list.

Recommendation 3

That the Council develop a unified list of potential development sites from both HRA and GF owned land. Recognising their local knowledge and expertise, members and staff should be actively encouraged to contribute to the continued development of this unified list.

- 5.21 There was some agreement amongst contributors that there should be more effort to engage and involve smaller and medium size developers in local home building, given that larger developers may have little interest in some aspects of local development. This would also concur with the findings within the Elphicke-House report.

Borrowing through the HRA and other sources of finance

- 5.22 The reform of the **Housing Revenue Account (HRA)** system has given the Council greater flexibility in the way that it manages its own housing stock, in particular its ability to fund the build of new council owned homes through headroom in the HRA. However, the level of capital finance available for new development within HRA is established by DCLG (the '**borrowing cap**') and it was evident that this varies substantially across each authority.
- 5.23 There were wide variations among local authorities that contributed to this review where it was noted that borrowing capacity in one authority (£169m) was almost 12 times that of another (£14m). Thus, whilst some were able to fund their development ambitions through the HRA, most had to resort to finding additional finance from other sources.
- 5.24 Evidence to this review and from other publications would indicate that local authorities are resorting to a wide range of funding sources to deliver local housing ambitions, these included:
- Receipts from section 106/ planning gain;
 - Other capital receipts, for example from Right-to-Buy and land sales;
 - General fund borrowing (which included council-owned housing vehicles);
 - Through finance or investment raised in off-balance-sheet partnership vehicles to which the local authority is a partner ;
 - From sale and leaseback arrangements.

- 5.25 Given limited borrowing available through the HRA (headroom), a number of authorities had resorted to a range of other sources to secure capital funding to fulfil local housing development ambitions. The panel noted that in some instances, **capital funding** had been secured at **very low rates of interest** which ultimately allowed a greater subsidy to final letting arrangements. For example, an outer London borough has secured £150m through the **European Investment Fund** at 1% below PSLWB which enabled lettings to be made at 50% of market rent (e.g. social rent).³
- 5.26 What was clear from the evidence of participating authorities and from the emerging literature on this subject is that local housing finance is an area of expanding opportunities with a myriad of potential funding solutions available to local authorities to fulfil local housing ambitions. Whilst the Council should rightly be cautious about the efficacy of such arrangements and long-term value delivered to the authority, the panel were of the view (which is also endorsed by Elphicke-House) that the Council should systematically assess the range of funding opportunities available to assist the council housing delivery ambitions. Given the low interest rates currently available, it is recommended that this process should be undertaken promptly and with the use of specialist consultant input.

Recommendation 4

That the Council undertake a detailed assessment of the public and private finance options available for key development sites. This should be undertaken promptly (to obtain best value from current low interest rates) and with the use of specialist financial services. In addition, the Council should continually monitor the various housing grants and alternative funding available to support new build and apply accordingly.

- 5.27 Further still, the panel noted there was evidence to suggest that due to self-financing, councils on the whole were in a strong position to borrow on their existing housing stock. It was noted that councils typically have a gearing ratio (ratio of debt to equity) 50 per cent lower than that of developing housing associations (HAs).⁴ Research by the Federation of ALMOS indicated that in 2012, there was headroom of approximately £2.8 billion within the borrowing caps but additional borrowing capacity of at least £20 billion would be released if the caps were relaxed or removed.⁵

Recommendation 5

That the Council should continue to lobby DCLG directly and through other representative organisations (London Councils and GLA) for a relaxation of borrowing limits set within the HRA. In addition, the Council should update

³ It is noted that rates available through the European Investment Bank can vary and that conditions attached to such loans may be stringent, which may not always compare favourably with PWLB loans in the longer term.

⁴ Where is housing heading? Why is it important to change local authority borrowing rules? Chartered Institute of Housing *July 2014*

⁵ Let's get building, Federation of ALMOs, 2012

and reassess gearing debt ratios on HRA estates to provide further evidence to support future borrowing opportunities.

- 5.28 In the course of its evidence gathering, the panel also became aware of LG Develop⁶, a scheme operated through the Local Government Association to facilitate local authority access to external financing to support housing delivery. Within this scheme, individual local authorities are invited to identify housing units required and funding requirements needed, which forms the basis of a collective approach by the LGA to institutional investors. The key advantage of this scheme is that it develops access to large scale institutional investors and potential borrowing at lower rates of interest.
- 5.29 LG Develop is a scheme designed to help councils to:
- build substantial numbers of new homes through the securing of additional funding, outside of the usual route, the Housing Revenue Account (HRA)
 - build homes that will meet local housing need, generate income and stimulate local economic growth
 - access favourable rates from institutional or other corporate funders, which are often only achieved 'at scale'.
- 5.30 There are currently bids for 6,382 new homes requiring £798million of funding within the current programme and the scheme remains open.

Recommendation 6

The Panel recommend that the Council actively consider joining the LG Develop Scheme to further support council home building ambitions for the borough.

Special Purpose Vehicles (Housing Delivery Organisation)

- 5.31 The panel noted that a number of 'early adopter' councils had established a **subsidiary company** as a vehicle to lead housing development in the area. It was reported that such subsidiaries or Special Purpose Vehicles (SPV) presented a number of advantages to the Council to support local housing delivery, which included that:
- i) It allowed access to a wider pool of financial resources to support housing development;
 - ii) It allowed the development of mixed housing tenures which can create stable income for the company (e.g. from private rental income);
 - iii) It enabled the issue of short-hold tenancies which restricted opportunities for Right-to-Buy in that it can issue short-hold tenancies;
 - iv) It can help to develop longer term income streams for the Council through;
 - a) borrowing from the General Fund (GF) at a more commercial rate;
 - b) importing surpluses back to GF;
- 5.32 Evidence from participating authorities also noted that if this is a route that the Council should seek to take, it will be important to **rebrand** the subsidiary or SPV, in that it helps to establish the company within a new framework through which to engage and involve other housing stakeholders (e.g. re-establishes the Council as

⁶ LG Develop, Local Government Association

a house-builder, or as a private landlord). Evidence from other authorities suggested that once the company has successfully built (to rent, to let, or lease) it establishes the Company as a key player in local housing development and reinforces the Councils position to strategically influence local housing development.

Recommendation 7

That, in line with the Elphicke-House Report, the Council actively considers the option of establishing a Housing Delivery Organisation.

Right to Buy

- 5.33 There was a broad consensus among all informants to the review, that **Right-to-Buy** (RTB) has had a detrimental impact on the strategic housing situation in London in that it has:
- Removed stock from the housing register;
 - Reduced the homes available to those in need
 - Impeded estate regeneration plans.
- 5.34 The panel also noted that given the **relaxation of eligibility criteria** and an increase in the maximum discount that tenants could receive (£100k), the volume of housing **stock lost** to RTB had **increased substantially** over the past couple of years. In Haringey, it was noted that successful RTB applications have increased from 150 to 218. Evidence of similar and increases in RTB uptake was further exemplified in the evidence presented to the panel from participating authorities:
- In a central London borough, prior to new incentive structure about 15 units were lost to RTB each year, though this year (14/15) almost 350 homes would be lost;
 - In a neighbouring borough the number of homes lost to RTB has increased from 4 to over 200;
 - In another outer London borough, successful RTB applications had almost doubled from 2012/13 to 2014/15.
- 5.35 Where housing development secured through the HRA and a secure tenancy is in place, the property becomes eligible for tenants to buy through Right-to-Buy scheme (after 3 years). In this context, there is a real risk that such stock may be lost in the future. As a consequence, many of those councils sought to secure other means of funding to reduce the potential of newly developed housing stock being lost through RTB. These included borrowing through the General Fund, the establishment of a Special Purpose Vehicle or combination thereof.
- 5.36 Given that the incentive to RTB had substantially increased, it was noted that some boroughs had increased funding to internal audit services to help assess fraudulent RTB applications which had proved successful.
- 5.37 The panel noted that the Council has a similarly active team of internal auditors assessing RTB applications which reviews every RTB application to ensure that

any property where potential benefit or succession fraud is indicated can be investigated further. In 2014/15, the panel noted that:

- 118 applications have been withdrawn or refused following the applicants' interview with the Fraud Team or further money laundering investigation;
- 134 applications were cleared for progression;
- 256 applications are currently under investigation.

5.38 The panel noted that the 118 withdrawn or refused applications represented £11.8m in RTB discounts saved and means that the properties are retained for social housing use.

Recommendation 8

That the role of Internal Audit Team in the identification of fraudulent RTB applications is fully acknowledged, and this team continues to be fully supported and maintained.

Skills, experience and resources

5.39 The panel noted that with so many councils embarking on their own home building programme a **demand 'bubble'** had been created for housing development officers and other related professional support services (e.g. legal housing, architects and regenerations specialists). From the the experience of other London authorities however, the panel recommend that given the scale of proposed developments, it would be a **false economy** for the Council to **'under recruit'** for such positions, but ensure that the necessary skills and expertise is in place to support effective implementation of development plans.

5.40 In the absence of any comprehensive council development programmes, the panel noted that many council development teams currently have limited skills and expertise to support their own housing development plans and ambitions. Evidence from those authorities with more established council-led development programmes have highlighted the need to quickly develop a 'core development team' to help **build up in-house capacity** and to support current and future housing development aspirations. In particular, other authorities found it beneficial to recruit to the following positions:

- a) **Commercial Adviser** – to provide detailed, expert assessment of the viability of proposed schemes and to ensure that the maximum benefit was derived from each for the authority;
- b) **Development Modeller** - to provide detailed economic site assessments and to help set out the development opportunities and possibilities for individual sites;
- c) **Housing Project Managers** – to ensure that with project oversight, schemes are delivered to plan and on time as delays can impact on quality of final build;
- d) **Housing Design Officers** - acknowledging the importance of quality design in creating communities where people want to live and stay.

5.41 There was agreement within the panel that the **'Hackney model'** of developing a key set of in-house housing development skills and expertise is the most effective way to secure the housing ambitions of the Council. The panel were of the view that this approach had helped to reduce costs and improve build outcomes given that

there is **'no substitute' for local knowledge** and understanding of land and property issues. Furthermore, given that the Council is likely to have a growing development role in medium to long term, it would seem sensible to ensure that a core team is in place.

Recommendation 9

That the council should adopt the 'Hackney model' in building up a 'core development team' to ensure that necessary skills and expertise are available in-house to support the housing development aspirations of the Council.

The Council should also (i) consider recruiting to more specialist posts (e.g. commercial adviser/ development modeller) to ensure that best value is obtained from each site (ii) ensure that the best available professional support is available for effective delivery of individual development projects.

5.42 There was evidence to suggest that the housing development 'bubble' currently in evidence across London was also fuelling **development costs** for council new build. It was estimated that new build costs had increased by as much as **25%** over the past two years and had begun to impact on build programmes. Given that the current housing development boom is likely to continue in the short to medium term, it is likely that new build costs will continue to escalate in response to scarce resources and such costs should be factored in to planned new build programmes.

Recommendation 10

That the forecast increase in development costs is fully factored in to local development plans.

5.43 Evidence from those authorities with some years of housing delivery behind them, would suggest that there are many challenges on the path to being an active and successful developer, and that there were many lessons learnt along this journey. What was clearly evident to the panel however was that as local authorities continued within this development role, the collective skills, expertise and **confidence** grew and was reflected in housing development ambitions and successes of respective councils.

5.44 Whilst local authorities can clearly learn from each other, given the individuality of local authorities and the specific circumstances of individual development sites, there must be some expectation that local development programmes will be a process of reflection and learning.

Compulsory purchase orders

5.45 For the redevelopment of some sites, it may be necessary to instigate **Compulsory Purchase Orders** (e.g. with leaseholders) to ensure prospective sites were vacant for development. There was some unanimity among participating boroughs, that the Compulsory Purchase Order process should be instigated at least **2-3 years in advance** to ensure vacant possession and smooth progression of planned developments.

Managing risk

- 5.46 There are clearly substantial risks that councils face in embarking on their own development programmes. One of the questions the review sought to address is how councils can manage such risks, and from the evidence of contributors it was noted that councils employ a number of strategies:
- a) Embarking on joint SPV projects where risks are shared with one or more partners;
 - b) Creating individual SPVs for specific regeneration projects to minimise financial contamination if projects go awry;
 - c) Planning a balanced portfolio of development tenures (build for private rent, build for outright sale, build for affordable rent etc)
 - d) Retention of assets is a key way to maintain influence and control and avoid risk.

Managing risk -procurement

- 5.47 Contributors identified a number of key risks to council-led housing development programmes. There was some unanimity among providers that **procurement processes** and the subsequent **relationship with appointed contractors** represented one of the biggest risks to council home building ambitions. Contributors noted that the time taken to follow due legal process and duration of procurement processes should be fully factored in to development plans, as such delays can severely impact on overall projects costs, particularly in the context of inflationary building costs (e.g. raw materials and staffing).
- 5.48 In addition, contributors noted that there could be tensions within their relationship with contractors (e.g. costs, specifications) which can lead to delays or variations in the final build outcomes. Such relationships with contractors need to be managed effectively, and of course, underpinned by council legal and financial advice. In this context, it was recommended that councils spend more time in how they plan to build-out development plans with contractors.

Recommendation 11

That the Council provide further consideration as to how it manages its relationship with development contractors in securing housing development projects. In particular, the Council should ensure full legal and financial service buy-in to proposed development sites.

Housing Viability Assessments

- 5.49 Housing Viability Assessments (HVA) represent an ongoing challenge to local authorities in local housing development programmes, particularly in relation to the provision of affordable housing. A number of authorities reported that they had local policies which aimed to secure up to 50% of new development as affordable homes, though in reality, much lower percentages were achieved (20-30%).
- 5.50 **Housing viability assessments** can be seen as the ‘**black box**’ of housing development in that the Council can appear to have little (if any) influence over this process or its outcomes. The panel note the work of London Councils to tackle the

HVA and would encourage local participation in this collective response.⁷ Further work however clearly needs to be undertaken to improve the understanding of the HVA process, its impact on the provision of affordable homes and possible ways that the Council can influence/ contribute to such assessments.

Recommendation 12

That the Council undertake further work to improve the understanding of the Housing Viability Assessment process, its impact on the provision of affordable homes and possible ways that the Council can influence/ contribute to such assessments. That the Council consider signing up to planned new initiatives by London Councils to tackle this issue on a regional basis. That the council consider following the example of Islington Council which plans to amend the planning process whereby viability assessments are published in full.

Consultation

5.51 All those authorities engaged within this review noted that **resident engagement and involvement** was of paramount importance to estate renewal and regeneration plans. Evidence from participating authorities noted that there were a number of elements that were instrumental to effective resident engagement and involvement which included that:

- a) Engagement started at the **earliest opportunity**
- b) That regeneration plans are **open and transparent**
- c) That regeneration plans clearly identify **possible options** and identify where residents can engage and influence possible outcomes
- d) That residents are **actively engaged** in the process e.g. visits to regeneration projects.

Recommendation 13

In the context of and recognising the above elements, it is recommend that an explicit consultation strategy is developed at the outset of each estate regeneration/ new build to maximise resident engagement and involvement and facilitate regeneration plans.

5.52 Evidence from other authorities noted that there were wide-ranging options for the **decanting of existing residents** in the regeneration of existing council estates. Extensive and open consultation clearly underpins this process in that it helps to build relationships and trust with the local community / residents. Of the range of options developed to support estate regeneration, plans included:

- a) Giving local residents first options;
- b) Giving residents the right to return to the newly regenerated site;
- c) Allowing leaseholders to transfer existing equity in to new development schemes;

Housing management

5.53 From the evidence of other local authorities, the panel strongly recommend that **those agencies that will ultimately manage** any new build council housing stock

⁷ 'Councils mull pan-London agreement on viability studies', Inside Housing, 2nd March 2015

are involved at the early stages of planning and development. This is to ensure that effective stock management processes are reflected within development plans and designs as this can help to resolve mixed tenure issues, help to maintain quality design and assist in the effective long term maintenance of housing stock. Indeed, most contributors were of the view that greater attention need to be applied to the final management arrangements of new housing stock to ensure stock effectively managed.

Recommendation 14

It is recommended that those agencies which will eventually manage new build are actively involved at the planning and design stage to ensure that specifications are conducive to effective and sound housing management principles.

6. Comments of the Chief Finance Officer and financial implications

- 6.1 Detailed financial comments will be incorporated into the final report reflecting the complexity of the issues surrounding Housing finance and the impact of recent government changes.
- 6.2 However, it is important at this stage that the changes announced in the budget are fully appreciated. In particular the proposal to require social housing rents to fall by 1% per annum for the next four years will impact significantly on the Council's ability to respond to some of the issues raised in this report. The estimated impact of this measure could mean that, at the end of the four year period, income from rents would be around £15m per annum lower than currently anticipated.

7. Comments of the Assistant Director of Corporate Governance and legal implications

- 7.1 The Assistant Director of Corporate Governance has been consulted in the preparation of this report and comments that:
- 7.2 Under Section 9F Local Government Act 2000 ("LGA"), Overview and Scrutiny Committee have the powers to make reports or recommendations to Cabinet on matters relating to the discharge of Cabinet functions or which affect the Council's area or the inhabitant of its area. The Constitution provides that the Scrutiny Review Panels must refer their findings/recommendations in the form of a written report to the Overview and Scrutiny Committee for approval. Afterwards, final reports and recommendations will be presented to the next available Cabinet meeting together with an officer report where appropriate. The Overview and Scrutiny committee must by notice in writing require Cabinet to consider the report or recommendations.
- 7.3 As the findings and conclusions contained in this report are interim, the Committee is not being asked to agree these findings or conclusions or to agree a report to be made to the Council or the Cabinet at this stage. Accordingly Section 9FE of the LGA, which states that the Committee must by notice in writing require the Council or the Cabinet to consider and respond to a report from the Committee to the Council or the Cabinet, does not apply.

8. Equalities and Community Cohesion Comments

- 8.1 The review highlighted the importance of community consultation, specifically that this commences 1) at the outset with residents at planned development sites and, 2) is

ongoing through development process. Only through this process can the diverse range of community needs and aspirations be fully reflected within local development plans.

9. Head of Procurement Comments

N/A

10. Policy Implications

- 10.1 The recommendations detailed within this report are interim, and will be finalised subject to a meeting of the Chair of the review and the Chair of Overview & Scrutiny Committee. Once this has been completed, the full policy implications of the recommendations will be assessed.

11 Use of Appendices

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12. Local Government (Access to Information) Act 1981

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