

Report for: Cabinet 15 December 2015

Item number: 9

Title: Scrutiny Review of Council led development

Report

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Ward(s) affected: ALL

Report for Key/

Non Key Decision: 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 can make recommendations for service development or improvement. The panels may:

- Review the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas;
- Conduct research to assist in specific investigations. This may involve surveys, focus groups, public meetings and/or site visits;
- Make reports and recommendations, on issues affecting the authority's area, to Full Council, its Committees or Sub-Committees, the Executive, or to other appropriate external bodies.

1.2 In this context, the Housing & Regeneration Scrutiny Panel (HRSP) conducted a review of the Council role in housing development, specifically to identify:

- Legal and financial instruments available to the council to further support its house building ambitions
- 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 The final report, attached at **Appendix 1**, details the conclusions and recommendations of the HRSP.

2. Cabinet Member Introduction

N/A

3. Recommendations

3.1 That the Cabinet :

- (a) Note the Council Led Development final report, attached at **Appendix 1**; and:
- (b) Note the recommendations contained in the final report.

4. Reasons for decision

- 4.1 The evidence behind the Panels' recommendations is outlined in the main body of the report (**Appendix 1**).

5. Alternative options considered

- 5.1 This issue was selected for scrutiny investigation

6. Background information

- 6.1 Reform of the Housing Revenue Account (HRA) 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.
- 6.2 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 build costs this figure could now be substantially lower).
- 6.3 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 high 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.
- 6.4 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

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

to help meet local demand however, it is clear that additional sources of finance will need to be sought to fund such ambitions.

- 6.5 In the context of the above, the HRSP undertook an in-depth review to assess what additional legal and financial instruments were available that could further assist the 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.
- 6.6 In undertaking this review, the panel sought to address the following 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?
- 6.7 The panel collected evidence from council officers and other local authorities and have formed 14 recommendations which are detailed in the full report in Appendix A.

7. Contribution to strategic outcomes

- 7.1 The review will contribute to Priority 4 of the Council's corporate plan

'Create homes and communities where people choose to live and are able to thrive - Achieve a step change in the number of new homes being built.'

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

The ability of the Council to undertake significant New Build is presently constrained by factors such as the HRA borrowing cap, the limitations to the use of Right to Buy monies and forced reductions in rent levels by Central Government. This report correctly identifies many of the issues faced by the Council.

Many of the recommendations cover existing work areas or will be picked up by future work plans and thus have no additional cost to the Council. If there is a cost to the recommendations that are agreed then funding will need to be identified before actions can proceed.

The legislative environment with regard to Housing is continually evolving and this makes it very difficult to plan a future programme. In considering the recommendations of this report, it will be necessary to consider the risks posed by the possibility of further changes in legislation.”

Legal

The Assistant Director for Corporate Governance has been consulted on the content of this report. The recommendations raise no particular legal issues although legal advice must be obtained when elements of the recommendations are implemented as certain statutory provisions may need to be looked at to ascertain the Council's powers and reduce the risk to the Council.

Equality

The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

From the work of the Housing & Regeneration Scrutiny Panel it was apparent that the current housing market is not delivering the quantum or type of housing required to meet housing needs, particularly affordable housing. In this context, the panel have recommended that local authorities may have to adopt an enabling role to further increase the supply of affordable housing, and increasing the supply of local affordable housing may help the Council respond to those needs of those equalities groups who may have specific housing needs (e.g. disabled, older people).

This review has looked at the role of the Council as house developer, and noted that it has recently embarked upon Phase 1 of a programme estate regeneration and infill which will see the development of approximately 30 new homes by 2017, most of which will be at target social rent and available to those in most housing need.

The report has also highlighted the approaches taken by other authorities to restrict Right to Buy and therefore prevent the loss of social housing stock within planned new development. Such approaches, if adopted locally, may help the Council to retain local social housing stock and better respond to local housing needs.

This review has focussed on the role of the council as a generic developer of homes with ambitions to increase the quantum of affordable housing and the specific impact on equalities groups has not been assessed. If

recommendations are agreed however, further analysis may be necessary e.g. how resulting tenures impact on equalities groups.

The report contains a specific recommendation concerning the need for ongoing consultation in respect of estate regeneration, which if agreed, would enable the views of local equalities groups to be fully canvassed and incorporated into local development plans.

9. Use of Appendices
N/A

10. Local Government (Access to Information) Act 1985
a) The Elphicke-House report: from statutory provider to housing delivery enabler: review into the local authority role in housing supply