

Report for: Cabinet 18th October 2016

Item number: 18

Title: Housing Investment Programme

Report

authorised by : Lyn Garner, Director of Regeneration, Planning and Development

Lead Officer: Mustafa Ibrahim, Head of Housing Commissioning, Sites and Investment

Ward(s) affected: All

Report for Key/

Non Key Decision: Key

1. Issue Under Consideration

1.1 This report proposes a new approach to housing stock investment, in support of the new Housing Strategy and sets out the changed landscape and resources available to achieve investment in our housing stock. It proposes the adoption of a new affordable investment standard to replace the previous Haringey Standard, provides a progress report on the previous Estate Renewal Strategy, and proposes principles for the delivery of future estate renewal.

2. Cabinet Member Introduction

2.1 Haringey's Housing Strategy defines the vision, strategic objectives and key priorities for housing in the borough and sets the direction for everyone involved in achieving our ambitious plans, including residents affected by it. The Strategy includes our aspirations on increasing housing supply, preventing homelessness, improving the quality and management of our existing homes and ensuring that housing delivers wider community benefits.

2.2 Developing the Strategy has involved some tough choices, as government policies and market factors present significant challenges in meeting the need for affordable housing in the borough. Our commitment to stable communities and settled homes is undermined by the introduction of mandatory fixed term tenancies, Pay to Stay proposals and the lack of affordable housing supply within the borough. Our ability to provide more social housing, and maintain the stock we have to a better standard, is also undermined by the government's compulsory voids levy, the mandatory cut in social rents and the introduction of "Starter Homes", which will not be affordable for the vast majority of our residents.

2.3 The proposed Housing Investment Programme carries on from the previous Decent Homes programme, without the benefit of government funding and, with reduced Housing Revenue Account resources available to us, sets out a new approach and standard for the maintenance of our existing council homes.

Although we are not able to commit to doing everything we would wish to do, we will engage with residents to prioritise works where possible while ensuring that homes are maintained to the best possible standard with the available resources.

- 2.4 Alongside this, we will be adopting more active management of our assets, an essential requirement given government plans to force the Council to sell its most valuable housing stock, whenever it becomes vacant. We will approach this in a way that maximises the opportunity to achieve an overall improvement in our stock, by disposing of poor stock and replacing it with new or better quality homes under the potential 2-for-1 replacement programme or other supply initiatives. Where appropriate, estate renewal will continue to be an important way forward to address deeper issues of housing quality, layout and environment.

3. Recommendations

It is recommended that Cabinet:

- 3.1 Approves the adoption of a new standard for investment in the Council's stock, as set out in paragraphs 6.13 – 6.18 and appendix 1.
- 3.2 Approves the principle of active asset management that will be detailed in the Council's new Asset Management Delivery Plan, to ensure that the best stock is retained and invested in and assets are appraised for possible disposal when necessary using a Stock Options Appraisal process as illustrated in appendix 2.
- 3.3 Agree that the receipts from the sale of Housing Revenue Account (HRA) assets will be ring fenced to the HRA and applied to payment of the required levy and to funding the two for one replacement programme or other approved new supply initiatives.
- 3.4 Delegates authority to approve the detailed Asset Management Plan and investment programme, and any variations to it, to the Director of Regeneration, Planning and Development after consultation with the Lead Member for Housing and the Chief Operating Officer;
- 3.5 Notes the programme of continuous engagement with residents described in paragraphs 6.23 – 6.24, to ensure that tenants and leaseholders are aware of the new standard of investment and the choices that need to be made in relation to the maintenance and investment in the housing stock;
- 3.6 Notes the progress made to date on the previous Estate Renewal strategy and agrees the proposed principles for estate renewal in this report at paragraph 6.31 and appendix 3.
- 3.7 Notes that the need for disposals of Council homes will require regular decisions by the Leader and Lead Members, which would formerly be undertaken by Cabinet.

4. Reasons for decision

- 4.1 The recommendation to approve a new approach to stock investment is required to reflect the new environment since the ending of the Decent Homes programme. It also reflects the reduced resource position that all local authorities find themselves in, since the introduction of the 1% rent reduction in April 2016 and the forthcoming requirement to pay a levy to Central Government reflecting higher value properties.
- 4.2 The recommendation to approve the active asset management programme and a continuous Stock Options Appraisal process is necessary to prepare for the forthcoming requirement to pay a levy reflecting higher value properties which become empty during the course of each year.
- 4.3 Recommendation 3.3 is required to ensure that members are informed of the use to which any receipts from the sale of HRA assets will be applied.
- 4.4 This report sets out the high level approach to the principles of investment in the housing stock. These principles will be applied to the stock and programmes of work developed in a more detailed Asset Management Plan. It is proposed that this more detailed Asset Management Plan be approved by the Director of Regeneration, Planning and Development in consultation with the Lead Member for Housing and the Chief Operating Officer. (Recommendation 3.4).
- 4.5 The reason for the recommendation to adopt an engagement approach (3.5) is to ensure that tenants and leaseholders are well informed about the financial position of the HRA and the resources available for investment in the housing stock, and are engaged as far as possible in the planning and prioritisation necessary to ensure that their homes are maintained within available resources.
- 4.6 Recommendations 3.6 seeks approval for the next steps in our Estate Renewal Strategy, which is updated since it was first adopted in November 2013 to reflect the lessons learnt from the experience of consulting with, and delivering specific projects. It sets out the principles for Estate Renewal in the future and the next steps for delivery.
- 4.7 The reason for the recommendation that Members note the process of disposal of Council housing assets will be undertaken by the Leader and Lead members in the future is to ensure that Members are aware that disposals of Council assets, where in relation to the HRA and the requirement to fund the compulsory levy, will not in the future normally be approved by Cabinet.

5. Alternative options considered

- 5.1 An alternative approach to stock investment is to continue with a programme of works as set out in the Decent Homes standard, to the remaining stock which has not yet achieved Decent Homes. However, this option is unaffordable, and the Council would not be able to carry out basic maintenance of its stock, if it did not adopt a more affordable approach.
- 5.2 The alternative approach to the decisions on the way forward for the Estate Renewal progress report (appendix 2) and the medium and larger size estates is not to make any decision on these estates or make decisions on only those

which are going forward for further option appraisal work at this stage. This was rejected, as there has been consultation and information provided to the tenants, and they will want to know what the future is for their homes, and their estates. Whilst not all decisions can be made on all estates now, it will be helpful to those tenants and leaseholders living on those estates to have as much information as is currently available, so that they can plan their lives with the best possible information.

6. Background information

- 6.1 Cabinet agreed a Housing Investment and Estate Renewal Strategy in November 2013. Progress on the Investment Programme and New Build Programme was reported to Cabinet in July 2015. There have been a number of significant changes to the resources available for the Council to deliver these programmes that have occurred since those reports. In addition, some work has progressed, and other work has had to be reconsidered, in the light of the experience on the ground of delivering these programmes of work. It is necessary therefore that these changes are brought to the attention of members, and to enable decisions to be made to adjust the Asset Management Plan, and the Estate Renewal Strategy to reflect the new legal, regulatory and financial position.
- 6.2 The Decent Homes programme has come to an end. It achieved a great deal: £240m overall has been invested in the housing stock, £181m of which was Central Government funding. At the end of the programme in March 2016, 27% of the Council's housing stock did not meet the Decent Homes standard and this is due either to homes which have fallen out of decency, since the programme started; and secondly a cohort of properties which were excluded from the programme, in anticipation that they were likely to be included in estate renewal programmes. However the Decent Homes Programme does not do everything that the Council wishes to do to manage its housing stock, and the Council now wishes to adopt a new approach to the management of its stock, one which fits better with our current resource position and responsibilities.
- 6.3 The Social Housing Regulator is responsible for monitoring the "Home Standard" in all social housing providers, including local authorities. The Home Standard requires social housing providers to achieve the Decent Homes Standard, and to maintain it. Where a social housing provider is not at Decent Homes, they should inform the Regulator, and their plans of how and when they intend to achieve it; and they are required to keep their tenants informed of the position, and their plans. Officers have been in touch with the Social Housing Regulator to fulfil this requirement, including the fact that the achievement of the Decent Homes standard is likely to be delayed by a further eight years. The Council will continue to monitor decency and report progress on non decency to the Department of Communities and Local Government, and following recent discussions, the Regulator has accepted that this approach fulfils the requirement.
- 6.4 The second of these reasons why the Council needs a new approach is financial. The task of maintaining our homes in the future to a good standard is increasingly under pressure due to a range of measures taken by Government. The first of these was the increase in the Right to Buy discount, which

increased the annual sales of properties under the Right to Buy from 16 a year in 2012 to 215 in 2014/15. (143 in 2015/16). When properties are sold, rental income is reduced and costs cannot be reduced 100% in line with reduced income.

- 6.5 There is a measure in the Welfare Reform and Work Act 2016, which will also reduce the resources available to local authorities to manage and maintain their stock. This is the requirement for all social housing providers, to reduce their rents by 1% a year for four years from 2016. This applies to all general needs housing in 2016/17, as the government gave a last minute exemption from the measure, to sheltered housing. This has resulted in the loss of an estimated £26m over the four years, from the anticipated resources in the original Housing Revenue Account (HRA) Business Plan.
- 6.6 A range of measures that have been passed in the Housing and Planning Act 2016 (“Act”) will (when these provisions come into force) further reduce the resources available to the Council. The Act enables the Government to set out a definition of “higher value” homes. It will create a duty on local authorities to consider selling homes that meet this definition when they become vacant. This is intended to finance the voluntary Right to Buy established within Private Registered Provider stock. The Act allows the Government to estimate in advance the amount of money they would expect each individual authority to receive in each financial year from the sales of these higher value homes. The Council will then be required to pay this amount to the Treasury. The determination of the definition of “higher value” will be set out in Regulations, which will also need to be scrutinised by both Houses of Parliament. The information we have received so far, suggests that “higher value” may be defined as the top third of the Council’s vacant homes by value. Given the potential size of the levy to be paid it is necessary to prepare for the financial consequences of the decisions that are likely to be made by Government. The timetable put forward by Government, is that the first levy to be paid will be announced shortly after the legislation is passed, and will need to be paid in January 2017, reflecting the value of voids that became empty in the previous quarter. This timetable looks increasingly unlikely, as following recent political events, the Government does not anticipate publishing Regulations before the autumn.
- 6.7 The Council must consider selling but is not obliged to sell the properties above the published threshold as they become void. The Government only requires that the Council pay the levy, that represents an estimate of the value of the higher value properties becoming void, set out in the determination. The resources to pay the levy can be identified from any source. In order to be able to sell properties at the time when the receipts are required, the process of selling assets needs to be prompt, and efficient. Currently, due to the infrequency with which residential open market sales take place, there are few delegations, and lengthy processes required to achieve an open market sale. It is proposed to improve this process, by the procurement of multiple contracts with local estate agents, and auctioneers. It is not possible to delegate authority to take key decisions to an officer (such as the disposal of assets over £0.5m) and therefore the best way forward for prompt and regular sales, is for the Council to have regular monthly reports seeking authority from the Leader or Lead Member to dispose of the required assets.

- 6.8 The Act includes a clause which enables local authorities in London to negotiate a reduction in their levy in return for replacing the “sold” properties by using the rebate to provide two alternative properties. These need to be new residential properties. Again the exact details of what constitutes a replacement is not yet published, but is likely to include new build, grant to RPs to provide new residential homes, or conversions of properties (e.g. a large property into a number of flats, or conversions of industrial or community buildings into residential accommodation.) Regulations for the way in which the Higher Value sales will be implemented are not now expected until the autumn. The Council’s approach to the “two for one” replacement options, are set out in the Cabinet report on the proposed forward supply; which is included in another report to this Cabinet.
- 6.9 Whilst there is a great deal of information still missing on how exactly the Higher Value Voids levy will work, the impact is likely to be very significant. For this reason, the Council is planning to prepare for the forthcoming changes, putting forward proposals to meet the possible impact. The Government has indicated that one of their indicators of the size of the disposal programme may be that they seek to encourage local authorities to sell the top third of their vacant stock, by value, as it becomes vacant. For Haringey this would produce an annual levy in the region of £50m, and a loss of around 146 properties a year. Haringey does not currently have a disposals programme that would meet this requirement and therefore it is necessary to start preparing for this legislation immediately, even though we do not have a full picture of how it will work. We are developing our plans from our knowledge of the primary legislation, and information that has been provided by civil servants as part of the preparation for the legislation.
- 6.10 A further measure which may trigger additional Right to Buy applications is the legislation that tenants with a household income above a certain threshold (expected to be £40,000 in London) will be required to pay a market rent. Any income raised from the additional rent, will, after administration costs, be taken by Central Government.

Stock Investment

- 6.11 With these considerations in mind, the Council now needs to update its approach to stock investment. Homes for Haringey (HfH) commissioned a stock condition survey in 2015, which confirmed the work required to be done to bring the housing stock up to a good standard, or alternatively a reasonable standard of repair. These costs were calculated to be, for the good standard, £305m over 5 years (tenancies only, and not including cyclical repairs, disabled adaptations or routine repairs and voids) or £61m a year; and the “reasonable” standard was calculated to be £227m on the same basis, or £45.5m a year. The current resource position is difficult, in that the impact of the forced sale of higher value properties cannot yet be accurately assessed. This is not likely to be available for some time, and therefore it is difficult to forecast the financial position for 2017/18 and beyond at this stage.
- 6.12 The position currently is that there are insufficient resources to meet the Council’s preferred standards in the forthcoming year and the position is likely

to get worse as the 1% rent reduction continues to have an impact for the next three years. The forced sale of higher value properties, which is an indefinite programme, will also have an impact. This gap could be met in the short term by borrowing. However, generally borrowing is undertaken in order to invest in replacement homes (thereby generating additional income) rather than using borrowing to fund the maintenance of the stock.

6.13 The proposal is therefore that we will fund the levy from sales and this will enable us to maintain a medium term stock investment programme of an estimated £40m a year. The alternative is to reduce further the stock investment programme, and pay the levy from balances, or borrowing. This is not recommended, as it would only be a short term measure. This means that the current shortfall in resources to achieve the £40m programme will need to be addressed in the new HRA Business Plan and Medium Term Financial Plan in early 2017.

6.14 The new investment approach focuses less on the Decent Homes standard and seeks to meet the council's obligation as landlord in the maintenance of its housing stock at an *affordable standard*, and any resources available above the minimum obligations will be allocated to schemes in line with agreed priorities. We are not abandoning the Decent Homes standard but the decisions we make will be based more on our understanding of the needs of our stock. We have modelled the impact of this new programme on the level of non decency; and we will achieve Decent Homes for all our stock at the end of 2023/24 but we will not be making significant progress against the Decency Standard for the next three years. The principles of our new approach to Stock Investment are:

- An 'Active' approach to Asset Management
- Keeping homes safe, warm and dry, to a good quality standard
- Delivering sustainable investment which contributes positively to the local community
- Improving the quality of life for residents on our estates
- Involving residents in determining priorities and influencing works on their estates, including how discretion is exercised where possible within available resources

The new investment approach sets out a core standard of works which will be undertaken within the resources available. It is focused on ensuring that components are replaced on a lifecycle basis and that any discretionary works above the core standard are subject to available resources.

6.15 The new Asset Management Delivery Plan will reflect the following priorities for investment:

- Stock that has not had investment in the past (longest period without investment first)
- Stock where investment is or has been deferred or reconsidered pending estate renewal and works to the core standard are required
- Investment in estates where there are high ongoing repair costs, but are an essential part of our high demand "core" stock

- Essential health and safety works, such as fire risk assessment work, legionella and asbestos programmes that are vital to ensure that residents are kept safe.
- 6.16 The new *affordable housing standard* and the investment programme that supports it, also identifies area where investment will not be made. These are:
- Stock identified for disposal, under the Options Appraisal process (see paragraph 6.19.)
 - Where a scheme has been identified for estate renewal, or for transfer to the Haringey Development Vehicle, properties will be maintained to meet landlord obligations, but improvements will not be carried out.

The new investment standard is described in appendix 1.

- 6.17 These priorities have been applied to the housing stock. Using these priorities a stock investment programme has been developed for the next three years, and detailed in a separate Asset Management Delivery Plan. It is proposed to delegate approval of the Asset Management Delivery Plan to the Director of Regeneration Planning and Development, after consultation with the Lead Member for Housing and the Chief Operating Officer.
- 6.18 The approach outlined above makes the best use of available resources. However, it does mean that progress on the reduction of non-decency will be incremental, and on current projections take eight years to achieve in full.

Stock Rationalisation

- 6.19 In response to the forthcoming proposals to require local authorities to pay an annual levy it is proposed that the Council adopts a more active asset management plan that disposes of property, on the basis of a number of specific criteria. Each of these criteria will prompt a review, and properties above the threshold will be sold, quickly, and those below the threshold will be retained repaired and relet quickly. The only alternative to this approach is to pay the levy from balances and borrowing, but this approach is likely to be exhausted within two years. Nor is it prudent to pay a revenue requirement from borrowing.
- 6.20 It is anticipated that the Council will be faced with its first annual levy in the financial year 2017/18, and it is possible that the Council will not receive information about the size of the levy until January 2017. This will allow very little time for preparation for disposals. The Council wishes to avoid a position where it is forced to sell vacant properties during the first part of the year to meet the costs of the levy that in the longer term it would wish to retain. It is therefore proposed to adopt a more considered approach to disposals. Appendix 2 sets out the proposed arrangements for consideration of sales. It is proposed that some types of properties are excluded from consideration of sales; and others are listed as ones where sale is presumed. Of the remaining, the criteria which will prompt a consideration of sale, are:
- The financial performance of the asset, calculated as a Net Present Value
 - The cost of bringing the property back into use;

- The number of leaseholders within the block – a higher proportion of leaseholders may prompt further sales
- The strategic needs of the Council – making sure that the properties in the highest demand from those on the Register are retained, where possible; and
- Capital Values.

6.21 Some of these criteria are difficult to balance. For example, it is likely that the higher value properties will be the larger properties and family sized properties generally are those for which the Council has the greatest need. A discussion of the criteria is set out in the proposed process.,

6.22 It is anticipated that this may generate a requirement for a high number of sales. The Council has an estimated 10 empty properties a week – and each week, around 3 of these will have to be sold. We currently do not have an appropriate process for this and it will be necessary to put in place arrangements for prompt approval of sales, by the Leader or Lead Members. These decisions, which formerly were taken by Cabinet will need to be made more quickly and there is likely to be a weekly or monthly list of sales to be approved.

Resident Engagement

6.23 There have been many significant changes brought about by both the Welfare Reform and Work Act 2016 (the 1% rent reduction) and the Housing and Planning Act 2016 that a programme of engagement with residents has begun, to ensure that they understand the financial position, how it has arisen, and know the difficult choices that the Council has to make. The resident engagement programme includes:

- Meetings of both the Tenants' Panel, and the Leaseholder Panel, to engage residents in understanding the impact of the new legislation, and the changes to the Council's programme of work, as a result of the Housing and Planning Act.
- Newsletter to residents, outlining:
 - update on the Decent Homes programme since it was started in 2008
 - update on the position regarding investment need across the borough and results of stock surveys
 - update on current financial position and changes nationally which impact the level of resources in the future
 - update on plans to develop a new cycle of programmed investment for 2017 onward
 - update on forward plan of decisions to be taken by Cabinet in the coming months setting out the proposed way forward.
- A new section on the website related to capital investment, with updated search functionality also introduced when the new capital programme is approved so residents can search for works.

- Four drop in sessions, held at locations around the borough, for residents to speak to staff about the changes and hear about proposals for the future.
- After the new Stock Investment and Estate Renewal Plan are approved, a newsletter will be sent to residents in the Winter of 2016, outlining timetable for publication of the programme and details of local consultation plans.

6.24 Beyond the communications on the strategic issues outlined above, Homes for Haringey has developed a local consultation plan which will be implemented ahead of works to residents' homes once the detailed plan approved. Through this local consultation, Homes for Haringey will:

- Set out the proposed investment for the area based on the '*affordable standard*'
- Request feedback on these proposals and, using a short feedback form, request priorities from residents in the event of additional resources being available.
- Combine feedback from residents with technical survey detail so that a detailed construction scope can be drawn up.

Estate Renewal

6.25 Having established that the resources available to invest in the housing stock are constrained and likely to become more so, the Council has had to consider alternative ways of delivering improvements to the housing stock. Estate Renewal, through partnership with alternative providers are one possible way forward for our most difficult estates.

6.26 The Council has taken forward, in its report to Cabinet in November 2015, the establishment of a Joint Venture with the private sector of a vehicle to carry out extensive estate and other private development – the Haringey Development Vehicle (HDV). The purpose of this vehicle is the deliver high quality new homes, economic and social benefits in an accelerated way that would otherwise be unachievable. The HDV is also expected to make a financial return to the Council. The Cabinet report of November 2015 identified a number of assets which will transfer into the vehicle when established, and it is expect that the HDV will take the development of these sites forward. The first tranche of assets includes the Northumberland Park Regeneration area. There is a second list (List 2) which includes further estates and projects that may transfer following a review of the success of Phase 1. These include some of the estates listed in the Estate Renewal Strategy of November 2013. These are: Broadwater Farm, Leabank and Lemsford, Park Grove, Tunnel Gardens, Turner Avenue, Reynardson, and the Demountables at Watts Close and Barbara Hucklesbury Close.

6.27 When fully established, which is anticipated to be in the first half of 2017, the HDV will make its own assessment of which estates it can realistically and usefully take forward in its programme of investment. Where the HDV decides on the basis of size, or viability that a particular estate cannot usefully be delivered through its programme, the responsibility for taking forward estate renewal will revert to the Council.

6.28 The Housing Investment and Estate Renewal Strategy adopted by Cabinet in November 2013 set out the Council's strategy to create homes and communities fit for the 21st century within the context of the Housing Revenue Account business plan, focusing on:

- Financing a Council new build programme
- Supporting the housing renewal element of the physical regeneration of Tottenham
- Creating mixed and balanced communities that contribute to positive social outcomes and engaging local residents in key investment and regeneration decisions that affect their homes and estates

The strategy acknowledged the significant challenges of poor construction quality and unbalanced housing mix within some existing estates and the complexity and viability issues created by leasehold or freehold ownership via the right to buy.

6.29 The strategic approach adopted included dual priorities:

- To deliver regeneration in priority locations across the borough focusing on Tottenham and key regeneration sites across the borough
- Ensuring that everyone has a decent place to live by increasing the supply of new homes including affordable homes and increasing the Energy performance of homes and tackling fuel poverty

6.30 The Estate Renewal Strategy provided a description of the housing stock at that time, together with aims and objectives, and proposed delivery of consultation on a number of named sites. Since that date, there have been significant changes in both the resource position, the condition of the housing stock and the Council's thinking in its approach to Estate Renewal, in particular with the HDV initiative. The change in thinking is informed by the experience of delivering the start of the Estate Renewal Programme, and an external review of the market, carried out by Turnberry in the autumn of 2014, the results of which were reported to Cabinet in November 2015. A refreshed approach is therefore needed to take account of these changes, and to establish principles for future delivery. Appendix 3 sets out the progress on the schemes named in the November 2013 Cabinet report..

6.31 Rather than focus on estates specifically named in reports, estate renewal will be more closely linked to stock appraisal and investment needs in line with the approach set out above. Delivery of schemes will be as part of our major regeneration programmes, or by the HDV, or thirdly, by the Council as discrete initiatives with our partners. The experience from the schemes currently being delivered or in consultation with residents points to the need for some common principles that would apply to future estate renewal schemes.

- **Resident views** - sometimes it becomes clear that an estate is not popular, because of a range of factors. Residents' views will be an important factor when deciding whether estate renewal is the right solution for any difficulties

with a particular estate. On the other hand, sometimes an estate may present an opportunity for change, but the overwhelming view and the strength of the community indicate that radical change will not be welcome. The Council is committed to listening to the views of current residents in any future plans for an estate.

- **Poor Stock Profile** - the current stock that the Council owns, does not meet the most pressing housing needs of applicants on the Housing Register. Estate Renewal presents an opportunity of creating stock which more closely matches the current and future needs of the local population.
- **High stock investment requirements** - resources within the Housing Revenue Account are limited and have been reduced in recent years because of Government measures, including the 1% rent reduction, and the requirement to pay a Government levy on higher value void properties. For this reason, it may become very difficult to invest in the housing stock at a level that it needs; and a way forward may be to generate additional resources by regenerating the estate, building more homes within the same curtilage, or on vacant land nearby.
- **Structural or technical flaws** - where an estate suffers from poor building quality, trying to maintain it will involve disproportionate costs and renewal may be the best option.
- **Poor design and physical layout** - some estates were designed at a different time, when land space was used differently. Some estates have poor layouts which give rise to poor personal safety, enclosed spaces, and narrow roads and walkways.
- **High levels of crime and/or antisocial behaviour** - some estates become unpopular because they have a poor history or reputation, which may be associated with some of the factors set out above.
- **Lack of diversity in the community** - Haringey's Housing Strategy seeks to create mixed and balanced communities with different household income groups and tenures across the locality. Estate Renewal will seek to resolve the lack of diversity and strengthen mixed communities.
- **Financial viability** - it may be the case, that despite the need to invest more in an estate, it will not be financially viable. This is typically where there is no or limited vacant land to generate cross-subsidy, or where there are a high proportion of leaseholders and freeholders, which may make the housing solutions for this group of residents very challenging.

6.32 There remain a number of significant uncertainties in the legislative, regulatory and financial markets at the present time, but this report seeks to provide a comprehensive update of the situation with regard to stock investment at the present time. It is anticipated that a further report with a more specific Delivery Plan on the estate renewal programme will be developed, when the position of the Haringey Development Vehicle is more established, and the future plans of estate renewal within the Council's remit can be more firmly defined.

7. Contribution to Strategic Outcomes

7.1 Priority 5 of the Corporate Plan includes the objective, of driving up the quality of housing for all residents. Within this objective the Plan states that the Council aims to:

- Deliver Decent Homes
- Improve some council owned estates by building new good quality energy efficiency affordable housing for rent and sale

7.2 Due to the significant change in the resource position set out in this report, it is no longer possible to deliver the plan, to the original time frames. The Council will assess the investment needs of the housing stock and seek to deliver that investment effectively. The Council will have to be more innovative in delivering an affordable standard of housing investment, including using the approach of estate renewal, drawing in additional resources from external sources to deliver a better standard of housing in the Borough.

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

Finance and Procurement

8.1 The HRA forecast revenue surplus for 2017/18 including the operating surplus and adding back the depreciation charge is forecast to be around £35m and this reduces to around £32m in 2019/20 as a result of the 4-year 1% rent reduction. In the original 3-year MTFS the forecast figure was around £40m but this may have included use of reserves.

8.2 This report indicates a new standard in the region of £40m but this does not include professional fees (which are usually at 8%) of around £3.2m giving a total of around £43m. There are other capital costs such as Aids and Adaptations which also need to be funded from HRA surpluses and for 2016/17 the budget allocation is £1.2m. Therefore, there the new standard gives a total call on the HRA of around £44m against total annual surpluses of £35m.

8.3 A proportion of the costs of the new standard and programme will be met by leaseholders and these are currently forecast to be in the region of £2m which would reduce the cost of the programme to the HRA and it may be that actual leaseholder contributions are higher than this and this will only be known once actual works are costed.

8.4 There are also some other policy decisions to be proposed which will be subject to a separate report and may lead to additional resources in the region of £2m per annum.

8.5 If the total programme was restricted to £40m including fees and disabled adaptations then there is likely to be a gap of around £5m to fund the proposed programme for 2017/18 and the gap is likely to increase going forward.

8.6 This gap could be funded from borrowing. There is currently borrowing capacity of around £56m within the HRA but as indicated in the report, borrowing would usually not be used for investment in existing stock. Any additional borrowing undertaken will increase debt servicing costs and reduce operating surpluses available.

- 8.7 The gap could also be funded from reserves. Brought forward general reserves were £39m although a large proportion of these have been earmarked for the current approved programme and other capital schemes within the HRA. Actual forecast total reserves for this year are currently being assessed. The HRA reserve balance level has been set to a minimum of £10m to be maintained.
- 8.8 As the report sets out, there is currently no definitive and quantitative information available in respect of the proposed high value levy. Current corporate procedures and regulations would normally require any HRA any asset disposal proceeds to be retained by the General Fund as a funding stream for the Council's wider capital programme. However, the HRA would not be able to fund the levy on an ongoing basis without the ring-fence in place. It is possible that the levy could be funded from the General Fund.
- 8.9 It is assumed that any additional activity arising from this report such as the active asset management and consultation will undertaken within existing staff and budgetary resources.

Legal

- 8.10 The Assistant Director for corporate resources has been consulted on the content of this report. As stated in this report the Housing and Planning Act 2016 will when the relevant provision come into force have an impact on the Council's housing stock.
- 8.11 Member should note the provisions of the Act referred to in this report are not as yet in force and should also note the following:
- 8.12 The Act also allows authorities to retain some or all of the levy, by agreement, provided that the authority replaces each property the subject of the retained levy by (in London) two affordable homes (including starter homes).
- 8.13 The details of both the definition of higher value homes and the mechanism by which it will be calculated is yet to be published and will be discussed in Parliament before implementation.
- 8.14 The report requires members to approve a new set of "Haringey Standard". This standard is different from the Decent Homes standard but must in any event comply with the Council's statutory and contractual obligations as a landlord.
- 8.15 Where consultation is being carried out the following general principles must be adhered to:
- That consultation must be at a time when proposals are still at a formative stage;
 - That the proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
 - That adequate time must be given for consideration and response; and
 - That the product of consultation must be conscientiously taken into account in finalising any statutory proposals.

- 8.16 In short, in order to achieve the necessary degree of fairness, the obligation is to let those who have a potential interest in the subject matter know in clear terms what the proposal is and exactly why it is under positive consideration, telling them enough (which may be a good deal) to enable them to make an intelligent response. The obligation, although it may be quite onerous, goes no further than this.
- 8.17 Further legal comment appears in the body of the report.

Equality

- 8.18 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 (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation); advance equality of opportunity between people who share those protected characteristics and people who do not; and foster good relations between people who share those characteristics and people who do not.
- 8.19 An Equality Impact Assessment has been prepared and it demonstrates that there are a number of issues to be considered in this report. The report sets out some difficult choices to be made when deploying limited resources to achieve a number of investment priorities.
- 8.20 Women headed households, older people, disabled people and ethnic minorities are currently over-represented in Council housing. The EQIA considers the issue of stock disposal, and notes that the loss of housing stock will have a disproportionate impact on these households. The Council is proposing to take steps to mitigate this impact by first, excluding from sale properties which are adapted for disabled people, and also sheltered housing stock, which is suitable for older people. Second, the Council is putting in place a process to ensure that sales are made on the basis of a number of objective criteria that do not have a disproportionate impact on any of these groups, and that decisions are carefully considered both by officers, and then approved by appropriate Lead Members.
- 8.21 The report proposes to monitor the impact of sales by size, value and geography and the impact on groups with protected characteristics will also be considered as part of that report.
- 8.22 The report notes that there will be reduced resources available for investment in the housing stock, including in the disabled adaptations programme. The Council will continue to meet its statutory obligations to meet the needs of disabled people. The Council will have to examine carefully the way in which these resources are used, to ensure that the programme is maintained within affordable limits.

9. Use of Appendices

Appendix 1 – Affordable investment standard

Appendix 2 – Stock Options Appraisal Scheme
Appendix 3 – Estate Renewal Update

10. Local Government (Access to Information) Act 1985

Cabinet Report – 28 November 2013 – Housing Investment and Estate
Renewal Strategy

Cabinet Report – 15 July 2015 – Housing Investment Strategy