

Report for: **Housing and Regeneration Scrutiny Panel**

Item number: 11

Title: **Housing Delivery Programme**

Report
Authorised by: **Dan Hawthorn, Director of Housing, Regeneration and Planning**

Lead Officer: **Alan Benson, Assistant Director Housing**

Ward(s) affected: **All**

1. Describe the issue under consideration

1.1. This report summarises the Council's progress towards delivering the Borough Plan Target of 1,000 new homes for Council rent by May 2022.

2. Recommendations

2.1. Housing and Regeneration Scrutiny Panel is recommended to note this report.

3. Background information

3.1. Councils have a long history of delivering social housing. By 1980, Councils nationally had built 5.5 million homes; and nearly 22,000 households rented their home from Haringey Council. This programme of housebuilding was financed through a shifting combination of direct government grant and Council borrowing.

3.2. From 1980, Government policy abruptly stopped Councils from building. The Right to Buy programme saw Haringey Council rented stock fall to just over 15,000 today. These homes were not replaced as new restrictions were introduced on the use of housing revenues while direct grant to build new housing, almost solely available to Housing Associations, was significantly cut.

3.3. That fall in capital funding was mirrored by a rise in the revenue funding for housing through Housing Benefit: from £841 million in 1980 to £3.35 billion by the end of that decade.

3.4. These reduced grant levels required Housing Associations to draw down increasingly large amounts of debt finance and cross subsidise social housing by building increasing large numbers of homes for outright sale or part sale through shared ownership. All this left the social house building sector increasingly prone to market downturns, in a way that traditional council house building never was.

3.5. Over recent years, Councils have begun to return to house building. While the numbers remain as yet very small in London compared to the Housing Association sector, a number of boroughs have over the last ten years got back into housebuilding, but progress has been very slow in the absence of any support from

London-wide or national government, both of whom were unwilling to fund any new social rented housing.

- 3.6. In the face of limited grant and other restrictions Councils either sought to build market sale homes or shared ownership themselves to subsidise their Council house building – as Haringey did on its small 32 home phase one programme or Hackney and Croydon did at a much larger scale, or to get into partnership or deals with Housing Associations and private developers.
- 3.7. In May 2018, the incoming administration in Haringey committed to deliver a thousand new Council homes at Council rents by 2022. The original intention was to deliver these homes by establishing a Wholly Owned Company (WOC) as a number of other authorities were doing. As a legally separate entity, the WOC would be able to finance this through borrowing outside of government restrictions preventing councils borrowing to build. On 17 July 2018, Cabinet approved the setting up of a WOC for that purpose.
- 3.8. In October 2018, The Mayor of London announced the allocation of more than £1 billion of grant to help 26 London boroughs build new Council homes in his 'Building Council Homes for Londoners' programme. Haringey had one of the largest allocations in London, being awarded £62.8 million.
- 3.9. Later that month the Government announced the lifting of the cap on Housing Revenue Account (HRA) borrowing. A report to Cabinet in November 2018 noted that the new freedom to borrow prudentially through the HRA represented "*a fundamental shift in the policy landscape*"; and that "*along with the GLA funding now being made available to Councils to deliver Council housing, this opens up fundamentally different ways of delivering the objectives set for the Company than would have been possible at the time this administration was elected.*" Cabinet decided to reconsider the Council's approach to delivering Council homes.
- 3.10. In February 2019, Cabinet decided that "*whereas it had originally been envisaged that the Company would play a central role as the developer of new housing, the lifting of the HRA borrowing cap now means that this role can and will be carried out from within the Council. This approach has a number of benefits, including less complex governance and accounting; lower rates of borrowing for the HRA than can be achieved for some work through the Company; and (significantly) the opportunity to use surpluses from existing HRA income, not needed for the maintenance of existing stock, to support further subsidy for new homes*". In addition, only Council homes held in the HRA can have secure tenancies. Homes held in a WOC could have only assured tenancies, as Housing Association tenants have. It is also noted that homes held in a WOC would not be eligible for the Right to Buy.
- 3.11. But the awarding of this grant and the lifting of the HRA borrowing cap were only part of the story. In simple terms, three key elements are required for Councils to build new homes - land, money and capacity. Over the past year, the Council has been working hard to ensure that it puts all three of these in place and this is discussed below.

Land

- 3.12. The Council's strong preference is to build this new generation of Council homes directly, on its own land. This is usually better value for money, has the best guarantee of quality and the greatest certainty of delivery. And whereas buying existing homes to convert to Council homes does not always directly increase the overall stock of affordable housing in the borough, as these homes might have been brought forward by a Housing Association instead, direct delivery on our own land ensures that new Council homes are additional homes that would not have been delivered without its intervention.
- 3.13. However, in the context of urgent need, the Council believes it must provide Council homes as quickly as possible. While the Council is building up capacity to build its own Council homes, from a standing start, as other boroughs have found, this inevitably takes time. Meanwhile, 10,443 households are in housing need on the housing register; and 3,740 of these are in temporary accommodation or in severe housing need. Housing Associations are not providing the kind of affordable homes many of these residents need. As an integral part of its programme, the Council is therefore also actively seeking opportunities to acquire homes to let at Council rents. In some cases, this will mean acquiring homes being developed by private developers that will become affordable housing under existing s106 agreements. The Council aims to acquire homes at as early a stage as possible in order to ensure that the homes meet its standards and the needs of Haringey's communities. Wherever possible, this means acquiring before building has started.
- 3.14. Over time, the Council expects a larger and larger proportion of new homes to be delivered by the Council itself, as part of a sustainable long-term programme of Council housebuilding. But there will always be a place for purchases, as there always has been in Council housing delivery; and particularly if the housing market becomes more depressed.
- 3.15. Where the Council builds directly, it has enough Council land for the first programme of 1,000 Council homes. That land is a mixture of infill sites on existing estates and land not currently used for housing purposes. Cabinet agreed in July 2019 some 60 sites with potential for development in the current programme. While most of these sites are held in the Housing Revenue Account (HRA), some are on land held in the General Fund, which will need to be appropriated into the HRA.
- 3.16. Infill sites in the HRA comprise underused land, generally on or around housing estates. Typically, these are garages, car parking spaces, or land between existing blocks, each site generally offering the chance to build between five and 25 homes; though in some cases there is space to build just one house. It is worth noting that every infill site, by definition, means taking space for new homes that existing residents will be using for other purposes.
- 3.17. General Fund land ranges from the conversion of two shops into four homes, to the redevelopment of larger sites such as the former Cranwood Care Home. All ward members with sites identified in their ward have been offered briefings on these sites and the emerging proposals.
- 3.18. While work is underway on these first 60 sites, a longer list of future potential sites is being worked up. The next set of potential sites should come to Cabinet in January, and ward members have been encouraged to help the Housing delivery team identify any potential opportunities that they may be aware of in their wards.

Funding

- 3.19. As discussed above, substantial funding has been secured from the Mayor of London, ie £62.8m of Building Council Homes for Londoners capital grant. This is at a grant level of £100k per Council home. Although this is vital funding in making the programme viable this is still not, of itself, even on our own land, enough to make social housing financially viable for the HRA, so the Council will need to supplement this from other sources.
- 3.20. The GLA grant will be supplemented by a major programme of Housing Revenue Account (HRA) borrowing. The lifting of the borrowing cap enables the Council now to deliver these homes directly as it is able to borrow against future rents. In this way borrowing to build, as long as it is done viably, actually increases the long-term revenue streams and is a net benefit to the HRA, not a net cost and can contribute to, rather than detract from, investment in the existing stock. That is, of course, reliant on ensuring that those long-term rents can service the borrowing needed to build these homes.
- 3.21. However, if the programme is to be viable, ie if those rents are to cover that borrowing and make a surplus for the HRA to invest in its existing stock, the Council will still have to build and sell some homes at market value in order to provide cross-subsidy. While the numbers may change on individual schemes due to the nature of the developments, no scheme will have less than 50% affordable housing, and this affordable housing will generally be 100% Council homes at Council rents. But the Council will need to be flexible over time to respond as other factors change, for example changes to Public Works Loan Board rates, house price inflation, government policy on rents etc.
- 3.22. While this sales element is a relatively small part of the Council's programme compared to private developers and housing associations, building these homes for market sale is crucial. It represents a risk that the Council would prefer not to have to incur; but in the absence of any increase in grant it is a necessary part of any programme to develop Council housing, as all other Councils have found.
- 3.23. In addition to the capital funding discussed above, Haringey also received just over half a million pounds of revenue funding from the GLA's "House Building Capacity Fund" to help put in place the capacity discussed below.

Capacity

- 3.24. **People:** An extensive recruitment programme has resulted in a new core Housing delivery team of sixteen people who will project manage and deliver the programme. This team contains mostly experienced professionals who have delivered thousands of homes, predominantly in the Housing Association sector, alongside a number of existing Council staff with transferrable skills and a commitment to building Council homes for our local community, who are being developed as part of our "growing our own" approach. Alongside this the Council is building the wider delivery team, developing the capacity in services such as procurement, legal, finance, communications and planning and is working closely with Homes for Haringey to ensure those that will manage the new homes long term are closely engaged in how they are developed. The staff numbers and structures

are being kept under review to ensure they are fit for purpose for the size of programme envisaged.

3.25. **Programme and procedures:** The programme is now properly scoped and effective industry standard programme management processes and disciplines are mostly in place, including the key Gateway decision making process to ensure appropriate senior manager and Member oversight of the programme. In addition, the essential policies and procedures are all drafted and are being finalised, including:

- Development Procedures Manual, which sets out how a development should be undertaken through the whole three to four-year project cycle from initial site identification to handover and beyond.
- Design Principles, which set out the Council's aims to deliver exemplary design and sustainability in its new homes.
- Employer's Requirements, which are the detailed technical specification for the new homes that the Council will deliver.
- Communications and Engagement Strategy, which sets out how we will consult and engage with residents, elected members and the wider group of stakeholders as new homes are developed.

3.26. **Assurance and benchmarking:** The Council is engaged in a number of cross borough networks and processes, sponsored by the GLA, LGA, Future of London and others, which have been set up to share knowledge and experience among boroughs setting up new housing delivery functions. The Council, as part of the North London Housing Partnership, undertook research with the LGA on good practice in setting up delivery bodies, and is part of a joint piece of work with London Councils and the LGA on developing capacity inhouse to deliver. The Council also engaged an expert 'critical friend' – a former Peabody development director – to validate its overall approach and offer advice on how to do better still. The Council is working through an action plan from that advice. So the Council is learning fast, and the work on assurance has increased confidence that the Council is on the right track.

3.27. The Council is currently on track to deliver its key milestone target by May 2020 towards the thousand homes, that is that by May 2020 a total of 500 new Council homes will have planning approval and 350 homes will have started on site. Faster progress in the initial stages is inevitably being made on sites where we are acquiring, rather than sites we are building ourselves. The first construction contract for a direct delivery site – on a former car park at Templeton Road, N15 - was agreed by Cabinet in July 2019 and work has started on site to build 11 new homes for Council rent.

4. Contribution to strategic outcomes

4.1. This report sets out the steps the Council is taking to support the delivery of the Housing Priority in the new Borough plan: "We will work together to deliver the new

homes Haringey needs, especially new affordable homes”. Within this outcome, the Borough Plan sets the aim to “Ensure that new developments provide affordable homes with the right mix of tenures to meet the wide range of needs across the borough, prioritising new social rented homes”.

4.2. In particular, the recommendations in this report are explicitly about the aim “to deliver 1,000 new council homes at council rents by 2022”.

5. **Use of appendices**

5.1. Appendix 1 shows sites already approved for development as part of the current programme to deliver 1,000 Council homes by May 2022.

6. **Local Government (Access To Information) Act 1985**

Not applicable