REPORT FOR: CABINET

Date of Meeting:	20 June 2013
Subject:	Housing Business Plan 2013, consultation draft Asset Management Strategy, Proposals for a future Affordable Housing Programme, and Proposed Grants to Move Scheme
Key Decision:	Yes
Responsible Officers:	Paul Najsarek, Corporate Director of Community, Health and Wellbeing Simon George, Director of Finance and Assurance
Portfolio Holder:	Councillor Thaya Idaikkadar, Leader of the Council and Portfolio Holder for Business Transformation and Communications, Finance, Performance, Customer Services and Corporate Services, Property and Major Contracts Councillor Nizam Ismail, Portfolio Holder for Community and Cultural Services, Housing
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1 Housing Business Plan 2013; Appendix 2 Consultation draft Asset Management Strategy; Appendix 3 Proposals for a future Affordable Housing Programme Appendix 4 Grants to Move Scheme; Appendix 4a Grants to Move Scheme EqIA

Section 1 – Summary and Recommendations

This report sets the long term aspirations to be achieved through the Housing Business Plan and specifically how the Council intends to maintain and improve its housing stock over a 30 year period, offer grants to existing tenants to move if they wish to do so and deliver a new build Council housing programme on housing land that is underutilised.

Recommendations:

Cabinet is requested to:

1. Approve the Housing Business Plan 2013 attached at Appendix 1;
2. Approve the consultation draft Asset Management Strategy attached at Appendix 2;
3. Authorise officers to proceed with the first phase of the Affordable Housing Programme set out in Appendix 3 and delegate authority to the Corporate Director Community, Health and Wellbeing and the Portfolio Holder for Community and Culture and Housing to approve alternative sites if those identified are unable to be progressed;
4. Approve expenditure from HRA reserves, HRA capital receipts and the Affordable Housing Fund of up to £6.5m to fund the development of the first phase of the Affordable Housing Programme;
5. Authorise officers to procure an external Development Management Service with a value of up to 5% of the estimated development costs to support the first phase of the Affordable Housing Programme as set out in Appendix 3;
6. Authorise officers to undertake detailed regeneration feasibilities on the HRA housing estates as set out in the Affordable Housing Programme attached at Appendix 3;
7. Authorise officers to develop business cases for long term strategic housing delivery options as set out in Appendix 3;
8. Approve the Grants to Move scheme attached at Appendix 4 and grant delegated authority to the Corporate Director, Community, Health and Wellbeing; the Director of Finance and Assurance and the Portfolio Holder for Community and Culture and Housing to approve amendments to the scheme as necessary to ensure the scheme objectives are achieved to time and within budget.

Reason: (For recommendation)

To have in place an agreed 30 year Housing Business Plan for the purposes of long term planning (subject to annual review) and to enable delivery of agreed key housing objectives.

Section 2 – Report

Introduction

1. A full review of Harrow's housing strategies and policies has been undertaken to take account of the Localism Act 2011 opportunities and to ensure that the Council has consistent and workable policies which operate together to increase the housing options available to the residents of Harrow, ensure that the most vulnerable continue to have priority and access to locally affordable housing and support the continued sustainability of local communities in Harrow.

2. On the 11th April 2013 Cabinet approved a revised Housing Strategy, Housing Allocations Scheme, Homelessness Strategy and Private Sector Housing Strategy. This report concludes the review by setting out a new Housing 30 year business plan, subject to an annual review and update, which lays out how we want to continue supporting our residents in these difficult economic times and through the welfare reform changes, and make best use of increased Housing Revenue Account (HRA) financial resources to maintain and improve our existing Council housing stock as well as building new affordable homes.

3. The Business Plan is supported by a draft Asset Management Strategy for the Council's HRA housing stock and other assets. It identifies and maps stock condition, investment needs, takes account of the wider sustainability agenda and proposes an approach to make sure we strategically use all of our housing assets to meet our objectives to increase affordable housing supply.

4. In the report to Cabinet on the 11th April, we set out how we were considering options to free up/ release existing Council properties. This has entailed reviewing the existing incentive scheme, aimed at helping tenants to downsize, and considering offering grants to tenants to enable them to buy/ rent properties in the private sector. This review is now complete and detailed proposals are being presented for approval.

5. An independent review of a range of affordable housing development options has also been concluded and proposals for delivery of the first tranche of new build affordable housing on underutilised Council housing sites are also being presented for approval, along with proposals to take forward further feasibility into longer term housing estate regeneration options.

6. The Housing Business Plan and new initiatives support services across the Council and complement other documents such as the Local Development Framework (LDF) Core Strategy, Economic Development, Delivering Warmer Homes Strategy, and Climate Change Strategies. The availability of good quality affordable housing is fundamental especially to households affected by welfare reform and to other vulnerable groups such as looked after children and vulnerable adults.

7. In developing the Business Plan we have also been able to contribute to the development of cross Council schemes such as the Harrow Help scheme which will assist with mitigating the impacts of welfare reform by providing a holistic approach to the provision of advice and support by making best use of all available resources across Harrow. HRA resources will be contributed to a Hardship Fund for which there will be a single point of access.

8. Consultation has included reports to Tenants Leaseholders and Residents Consultative Forum (TLRCF) on the various elements of this report (input to the approved rental strategy, options for grant to move scheme draft asset management strategy.) Housing Changes consultation including questions asked of tenants with regard to investment priorities, consultation on capital investment programme, Harrow Homes Standard.

Options considered

9. Various options have been considered with regard to maximising income in the Housing Revenue Account (HRA), how the additional revenue generated through self financing and projected additional income will be spent, making best use of the existing housing stock to meet housing need using grants to tenants, the standards to be adopted governing the improvement works that will be carried out to our housing stock, the option appraisal process for deciding the best use of housing assets and the different ways in which the Council could build new affordable housing. The details of the options considered and rejected are set out in each section below.

Housing Business Plan (Appendix 1)

10. The Housing Business Plan underpins the Housing Strategy, and sets out our current proposals for the Housing Business and how these will be funded. It comprises two main elements:

    a. Housing Revenue Account (HRA) 30-year business plan; and

    b. Housing General Fund medium-term financial strategy.

HRA Business Plan

11. The HRA business plan has been developed from the 2013-14 to 2016-17 HRA budget and MTFS approved by Cabinet in February 2013, and has been projected on the basis of an agreed set of underlying assumptions. These assumptions represent current thinking about areas such as general inflation, works cost inflation, interest rates, and as such may be subject to change. It should be noted that changes to the underlying assumptions will impact on the projections.

12. In putting the HRA business plan together, the intention is to have a model that reflects the current budget assumptions, but also which provides the framework within which we would expect future budgets to be set, subject to changes in underlying assumptions and/or government

or Council policy. We are also intending to use the business plan to support the case for approval of a rolling three-year capital programme for housing, which would enable enhanced planning of programmes, more timely consultation in respect of investment programmes, particularly for the purposes of recovering s20 contributions from leaseholders, and greater flexibility in delivery of works programmes, as, with appropriate approvals, we would then have the ability to switch programmes of works between years if necessary to maximise the investment we are able to deliver in any given year. We anticipate bringing a further report to Cabinet in respect of this in the autumn.

13. We have produced two versions of the HRA business plan model at this stage. The first of these is a base model, and this is the model against which all other scenarios will need to be compared. The model assumes a continuation of the current housing "business", taking into account all assumed investment, repairs and management costs required over the next 30 years, assuming a continuation of rent restructuring until such time as convergence with target rents has been achieved, and taking account of an assumed level of sales under the Right-to-Buy scheme. No changes are assumed to the underlying business in this model.

14. We have then produced an alternative scenario using the base model, but assuming the commencement of a new build programme of 50 units over the next 2 years in line with the views of members. This has been modelled using prudent assumptions in respect of build costs and ongoing revenue and capital costs, and assumes that new build units would be let at affordable rents, with the exception of 10 units assumed to be developed for shared-ownership. The inclusion of new build units in this model is intended to be an illustrative representation of the Council undertaking new build for the first time in 30 years, and of how this could potentially be funded. It should be viewed in the context of the wider affordable housing programme appended to this report, and also in the context of a consideration of the role new housing could play in helping to deliver the Council's wider regeneration aspirations.

Base Model

15. The base model has been constructed on the basis of the assumptions set out in Appendix 1. These have been agreed between Housing and Finance as a realistic and prudent set of assumptions on which to base future years' projections. Key elements to focus on are:

    a. **Rent convergence and rental income** – actual rents are assumed to converge with target rents by 2015-16 where possible. The process will continue for all properties until convergence has been achieved. Rents are assumed to increase by RPI + 0.5% thereafter, in line with government policy.

16. Welfare reform is an area of potential risk as far as income is concerned, and we have taken steps in several ways to attempt to mitigate the potential impact of this. The rent increase approved in February provided funding for the establishment of an HRA hardship fund to complement the Council's overall HELP scheme in assisting those most in need as a

result of welfare reform, and funds are earmarked for this going forward. In addition, we have been working with the CAB to raise awareness of welfare reform and to understand how our tenants might be affected and what steps we could take to make sure they are ready. As a final step we have increased the level of bad debt provision within the HRA in case our attempts to mitigate the effects of welfare reform are not entirely successful.

a. **Levels of RTB sales** – We have currently assumed sales of 16 units per annum over the first 5 years of the plan, and 8 sales per annum thereafter. Sales in 2012-13 were 14 properties, compared with none in the previous year. The recent increase in discount level to a maximum of £100,000 may impact on sales numbers, and the assumptions regarding sales will need to be kept under review. Sales at these levels would not cause the HRA to become unviable, but control of costs at appropriate levels for the size of the stock will be a key consideration going forward.

b. **Ongoing management cost assumptions** – management costs are assumed to be at the level included in the budget and MTFS to 2016-17and to continue at that level, as adjusted for inflation thereafter. Existing levels of management cost include additional elements arising from investment in services made possible as a result of self financing, and these service improvements are assumed to remain in place going forward. Costs will be reviewed over time to ensure that our management services provide value for money, and in the context of levels of new housing delivered by the Council or on its behalf, and our aspiration to market our management services. At this stage no assumption has been made in respect of varying these costs for changes in stock numbers as a result of RTB sales

c. **Ongoing revenue maintenance assumptions** – revenue maintenance costs are assumed to be at the level included in the budget and MTFS to 2016-17 and to continue at that level, as adjusted for inflation thereafter. Existing levels of maintenance costs include an additional element arising from investment in services made possible as a result of self financing. Costs will be reviewed over time to ensure that we continue to provide value for money, and in the context of levels of new housing delivered by the Council or on its behalf. At this stage no assumption has been made in respect of varying these costs for changes in stock numbers as a result of RTB sales

d. **Ongoing investment assumptions** – at this stage the ongoing investment is assumed to be at the level included in the budget and MTFS to 2016-17, but thereafter is based on what is felt to be a reasonable level of expenditure in the context of the investment plan produced as part of the asset management strategy.

17. The Council's stock condition database has been used to produce a profile of expenditure required to maintain the housing stock at a standard in excess of the out-dated "Decent Homes Standard", but the appropriate standard of investment required going forward has yet to be

consulted on and agreed. In addition, further developments to the Asset Management Strategy will result in more of an “options appraisal” approach to investment, whereby we intend to actively manage our assets to determine whether we should, in fact, continue to invest in them, or whether alternative approaches may be more appropriate.

18. At this stage, however, we have included the enhanced investment plan for the current stock to ensure that there are sufficient resources within the HRA to meet our investment requirements as they fall due and to ensure that an adequate level of provision has been taken into account when considering the overall level of resources within the HRA available for the purposes of considering new initiatives such as new build. The current provision also includes an element earmarked from the additional resources arising as a result of self financing for the Grants to Move Scheme, as set out below.

19. Over time we would expect the investment requirements of the existing stock to vary as assets are actively managed, and also for additional investment to be required in respect of new housing as it is developed. These changes will be reflected at the appropriate time in subsequent versions of the business plan.

20. The base model makes no assumptions regarding use of RTB receipts or other capital receipts to fund capital expenditure. A revised determination relating to the use of HRA receipts was recently issued, and the use of RTB receipts for funding HRA capital expenditure will need to be considered in the light of this determination, and in the context of any new build aspirations.

21. The base model presents an extremely healthy position, and clearly illustrates the significant benefit of self financing for Harrow. Over the period of the business plan, the HRA account is projected to generate balances of nearly £170m, having provided for management and maintenance of, and significant investment in the existing housing stock. These balances are potentially available for investment in new housing, and subsequent versions of the business plan will incorporate our regeneration and new build proposals as they are further developed, as well as proposals for development of services in line with the wishes of members and those of our tenants.

22. As indicated above, the base model is intended to be the basis for modelling alternative scenarios, and as such could be used to illustrate the potential impact of new build on the HRA, as well a consideration of repaying debt in addition to or in lieu of new housing. As is also indicated above, the model is intended to be a robust representation of the existing business going forward, and to establish the framework within which we would anticipate future HRA budgets being set, and we are recommending that this version of the business plan be approved for this purpose, subject to unavoidable changes in any of the underlying assumptions. This approval does not alter the fact that there will need to be an annual approval of the HRA budget and MTFS for the purposes of rent setting, but is more an approval of a shift towards taking a strategic view of the Council’s housing business, and an agreement that future

HRA budgets should be set in the context of the long-term requirements of the business plan.

Development scenario – "Quick Wins"

23. The alternative scenario mentioned above has been developed from the principles of the base model, and uses essentially the same underlying assumptions. In this model however, we have made an assumption that the Council would want to commence a development of new affordable and shared-ownership housing using a combination of infill and garage sites.

24. The rationale behind this is that the results of the development capacity study we commissioned suggested that there were a number of opportunities for "quick wins" on some of these sites, particularly where the sites were small, self-contained and not typically suitable for inclusion in a wider-scale regeneration scheme. We had already submitted a bit to the GLA under the Mayor's Housing Covenant for grant funding towards the delivery of a small number (10) of shared-ownership properties, and we would propose that these properties form part of any initial tranche of new build.

25. Modelling carried out to support the development capacity study suggested that the HRA could afford to develop up to 150 properties over the next 5 years by using a combination of S106 receipts, other capital receipts, RTB receipts and revenue contributions. The study suggested a far greater number could be provided over the life of the business plan from within HRA resources if that was felt to be the best use of the resources projected to be available.

26. Given the need to take a more strategic view of the provision of new housing, and the need for any larger-scale housing development to be set within the context of a Council-wide development and regeneration strategy, it was decided for the purposes of this report to restrict any assumed new development to 50 3-bed units, to include the 10 shared-ownership units for which grant funding has already been secured.

27. This approach was taken so as to enable a full consideration of the strategic delivery options in the context of corporate objectives, and an assessment to be made of how new housing (both affordable and private) could achieve a fit with the corporate perspective, and the extent to which housing could contribute towards a successful regeneration and development of the Borough.

28. The modelling we have undertaken is for illustrative purposes to give an idea of what could be achievable and is based on the results from the development capacity study. It suggests that 50 new 3-bed properties (25 flats and 25 houses) could be delivered over the next two years from within existing resources, with the current mix of properties being 10 shared-ownership houses, and the remaining 40 properties let at affordable rents. The properties would be constructed on existing HRA land, on either infill or redundant garage sites that are not felt to be strategically important in regeneration terms.

29. Construction costs are estimated in the region of £6.3m, with some funding from the GLA, some from RTB receipts, an element from sale of the initial 25% tranche of the shared-ownership units and the remainder from other capital receipts or revenue balances. Because the development costs are anticipated to be fully-funded, the properties immediately start to generate positive net cash flows for the HRA having taken account of increased management and maintenance costs and future investment needs. Over the 30-year period of the business plan, current projections suggest that balances would be increased by around £13m as a result of the inclusion of these new properties.

30. The same would be true in respect of a wider development programme, with the work carried out for the capacity study suggesting that if development can be fully-funded, then the development of 150 properties over the first 5 years ultimately increasing projected balances by around £35m over 30 years.

31. It needs to be stressed that the figures included in respect of new affordable housing development are illustrative, and further work would be required to confirm the appropriate levels of costs and rents for the new properties, along with confirming the preferred delivery option. We have included this development scenario to demonstrate that an affordable housing programme would be financially achievable and viable, and to seek permission to develop the proposals for a "quick wins" scheme (as set out in the proposals for a future affordable housing programme section) on a stand-alone basis. We would anticipate any wider-scale development being considered in the context of the Council's strategic regeneration and development objectives, and that appropriate delivery models would be put in place to reflect this, of which housing would form a key part.

Housing General Fund

32. Whilst much of the focus tends to be on the HRA due to the significant impact of self financing on the levels of resources now projected to be available, arguably the General Fund side of housing is potentially more drastically affected by recent legislative changes, particularly welfare reform. Given the nature of the services provided within the General Fund, and the continual legislative changes affecting services and service users, and reliance on the publication of subsidy levels by the government for some of the accommodation we provide, it is not considered appropriate to try to project the costs of GF housing services for longer than the period of the MTFS approved in February

33. Between 600 and 700 households are in Harrow are likely to be affected by the benefit cap, some losing as much as £350 per week, and around 350 households by the bedroom tax. We have been working and continue to work with those households affected by welfare reform to try to minimise its impact on them and to try to ensure that all affected households are able to access affordable housing that is suitable for their assessed needs.

34. The impact of welfare reform on the General Fund will depend on the extent to which the Council feels it wishes to, or is able to, support households affected by welfare reform, and the ongoing effects of the benefit cap.

35. For many households, remaining within Harrow may no longer be feasible due to a shortage of available properties at an affordable rent and the loss in benefits not being matched by reductions in private-sector rents. We recognise that many households have valid reasons for wanting to remain within the Borough, such as family links, care commitments, children at key stages of their education (e.g. GCSE's or A levels). Similarly we recognise that for some families, their circumstances may be about to change, and that any shortfall in benefits could be only a temporary one. A key issue here is the extent to which the Council assists these households to remain within Harrow.

36. For some households, however, this may not be a feasible option, and the Council has put in place a range of measures to ensure that we are able to offer appropriate housing solutions to most households.

37. What is not currently clear is what the cost of both assisting those households that can/should remain within Harrow, and assisting those for whom this is not an option to find permanent solutions elsewhere would be. It has been estimated that the financial impact of welfare reform could be between £1m and £3.5m, depending on how much the Council wanted to support its residents, although the feeling is that it is likely to be towards the lower end of this scale.

38. The budget for 2013-14 contained extraordinary growth of £1m to meet the changing requirements of welfare reform. Of this amount, just over 20% has been allocated towards funding additional staff to provide the necessary advice and deliver appropriate long-term housing solutions, with the remainder being split between Bed & Breakfast and Housing Needs, the areas where it is felt the pressures will be most keenly felt. In 2014-15 and subsequent years, there is anticipated to be a reduction in the growth requirement by half, with the amount reduced to £0.5m.

39. The full impact of welfare reform has yet to be felt within Harrow, partly as a result of the delay in the introduction of the benefit cap, and partly due to the phasing in of direct payment, which may not hit Harrow for some time. Whilst this is the case, we do not feel that there will necessary be any reduction in the total cost to Harrow over time, merely a potential delay in expenditure.

40. We now have powers to discharge our homeless duty via an offer of suitable private-sector accommodation, although in common with the problems we are facing elsewhere we are hampered by a shortage of suitable properties and ever-increasing rent levels. For many households, remaining within Harrow permanently is simply not a realistic option, and we have been developing policies to enable us to meet need as it falls due.

41. In other areas, some are operating on a business as usual basis, and we are continuing our work to bring empty properties back into use, and working towards finding other innovative solutions to meet housing need and reduce the dependence on use of B & B accommodation. This includes development of an enhanced Private-Sector Leasing offer, with an up-front premium payment to landlords to enter into a (typical) 5-year lease.

42. In addition, we are looking at Housing as a whole, and where possible seeking holistic solutions to housing problems. Examples of the type of initiative we are introducing include the Grants to Move scheme below, where we are seeking to free up existing HRA properties to enable us to ultimately reduce B & B use, building new shared-ownership properties to offer to existing tenants to free up existing housing, building new affordable housing within the HRA and potentially looking to develop a new private rented sector offer outside of the HRA, but which could potentially be used to assist us to discharge our homeless duties. A by-product of this could possibly be a revenue income stream for the GF to help meet spending pressures.

43. We are not seeking specific approval for any of the issues mentioned above in respect of the Housing General Fund services as these have already either been approved as part of the MTFS or will be subject to approval elsewhere. The inclusion here is to reinforce the fact that the housing service being delivered by Harrow Council is wider than just the provision of housing in the HRA, and that it is important to appreciate that the HRA and HGF are inter-related. Whilst many of the issues relating to each are specific to each part of the service, there is cross-over in a number of areas, and indeed areas where we may be able to help one part of the service through legitimate expenditure in another. Our task is to use the resources we have available to us in innovative ways to deliver the maximum benefit to the service as a whole.

44. We feel that have made a start in delivering in this way, and as the business plan is further developed over time, more links will be made in many areas and we will be seen to truly be delivering a joined-up housing service.

Consultation draft Asset Management Strategy (Appendix 2)

45. The draft Asset Management Strategy sets out the key priorities for the future of the housing stock and other assets held within the Housing Revenue account. In summary these priorities are intended to develop a more active, rather than reactive plan for the future of these assets to make best use of the additional investment made possible by HRA reform. It also takes into account the statutory requirements of a social landlord in relation to Health & Safety, the growing energy efficiency agenda and our commitment to support the local economy and achieve value for money in everything we do

46. There have already been a number of improvements to our stock in terms of energy efficiency but 2013 is a really exciting time to embrace real change in this area as substantial Green Deal funding is anticipated

over 2 years, with full details of the offer to be announced shortly. This is an amazing opportunity to build on good practice, increase the pace of planned energy efficiency work by bringing forward projects from future years programmes and develop both some new, innovative carbon saving schemes. These will combine to increase the SAP rating across the stock more quickly than was previously possible, and we anticipate achieving our target rating of all properties being at or above 65 by December 2014.

47. Added advantages to this funding are to help reduce tenants fuel bills and reduce charges to leaseholders for energy efficiency works affecting their homes. A detailed investment plan will be developed once the Green Deal funding is confirmed.

48. Our commitment to energy efficiency to date is demonstrated by the fact that our specifications for major works include an obligation to procure materials that are both affordable and energy efficient, and we have previously obtained funding from CESP/CERT funding to carry out energy efficient works within our properties

49. The draft strategy is also intended to complement other housing changes in particular the move to develop more affordable housing. It considers the steps that need to be taken to ensure the housing stock is fit for purpose, is best placed to meet demand as well as both viable and sustainable going forward. It also considers the standard for the maintenance of the housing stock post decent homes and proposes that consultation takes place on developing a new standard for Harrow.

50. Our tenant and leaseholders views are very important to us both in terms of setting priorities and developing the action plans to enable us to deliver against them. Members of Harrow Federation of Tenant and Residents Association (HFTRA) and Tenants, Leaseholders and Residents Consultative Forum (TLRCF) have been consulted on the priorities included in the strategy but as yet no detailed consultation has taken place on how we will deliver the priorities. Members are asked to approve the draft so that detailed consultation can be taken forward with tenants and leaseholders over the next few months.

Proposals for a future Affordable Housing Programme (Appendix 3)

51. A key objective of the Housing Strategy is to increase the supply of affordable housing in the borough. As a result of the various reforms and freedoms introduced by the government the Council now has the potential to play a very different role in directing and delivering new housing, particularly affordable housing, to meet housing need and achieve a balanced local housing market. A study was therefore commissioned in December 2012 and carried out between January and April 2013 to explore the potential options and consider practically how the Council's overall objective can be achieved.

52. The study has considered the capacity for new development within the Council's existing HRA estate and the different options for how an initial development programme could be resourced and internal capacity built

to deliver future programmes. Whilst the capacity is limited it does identify an initial small scale development programme that could be taken forward relatively quickly.

53. The Garage Strategy Steering Group (comprised of Members, officers and resident representatives) had already assessed the capacity for new development on existing garages sites, especially those currently vacant or with low levels of occupancy and requiring refurbishment. The study has identified a number of additional small infill development sites. In total the potential capacity is for around 170 units.

54. The potential for the Council to directly fund these infill developments through the HRA has been modelled. It has been assumed that most of the new homes would be let at Affordable Rent in line with the rental guidance set out in the Council's Tenancy Strategy. Given the Council's inability to borrow due to the debt cap, the delivery of affordable homes at social rents would not be viable. The Affordable Rent levels have been set so that they are still affordable, in particular to large families, in receipt of benefits taking into account the welfare reform changes (benefit cap).

55. The Council has already been awarded some grant funding to develop 10 three bedroom shared ownership homes for sale to existing Council tenants. The modelling demonstrates these units could be delivered from within existing HRA resources, and be operated within the HRA as affordable housing as set out below.

Table 1 – Infill/garage sites – with shared ownership (Mayor's Housing Covenant)

	3-Bed Flats	3-Bed Houses	Shared Ownership	Total units
Units:				
2014-15	25	20	5	50
2015-16	25	20	5	50
2016-17	20	20		40
2017-18	5	5		10
Total	**75**	**65**	**10**	**150**
				£m
Estimated Development costs:				
Total				**18.1m**
Sources of funding:				**£m**
Affordable Housing pot				3.6
Other receipts				1.2
Grant funding				0.3
Sale of 25%				0.8
RTB receipts (incl 1-4-1)				7.7
Use of revenue balances				4.5
Total				**18.1**
Affordable rents (60% mkt) p/w	£158.54	£168.23		
Shared ownership rent @ 0.75%			£36.60	
Voids	2%	2%		
Marginal management cost p/u	£250	£250	Nil	
Marginal repairs cost p/u	£900	£900	Nil	
Major repairs – from 10 years after completion at uplifted MRA p/u (2013-14 prices shown)	£1,206	£1,206	Nil	

56. The above table illustrates that a development programme of up to 150 new build homes over the next four years could be funded from HRA resources and the Affordable Housing Pot, although any development proposals would need to be the subject of detailed feasibility work and costings before numbers could be finalised

57. As set out in the Housing Business Plan section of this report, building the new homes and retaining them within the HRA improves the financial position of the HRA over time due to the impact of the additional net rental stream from the new units. This means that more resources would be available to put towards additional HRA development or other service initiatives in subsequent years.

Quick wins

58. The garage sites/infill opportunities have been reviewed and prioritised to establish a first phase 50 unit development programme for which detailed site investigations can be taken forward to enable a final

programme to be commissioned. This is attached at Appendix 3. The factors taken into account in selecting these sites are:

- Sites not currently occupied or which can achieve vacant possession quickly;
- Initial checks suggest there are no rights of access issues;
- Initial checks suggest there are no issues with regard to contamination, flood risk, conservation, ecology etc;
- Initial planning advice supports development;

59. The final development programme will be confirmed after completion of the detailed site investigations.

60. Two options have been considered for delivery of the first phase development programme:

Option 1 – HRA funded direct delivery to capture maximum value for the HRA in the long term, resulting in additional resources to either fund affordable housing development or other service initiatives. As the Council has no recent experience of undertaking new build housing development, that delivery of the first phase programme should be supported by procurement of a development management service. An essential element of the service procured will be to develop internal capacity through training, coaching and mentoring so that further phases can be managed internally.

Option 2 – Sites are disposed of on the open market specifically to deliver affordable housing to the Council's specification, to which the Council would then have nomination rights. This is likely to cost less in terms of public subsidy per unit as organisations such as Registered Providers will be able to borrow to fund some of the development cost.

61. Option 1 is recommended. This supports the long term ambition set out in the Housing Business Plan. The HRA has the capacity to fund the first phase programme and whilst the initial public subsidy cost per unit is likely to be higher, this is offset by the additional revenue generated within the HRA that can support the provision of additional new affordable housing in the future.

62. The funding sources to enable Option 1 to be taken forward are as follows:

Funding Source	**Amount £M**
RTB receipts	2.5
Other receipts/Affordable Housing Pot	2.3
HCA grant	0.25
Revenue contribution	1.25
Total Estimated Development Cost	**6.3**

63. Consultation will be organised with estate residents so that they are able to have input into the development process at the earliest opportunity and in advance of any formal planning consultation process.

Medium/long term opportunities

64. There has also been a high-level assessment of the potential to redevelop/regenerate existing housing estates by looking at current densities; potential density, Council ownership and consequent buy back costs, build costs and house prices.

65. On approximately half of the estates, the Council's ownership is less than 60% and therefore redevelopment is not viable taking into account the acquisition of freehold and leasehold interests. Many others have no potential for intensification because of existing densities.

66. 8 estates have been shortlisted for further investigation. The high level assessments indicate that between 49 and 339 additional affordable homes may be delivered through estate regeneration and intensification. However, on some of the estates the majority of new homes developed would need to be for private sale to produce a viable business plan. In some cases additional public subsidy would need to be levered in to allow them to break even as was the case with the Rayners Lane and Mill Farm estate regeneration schemes. These will require consideration of different delivery models to ascertain the optimum solution.

67. It is therefore recommended that detailed feasibility studies are taken forward on the identified 8 estates to establish the potential for a realistic and deliverable regeneration programme, the details of which are set out in Appendix 3. Estate residents would be invited to participate in the feasibility study process following the best practice principles already established for the Mill Farm and Rayners Lane estate regeneration schemes. However it must be made clear that at this stage no decisions are being taken forward to demolish and regenerate either part or all of the estates identified.

Strategic Delivery Options

68. Affordable housing development on a significant scale beyond the first phase development programme will require a different strategic approach. With regard to the HRA this will be necessary because its capacity is limited by the debt cap. Various partnership approaches have been identified by the initial study to be explored further to consider how both HRA assets and corporate land assets can most effectively be used to increase the supply of housing.

69. A partnership with a Registered Provider could considerably increase the provision of affordable housing in the short-term and it is recommended that the business case for this approach is further developed. There may additionally be opportunities to release value from the existing stock for re-investment within the context of the Council's overall asset management strategy.

70. Council-owned sites may be central to providing additional development opportunities for new affordable housing, and for the provision of quality private rented housing. The Council could take a more direct role in leading the development of these sites working with partners and it is recommended that business cases are taken forward and brought back to Cabinet for decision.

Grants to Move Scheme (Appendix 4)

71. The proposed Grant to Move scheme has been developed in order to support the delivery of key Housing Strategy objectives and specifically to:

    a. Release family-sized accommodation for re-letting, allowing the council to help those households that are homeless or in housing need;
    b. Encourage under-occupying tenants to downsize to homes more suited to their needs, freeing-up accommodation for over-crowded households or those affected by the reforms to welfare benefits (e.g. the ‘bedroom tax’);
    c. Increase the choices available to council tenants and enable them to better meet their housing aspirations;
    d. Offer an alternative to tenants considering exercising their right to buy.

72. Harrow currently operates a scheme for Council tenants to encourage downsizing moves to other council or housing association properties. This scheme has been reviewed as part of the Grants to Move proposals as there is capacity within the revenue budget for 2013/14 to increase its uptake.

73. The Grants to Move scheme has been developed following good practice research and financial modelling. The proposals have been refined following preliminary consultation with the Tenant, Leaseholder and Resident Consultative Forum (TLRCF) on 27/02/2013, through telephone surveys, at a mutual exchange event for tenants and by email with voluntary sector representatives. There has also been some coverage in the tenants’ Homing In magazine and feedback has so far shown significant support for the scheme. A pilot move is being progressed in order to further refine the scheme, subject to approval being obtained as agreed by Cabinet in April 2013.

74. In developing the proposals a number of options have been considered and these were reported to TLRCF on 27/02/2013. Interest-free loans were initially considered to support home-ownership, but this has been given no further consideration since the 2013 Budget made available national funding for a Help to Buy equity loan scheme, which is expected to meet demand for this type of support.

The proposed Grants to Move scheme

75. The scheme is summarised in the table below and comprises three grant options. Option 1 is for tenants downsizing to another Council or

housing association property, whilst options 2 and 3 offer grants to move into the private sector.

Proposed grant scheme and options

<table>
<tr><th rowspan="2">Options based on type of move</th><th colspan="4">Grant available by size of current property</th></tr>
<tr><th>Studio / 1 bed</th><th>2 bed</th><th>3 bed</th><th>4+ bed</th></tr>
<tr><td rowspan="2">1. Under-occupying households down-sizing into another social housing property</td><td>None</td><td>£1,500</td><td>£1,500</td><td>£1,500</td></tr>
<tr><td colspan="4">Bonus of £1,500 for downsizing by 2 bedrooms
Bonus of £3,000 for downsizing by 3 bedrooms or more
Plus allowance of up to £1,500 for improvement works to the property being moved to</td></tr>
<tr><td>2. Households moving into private rented home</td><td>£1,500</td><td>£3,000</td><td>£4,500</td><td>£6,000</td></tr>
<tr><td>3. Households buying in the private sector</td><td>£20,000</td><td>£24,000</td><td>£31,000</td><td>£38,000</td></tr>
</table>

76. The proposed under-occupation grant is similar to the existing scheme, albeit enhanced to offer an additional £1,500 per move for improvements to the new property, to be awarded on a merit basis where the tenant leaves their current property in a good and lettable condition. Where possible and feasible, imminent kitchen and bathroom upgrades at the new property will be brought forward and completed during the void period.

77. The scheme will be administered according to the following key principles:

    a. To be eligible for the scheme, tenants must have held a tenancy with Harrow Council for at least 12 months and should have conducted their tenancy in a satisfactory manner;
    b. Tenants must leave full and vacant possession of their property, and the move should not render any member of the household homeless;
    c. The property should be left in a lettable condition, and the cost of any rechargeable repairs or any outstanding arrears to the Council will be deducted from the grant awarded;
    d. The Council will flexibly administer the scheme providing the tenant can demonstrate that their new property would be their principal home and is settled and affordable given their financial circumstances, and the Council will deliver a core support package to all tenants accessing the grant;
    e. Grants for moves into the private rented sector will be awarded where the tenant secures an assured or assured shorthold tenancy for at least 12 months;
    f. Tenants accessing the home-ownership grant will be expected to repay a proportion of the amount awarded if they move within 5 years of using the scheme.

78. The proposals in Appendix 4 outline priority criteria where demand exceeds supply for the home ownership grant in order to secure best

value-for-money for the council's investment. Larger properties will be prioritised for the grant, and eligible tenants with a fixed-term tenancy will generally have longer than 12 months unexpired on their tenancy, or will qualify for their tenancy to be renewed at the end of the term.

79. Good communication of the grant will be vital to raising awareness of the grant scheme and generating demand, and a communications strategy is being developed.

80. In February 2013, Cabinet approved the allocation of £250,000 capital and £250,000 revenue in the HRA to deliver cash incentives to tenants in 2013/14. This will supplement the £69,000 revenue that is allocated to the existing downsizing scheme. Provision has been made in the revenue budget for additional staffing to operate the scheme and to fund communications and additional void works.

81. In addition the Council has submitted a bid for £358,800 to the GLA's "Building the Pipeline" Mayor's Covenant funding. If successful, the investment would be used to match fund the home-ownership grant on a 50:50 basis with the Council, and this would increase the number of home-ownership moves that could be delivered within budget.

82. With GLA funding, up to 65 moves may be delivered per year under the Scheme. This is unlikely to be achieved in the first year due to the time-required to implement the scheme and for tenants to achieve successful moves. It is proposed that each of the schemes be reviewed 6 months after implementation, or after half of the allocated budget for the period 2013-14 is spent, whichever is sooner, and that the scheme would be amended as required using the delegated authority sought in this report.

83. In line with proposals to Commissioning Panel, the scheme aims to save £96,000 for the General Fund by 2014/15. This will be achieved by reducing the number of households in bed and breakfast accommodation (at an average cost to the council of £8,000 per annum), and equates to releasing approximately 6 Council homes per year, depending on property size. These savings are based on the assumption that the mobility created in the housing stock as a result of the scheme will lead directly or indirectly to a reduction in the number of households requiring B&B accommodation.

Legal comments

84. Councils have general consent to operate a range of cash incentive schemes under Section 129 of the 1988 Housing Act and Section 435 of the 1985 Housing Act, as amended by Schedule 18 of the 1996 Housing Act.

<u>Equality duties</u>

Section 149 – of the Equalities Act 2010 created the public sector equality duty. Section149 states:-

(1) A public authority must, in the exercise of its functions, have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

85. When making policy decisions, the Council must take account of the equality duty and in particular any potential impact on protected groups. An Equality Impact Assessment ("EQIA") was completed, consulted on and then finalised for the Housing Strategy, which sets out the key objectives underpinning the Housing Business Plan and the initiatives set out in this report. Individual EQIAs have been completed for the consultation draft Asset Management Strategy and the Grants to Move scheme which have informed their development.

Financial Implications

86. The HRA capital and revenue allocations to deliver the Grant to Move scheme have been approved as part of the programme agreed by Cabinet in February 2013.

87. The financial implications of the Grants to Move scheme are set out in paragraphs 80 -83. In addition the scheme may lead to a marginal increase in the number of voids, and the additional void works offered as part the scheme may have a marginal impact on void turnaround times. A £40,000 contingency revenue fund has been set aside to fund these additional void works and overheads, and there is room in the allocated budget for additional capital works.

88. The delivery of the first phase of the Affordable Homes Programme will require a significant amount of additional work in addition to the current Housing Partnership and Strategy team's work plan. It is therefore proposed to appoint a Project Manager on a fixed term basis to oversee the first phase working closely with the procured Development Management Service. The post would be funded as part of the project on-costs which have been included within the estimated development costs.

89. In addition it is proposed to enter into a Planning Performance Agreement with Planning Services to ensure that a dedicated resource is

available to provide planning input at all stages of the development process. This will help to reduce the risk of planning issues being raised at the formal stage of consultation which might delay delivery. The cost of this would also be funded as part of the project on-costs.

90. New affordable new homes and Council properties released following the award of the home-ownership grant will attract New Homes Bonus payments.

Performance Issues

91. There are a number of Performance Indicators built into the Housing Service Improvement Plan for 2013/14 for which progress is monitored on a quarterly basis and reported to Improvement Board.

92. The table below shows an extract of key performance indicators relating to the Housing Business Plan, Asset Management Strategy and delivery of new homes as reported for Q4 2012/13. The proposals contained in this report if adopted are likely to contribute positively to improving performance against these key indicators in the following ways:

- The Housing Business Plan provides for investment in service improvements so that we are able to support our residents through the introduction of various welfare reform initiatives which will disproportionately affect them;

- We have sufficient capital investment to ensure our housing stock meets enhanced Decent Homes standards and we have secured additional investment to improve energy efficiency and reduce fuel poverty;

- Building new affordable homes and providing grants to move will provide additional housing options for people in priority housing need and contribute to homelessness prevention and managing the predicted growth in homelessness costs. Conversely, if these proposals are not adopted then this will make it more difficult to contain the projected growth in homelessness.

93. Going forward, new indicators will be introduced to enable monitoring of new initiatives to ensure that service delivery is in accordance with projected outcomes and mitigating actions are implemented where necessary.

Performance Indicator	Q4 2012/13 Performance	Q4 Target	Red Amber Green
Tenants satisfaction with overall landlord service	71%	78%	Red: We set challenging targets for satisfaction in 2010. This and the indicator below are measured through a biannual survey (STAR). Overall satisfaction shows a general upward trend in spite of a difficult external environment and is upper/middle quartile benchmarked against London 12/13 STAR results.
Tenants satisfaction with Repairs and Maintenance service	68%	80%	Red: See above commentary. Due to the timing of this survey the impact of the new repairs and maintenance contracts is not fully reflected.
Tenant Satisfaction with repair and maintenance service (independent monthly telephone survey)	92%	95%	Amber: We also monitor satisfaction on a monthly basis and the results from this are very encouraging and reflect more accurately on the current contracts.
Repairs completed in target time – urgent and non urgent	98%	90%	Green: Upper quartile performance
Rent collection and arrears: proportion of rent collected	98.39%	99.25%	Amber: Upper quartile performance against a very ambitious target.
Current tenants arrears	£414k	£350k	Red: Upper quartile performance against a very ambitious target.
Average time taken to relet LA housing	36.3 days	21 days	Red: This has been a problem during 2012/13 for a number of reasons. A new voids process is being implemented for 2013/14.
No of households in B&B at end of quarter	69	100	Green: Numbers were well below original estimate due to effective

			prevention activity.
Number of affordable homes delivered (gross)	278	275	Green: The number of new homes completed was above target in 2012/13.

Environmental Impact

94. The Housing Business Plan and Asset Management Strategy have a positive impact and contribute to the Council's Climate Change Strategy and Delivering Warmer Homes strategy through:

- Improving energy efficiency and reducing CO2 in the Council's housing stock. The Housing Business Plan includes investment that will improve the energy efficiency of the Council's housing stock. Housing Services is awaiting confirmation of the award of substantial funding from the Green Deal initiative to improve the energy performance of its housing stock over the next 2 years ranging from improved insulation and heating to the installation of photo voltaic systems etc.
- New affordable homes will be required to achieve a minimum of level 4 of the Sustainable Building Code.
- Other environmental improvements often included in new affordable housing developments or retrofitting of existing social housing include: provision of green roofs, solar thermal hot water systems to meet the target for use of renewable resources and resulting reduction in C02 emissions, improved biodiversity as a result of increased tree planting and landscaped communal open spaces, provision of Sustainable Urban Drainage Systems, and green travel plans to encourage use of public transport and walking.

Risk Management Implications

95. Risk included on Directorate risk register? Yes

96. Separate risk register in place? Yes

97. The key risks are referenced in the main body of the report.

98. A separate risk register has been developed for the Grants to Move scheme. The key risk identified is:

    a. There is insufficient demand for the scheme or a slower uptake than anticipated, resulting in an under spend against budget and under-achievement against the target savings on bed and breakfast costs to the General Fund. We have experience of demand for the grant to assist underoccupiers to downsize and the proposed Grants to Move package is as a direct result of customer feedback to ensure the scheme is attractive. Initial publicity has already generated interest in the grants scheme and a detailed communications plan will be put in place to raise further awareness among tenants. We are putting in place procedures to tightly manage and monitor the pipeline of interested applicants.

99. A separate risk register will be developed for the first phase of the Affordable Housing Programme. The key risks are:

- The identified sites are not deliverable. Mitigation: Informal planning advice and assessment of sites constraints. Authority to substitute sites if necessary.
- Development costs are higher than estimated. Mitigation: Use of external Development Management service to ensure best value for money is achieved both in design and build costs.

Equalities implications

100. The equality impacts in relation to the Housing Business Plan were considered in the February 2013 Cabinet report which approved the HRA budget for 2013/14. The approved policy changes were considered to have an overall positive impact on protected groups.

101. The Housing Strategy EQIA informed the development and adoption of the key objectives which underpin the Housing Business Plan. The provision of additional housing options through the grants to move scheme and the development of additional affordable housing has an overall positive impact on a number of protected characteristics.

102. A separate Equality Impact Assessment (EqIA) has been completed alongside the development of the grants to move scheme. The increased mobility in the Council stock that would be generated by the scheme presents opportunities for positive impacts on all protected characteristics.

Corporate Priorities

103. This report incorporates the following corporate priorities by involving residents in determining future housing policies and strategies that support people in priority housing need:

- Keeping neighbourhoods clean, green and safe
- United and involved communities: A Council that listens and leads.
- Supporting and protecting people who are most in need.

Section 3 - Statutory Officer Clearance

Name: Simon George Date: 7 June 2013	x	Chief Financial Officer
Name: Paresh Mehta Date: 8 June 2013	x	on behalf of the Monitoring Officer

Section 4 – Performance Officer Clearance

Name: Martin Randall Date: 5 June 2013	x	on behalf of the Divisional Director Strategic Commissioning

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker Date: 23 May 2013	x	on behalf of the Divisional Director (Environmental Services)

Section 6 - Contact Details and Background Papers

Contact:

Dave Roberts, Finance Business Partner for Housing,
Tel 020 8420 9678 or email dave.roberts@harrow.gov.uk;

Maggie Challoner, Interim Head of Asset Management,
Tel 020 8424 1473 or email maggie.challoner@harrow.gov.uk;

Alison Pegg, Housing Partnerships and Strategy Manager (job share), Tel 020 8424 1933 or email Alison.pegg@harrow.gov.uk

Jane Fernley, Housing Partnerships and Strategy Manager (job share), Tel 020 8424 1283 or email jane.fernley@harrow.gov.uk

Background Papers:

1. Cabinet report 14 February 2013, Housing Revenue Account Budget 2013-14 and Medium Term Financial Strategy 2014-15 to 2016-17
http://www.harrow.gov.uk/www2/documents/g61076/Public%20reports%20pack%20Thursday%2014-Feb-2013%2019.30%20Cabinet.pdf?T=10

2. Cabinet report 11 April 2013: Housing Changes Review: Approval of Housing Strategy 2013/18, Homelessness Strategy 2013/18, Private Sector Housing Strategy 2013/18, Housing Allocations Scheme 2013, and update on Housing Business Plan 2013 and draft Asset Management Strategy 2013
http://www.harrow.gov.uk/www2/documents/g61078/Public%20reports%20pack%20Thursday%2011-Apr-2013%2019.30%20Cabinet.pdf?T=10

3. EQIA for the Housing Grants to Move scheme.

Call-In Waived by the Chairman of Overview and Scrutiny Committee	**NOT APPLICABLE** *[Call-in applies]*