

### **Appendix 3: Proposals for a future Affordable Housing Programme**

The Council commissioned a study to consider what role the Council could play in directing and delivering new affordable housing to meet housing need and demand in order to achieve a balanced housing market in the borough. A very practical element of the study has been to explore the capacity for new affordable housing development within the Council's existing HRA estate, how this could be funded, and the potential for regeneration and redevelopment of existing estates in order to improve the quality of these and to deliver additional housing. This is a summary of the study with some very practical proposals for taking forward an initial HRA affordable housing development programme.

The Council has not been able to undertake new development on for many years and different options have been outlined as to how an initial development programme could be resourced and internal capacity built.

There is potential for a larger programme of housing development – using both HRA and General Fund land and funding. A range of strategic delivery options and their respective implications have been considered.

## 1.0 Proposed First Phase Infill Development programme

1.1 Identification of infill development opportunities has been undertaken using a number of methods, including examination of detailed site plans and estate boundaries, digital mapping and including discussions with Council Housing and Planning Officers. This process was undertaken for all of the 73 defined housing estates. The potential development capacity is shown in the table below:

Site / estate	Type of site	Potential new build units
Allerford Court	Garage	4
Antoney's Close	Garage	1
Antoney's Close	Garage	1
Antoney's Close	Infill	11
Apsley Close	Garage	1
Atherton Place	Garage	2
Bernays Close	Garage	1
Brookside Close	Garage	2
Buckingham Road	Garage	10
Buckingham Road (Berridge)	Infill	12
Charles Crescent	Garage	4
Charles Crescent	Garage	1
Chichester Court	Garage	18
Deacons Close	Garage	9
Downing Close	Garage	1
Eastcote Lane	Garage	4
Eaton Close	Garage	1
Ellement Close	Garage	1
Ellement Close	Garage	1
Grove Avenue	Garage	3
Hazeldene Drive	Garage	2
Howards Close	Garage	6
Hutton Lane	Garage	4
Juxon Close	Garage	2
Kenton Lane	Garage	1
Latimer Close	Garage	1
Lower Road Estate	Infill	44
Martin Drive	Infill	4
Masefield - Chenduit Way	Garage	5
Milman Close	Garage	1
Moelyn Mews	Infill	4
Nelson Road	Garage	1
Pinewood Close	Garage	1
Sandymount Avenue	Garage	1
Silverdale Close	Garage	1
Stonegrove Gardens	Garage	1
Stuart Avenue	Garage	8
Stuart Avenue	Garage	2
The Heights	Garage	4
Westbere Drive	Garage	1

1.2 These sites have been reviewed and prioritised to establish a first phase 50 unit development programme for which detailed site investigations can now be taken forward to enable a final development programme to be commissioned to deliver new build units in 2014/15/16. The sites have been prioritised using the following criteria:

- Sites not currently occupied or which can achieve vacant possession quickly;
- Sites where initial checks indicate there are no rights of access issues;
- Sites where initial checks suggest there are unlikely to be problems arising from previous uses e.g. contamination, flood risk, conservation, ecology etc;
- Initial planning advice supports development;
- Exclusion of sites that can only accommodate 1 unit which are likely to be significantly more expensive to develop on a per unit basis.

1.3 The initial prioritised sites are set out below. The final development programme will be confirmed after completion of detailed site investigations and therefore some of these schemes may not proceed and will be replaced with other sites .

Site	Estate	Ward	Potential Unit type	No of potential units
12-17 Allerford Court	Kingsfield	Headstone South	House	4
5-52 Stuart Ave	Eastcote Lane	Roxbourne	House	8
1-16 Atherton Place	Harrow View	Headstone South	House	2
1-22 Buckingham Road	Berridge	Edgware	Flats	10
1-23 Chichester Court	Chichester Court	Queensbury	Flats	18
1-11 Grove Avenue, Pinner Station	Grove	Pinner South	House	3
1-14 Masefield Avenue/Chenduit Way	Cottesmore	Stanmore Park	House	5
Moelyn Mews, off Elmgrove Road	Elmgrove	Greenhill	House/Flats	3
20-23 The Heights	Northolt Park	Roxeth		2
<b>Total potential units</b>				<b>55</b>
<b>Reserve Schemes</b>				
1-10 Binyon Crescent	Woodlands	Stanmore Park	House	2
Holsworth Close	Kingsfield	Headstone South	House	4
The Middleway	Weald Village	Wealdstone	House	2

1.4 There are three broad options for the delivery of the programme:

- In house self-development – Direct management of the development by the Council, supported by individually procured technical and consultancy support, including the option of embedded / interim support to maximise knowledge-sharing and internal up-skilling
- Development Management Service – Procurement by the Council of a wrap-around project management service to take the schemes through design and planning to contractor procurement and completion. This could include use of a Housing Association’s development expertise
- Commissioned Development – To commission the developments through a housing association or developer to a required specification / planning approval with that party taking development risk.

### **In house self-development**

1.5 This option implies the crucial Project Management role being delivered by the Council using either an existing resource or with embedded consultancy or interim support. The Council might alternatively wish to consider appointing to a development project manager post on a permanent basis given the plan to pursue a 4 year programme with the likelihood of further development through regeneration beyond that.

1.6 The advantages and disadvantages of this option can be summarised as follows:

<b>Advantages</b>	<b>Disadvantages</b>
In-house / embedded resource provides direct engagement and accountability within the Council	Risk of placing too much reliance on one individual for delivery of the programme (workload / absence / resignation etc)
Ensures retention of experience and knowledge gained from early projects within the Council	One individual would be unlikely to have the range of experience / expertise that would be available if the role was outsourced to an appropriate organisation.
Likely to facilitate better communication with Council-wide stakeholders. Disadvantages:	

### **Development Management service**

1.7 This option anticipates the outsourcing of the project management role. This could be to a building services consultancy, a registered provider or a local authority, any of which may have the expertise and capacity to provide a development agency service. Some of these organisations may be able to provide the full range of professional services required to deliver a development programme i.e. project management / architectural / quantity surveying / employer’s agent / other specialist services. A number of Local

Authorities have contracted for such services from private Registered Providers and from building / development services consultancy firms.

<b>Advantages</b>	<b>Disadvantages</b>
Engaging an organisation with a wide range of expertise and experience, and depth of resources to ensure continuity and effective delivery	Potential loss of direct engagement and accountability within the Council, with potential for weakened communication with stakeholders
Possibility of engaging an organisation that can provide the full range of professional services necessary to deliver the development programme in a co-ordinated way	Potential for insufficient transfer of skills / knowledge to the Council prejudicing the Council's ability to take forward a development programme in the longer term.

- 1.8 A service could be contracted that provides expressly for the development of internal capacity to enable the project management role and development management services to progressively transfer across to the Council.

### **Commissioned development**

- 1.9 This option envisages commissioning the developments through a registered provider (RSL or developer) to a required specification and or planning approval with that party taking development risk. This approach would be more common where schemes involve significant levels of mixed tenure with a proportion of homes built for outright or shared ownership sale.

<b>Advantages</b>	<b>Disadvantages</b>
Engaging an organisation that has the expertise and experience to deliver the product.	The Council would still need to resource / manage the early stages of preparing a specification and design brief or taking the scheme through planning
Avoiding cost risk and development risk, including sales risk.	This approach is likely to incur a higher cost than the other options in which the Council would contract directly with a building company.

- 1.10 It is difficult to be precise about the comparative costs of the three delivery options because of the variations that are available within each option. An indicative benchmark cost for an externally-provided Development Management Service would be in the region of 3-4% of scheme costs with additional allowance for the Council's client role to manage the services contract and provide programme governance. In the end the more significant criteria for deciding on the delivery option are likely to be simplicity and speed of implementation.
- 1.11 In considering the best delivery approach account needs to be taken of future development beyond the initial infill programme. Beyond year 4, additional financial resources will be available within the HRA to support a continuing

programme of affordable housing development. With this in mind there is a strong case for the Council to use the initial phases of the infill programme to build its internal capacity and expertise.

## Recommendations

- 1.12 The report recommends that the Council use a Development Management Service for the first 50 units of the programme and that the contract for the service provide for knowledge and skill transfer to the Council. A lead officer within the Council should be identified to work closely with the development management team to give them the potential to assume the Project Management role for subsequent phases if the Council chooses. This officer would from the outset play a key role in ensuring effective communication and co-ordination within the Council and in devising and implementing the arrangements for consultation.
- 1.13 A potential timeline for a first phase programme is outlined below. This would provisionally provide for development of the first phase to commence in June 2014 with completion of the first units at the end of 2014/15.

Stage	Start	End / Milestone
Decision to proceed		June 2013
Development principles		June
Development Management service in place		July
Confirm site prioritisation	May	July
Project commencement and programme set		July
Initial design studies and costing	July	August
Final selection of schemes		August
Consultation	June	October
Design and Planning development	September	November
Planning application and consent		Feb 2014
Contractor procurement		March
Mobilisation		April
Start on site		May
Construction completion		March – June 2014

## 2.0 Estate Regeneration

- 2.1 Initial estate regeneration opportunities have been assessed for the Council's existing 73 defined estates using a bespoke financial viability model, which uses the data provided by the Council to assess the potential to redevelop existing estates at higher densities to provide additional housing and to replace poor quality estates which may not be sustainable in the long term with new higher-quality housing in an improved setting.
- 2.2 Across the 73 identified HRA estates, the Council's ownership is less than 60% on 39 of the sites. These would present a significant challenge in terms of site

assembly, due to the application of required powers and associated costs. As such, these sites were excluded from further estate analysis.

- 2.3 Of the remaining sites many provide limited or no opportunity for redevelopment at higher densities to provide additional housing or are not viable because of the costs of site assembly, taking account of the degree of intensification and cross-subsidy that could be generated.
- 2.4 A provisional shortlist of estates has been identified where partial or full redevelopment may be considered. These range from small-scale replacement of around 20 units to medium-sized estate redevelopment of 200 existing units. Initial appraisals indicate that redevelopment on the majority of these estates is viable but not on all and a portfolio-approach that provides for cross-subsidy between schemes may be needed depending on the final schemes that are taken forward.
- 2.5 The majority of the additional housing provided through these redevelopments would be for private sale to provide cross-subsidy to fund the replacement of the existing affordable units within a self-financing programme. At target development densities the net gain in affordable housing would be very limited but, subject to further design and planning development, there may be potential to achieve higher densities on some sites and a greater gain in affordable housing.

### **Recommendations**

- 2.6 For the estate regeneration programme, the identified estates will need to be subject to more detailed feasibility studies to examine design options and to develop more detailed financial appraisals. Estate residents would be invited to be involved in these feasibility studies. Following these studies the extent of the programme will be established to provide a foundation from which formal consultation and further scheme development can proceed. It is therefore recommended that feasibility studies be carried out for the following estates:

Pinner Hill – Howards and Deacons Close, Pinner  
Pinner Green  
West End Lane  
Brookside Close  
Pinner Hill Road  
Former Brent Houses  
Alexandra Avenue  
George V Avenue

- 2.7 There are a number of options for delivery of the estate regeneration programme. The preferred approach is to procure and enter into contractual joint ventures with development partners. The capacity of the HRA to undertake phased site assembly and to finance the replacement and additional affordable housing will need further examination within the context of the schemes selected.

## **Funding Capacity**

- 2.8 The primary source of funding available to the Council for affordable housing development is the Housing Revenue Account (HRA). The self-financing settlement in April 2012 imposed a fixed debt cap – a borrowing limit - on the HRA and the Council has no borrowing headroom under the cap. The debt cap severely curtails the potential for affordable housing development. Over the first four years an infill programme for 150 units will use all available resources and in the following five years there is funding for only another 150 units, including allowance for land acquisition costs.
- 2.9 Over the longer-term continuing HRA revenue surpluses arise and these would be increased by the rental income from new-build units. Over the whole 30-year business plan period it is estimated that some 1,650 new affordable rented units could be built within the HRA at an average of around 50 units per annum.
- 2.10 There has been extensive lobbying by social housing and local government organisations arguing for a lifting of the debt cap which would enable a far higher level of development but current Government policy is to maintain this constraint. If the debt cap were not in place Harrow's HRA could readily fund the development of 900 units over the first 10 years, after allowing for the cost of land purchase.

## **3.0 Strategic Delivery Options**

- 3.1 While significant development can be funded over the long-term through the HRA, short-term capacity may fall far short of the Council's ambitions and the need to meet housing demand in the near-term. There are a number of ways by which a higher level of affordable housing development could be brought forward through different arrangements that release or bring in external partnership funding.

### **Stock Reform, Transfer and Re-investment**

- 3.2 Within the HRA asset management strategy there may be opportunities to rationalise stock, release stock of poor quality or with high investment needs or rebalance the stock mix to better align with housing demand, and to release value for re-investment. This could be done through disposal of appropriate units but an alternative approach, subject to the necessary government consent, would be to transfer selected voids to a separate local authority vehicle or to a Registered Provider partner for let at affordable rents. These units would remain available to meet housing need and the value released could then be invested in the acquisition or development of additional affordable housing.

### **A Partnership for Advance Development and Deferred Purchase**

- 3.3 A much higher level of affordable housing could be developed in the short-term through a Deferred Purchase Partnership with a Registered Provider. The Council would contribute land and a Registered Provider Partner would finance and develop new affordable housing to which the Council would have nomination rights. The Council would have the option to recover its land



investment through an option to purchase the units when HRA revenue resources become available in the future.

- 3.4 Through this approach a larger scale of affordable housing could be provided, whilst allowing for the Council to build its own housing business over time. To illustrate, this approach would allow close to 600 new units to be developed over the next five years compared with 150 under a solely HRA-funded approach.
- 3.5 This approach could be applied in the context of the infill programme – potentially alongside a smaller HRA self-funded programme, to an estate regeneration programme and to the development of affordable housing on other Council sites.

### **External investor finance for affordable housing development**

- 3.6 A number of Investor-backed housing development models are being promoted in the market. Development on general fund sites could be undertaken with the support of an institutional investor through a lease-back arrangement. This could accelerate affordable housing delivery and potentially be supported by the HRA.
- 3.7 Under this approach new-build units would be developed by the Council or with a development partner and would be leased to an institutional investor to repay the initial development finance. A council subsidiary would take a lease-back of the units with responsibility to meet the lease payments from the rental income from the units. The lease payments for the affordable units could potentially be supported by HRA revenue surpluses. This is an innovative model and detailed financial appraisal and examination of the accounting treatment under the HRA would be required to assure the approach.

### **Recommendations**

- 3.8 In the short-term affordable housing provision on a significant scale will require a different strategic approach. 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.
- 3.9 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. The business case for such an approach could be developed and its application to specific sites within the Council's land assets.
- 3.10 An initial project timetable for taking forward all of the recommendations is as follows:

<b>Programme Element</b>	<b>Recommendation/Implementation</b>	<b>Timing/End 2013</b>
<b>Infill Programme</b>		
Decision	To commit to an HRA infill development programme	June
Resourcing	To establish development management support	July
Programme	Programme -setting	June
<b>Estate Regeneration</b>		
Feasibility	Commission feasibility studies for selected schemes	June-Sept
Programme	Define programme and determine delivery approach	November
<b>Maximising Affordable Housing</b>		
Deferred Purchase Partnership	Business Case Development	June – August
Transfer – Development Partnership	Initial examination in context of asset management strategy	End 2013
<b>General Fund Site Development</b>		
Options appraisal	Identification of sites for LA-led development	Sept
Strategic Options	Business case examination of preferred delivery options	Sept
Rental Development	Business case and Council-site appraisal for mixed rental development approach	December