
REPORT FOR: CABINET

Date of Meeting:	6 December 2018
Subject:	Homes for Harrow: Council House Building Update
Key Decision:	Yes
Responsible Officer:	Nick Powell, Divisional Director, Housing Services
Portfolio Holder:	Cllr Philip O'Dell, Portfolio Holder for Housing
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix A: Shared Ownership Allocation and Affordability Policy

Section 1 – Summary and Recommendations

This report sets out progress on the Homes for Harrow programme including the recent successful bid for additional funding and requests authority to dispose of shared ownership leases on properties currently under construction

Recommendations:
Cabinet is requested to:

1. Note progress on the Homes for Harrow programme and that a bid for the Homebuilding Capacity Fund will be submitted to the Greater London Authority (GLA) by 25 January 2019;
2. Delegate authority to the Corporate Director – Community, following consultation with the Portfolio Holder for Housing, to dispose on a shared ownership basis two properties being constructed at Allerford Court, North Harrow and three properties at Stuart Avenue, South Harrow, in accordance with the Council's priorities for shared ownership sale.
3. Approve the Shared Ownership Allocation and Affordability Policy attached at Appendix A for properties developed by the Council and delegate authority to the Corporate Director – Community, following consultation with the Portfolio Holder for Housing, to make amendments as necessary.

Reason: (for recommendations): To keep Members informed of progress against a key priority and enable the disposal of properties being developed for sale on a shared ownership basis

Section 2 – Report

1. Introductory paragraph

This report sets out progress against a key council priority to deliver 500 new council homes and helps the council to making a difference in Harrow by increasing the supply of affordable housing to meet the needs of vulnerable households and families who cannot afford market housing.

2. Options considered

The Council has already made a decision to develop an ongoing programme of council house building to increase the supply of affordable housing in Harrow based on the adopted Housing Strategy.

3. Current situation

- 3.1 Previous reports to Cabinet have approved the Homes for Harrow programme of new build council housing development. The initial programme has concentrated on building new homes on underused infill development sites on existing Housing Revenue Account (HRA) land such as garage sites. To date, ten new family homes have been completed for rent and two for outright sale, with a further thirteen homes currently under construction of which five are for sale as shared ownership.
- 3.2 Planning permission has also been received for a further 35 new homes, including one scheme of 26 homes and another of 9 homes to be developed for affordable rent. Until the recent funding announcement (see below) it has not been possible to progress with building these homes due to funding constraints. However, these can now be taken forward and one scheme will start on site in the New Year.
- 3.3 Building a small proportion of homes for sale provides cross subsidy to help fund the development of large family homes for affordable rent. The shared ownership homes, all three bedroom family houses, will be affordable for families who want to buy but cannot afford outright sale. They will be offered for sale with a minimum initial shared ownership tranche of 25% with rent paid on the unsold equity. Most shared ownership in London is one or two bedroom flats, so this presents a unique opportunity for families to move into a brand new house.
- 3.4 The first shared ownership homes are due to complete towards the end of this year and another in early 2019. Three houses at Stuart Avenue, South Harrow and two houses at Allerford Court in North Harrow will be the first Shared Ownership properties built by the council. They will be marketed to local families and allocated in accordance with the Council's priorities set out in the Shared Ownership Allocation and Affordability Policy at Appendix A as follows:

Priority 1	Existing council or housing association tenants in Harrow.
Priority 2	Armed Forces personnel (serving military personnel and former members of the British Armed Forces discharged in the last 2 years).
Priority 3	Those in high priority need on the Council's Housing Register.
Priority 4	Key Workers (preference to be given to those living or working in Harrow).
Priority 5	Any person living or working in Harrow.
Priority 6	All others

If there is more than one eligible applicant within each priority group, the following process will be applied:

- Within Priority 1 only, according to the size of social housing property being vacated, with priority being given to 2 bed properties and larger;
- The housing need and circumstances of the applicants e.g. overcrowded households;
- The date order of the application.

Where the shared ownership or shared equity properties are being built on a housing regeneration scheme, Priority 1 will be existing resident leaseholders and existing council tenants living on the estate, followed by the priorities set out above.

Anyone wishing to buy a Shared Ownership home must also meet other general eligibility requirements. These requirements ensure priority goes to people who cannot afford to buy a property outright, who are generally first time buyers and who are able to afford the costs of buying the property, are not in rent arrears and have a good credit history.

- 3.5 A marketing agent is in the process of being appointed with specialist experience of marketing and selling shared ownership properties. Once sold, the Council will manage the shared ownership properties using existing resources. This will involve the collection of rent on the unsold equity and administration of service charges (if any) and the process known as "staircasing" when the shared owner wishes to purchase additional shares in the property including up to outright ownership.
- 3.6 The Council has recently successfully bid for additional funding to increase its Homes for Harrow development programme under the Mayor's Building Council Homes for Londoners Fund. The Council has received the total amount bid for of £32m which will contribute towards the development of 618 new council homes. A total of 38 homes within the new programme will be shared ownership homes and includes funding for the five homes under construction at a rate of £38,000 per home.
- 3.7 The new homes will also be funded by Right to Buy receipts, ring fenced receipts as well as additional HRA borrowing of around £85m, following the Government's announcement to lift the HRA borrowing cap, which has been confirmed in the recent Budget announcement. The overall funding package allows for the funding of the Grange Farm estate affordable housing in Phases 1 and 2 of the project for which Housing Infrastructure Funding (HIF) of £10m has also been awarded subject to a due diligence

process. A detailed report on Grange Farm will be presented to Cabinet in February 2019 on completion of the tendering exercise currently underway to appoint a contractor for Phase 1.

3.8 Prior to submitting the overall bid, officers undertook a detailed assessment of the programme to confirm its affordability and obtained Section 151 Officer consent to submit the bid. Any changes to the programme will need to be reassessed to ensure it is still affordable. Following the budget announcement to abolish the HRA borrowing cap, councils can press ahead with their housebuilding plans but in line with the prudential code.

3.9 Officers are now working up the delivery plan for the new Homes for Harrow programme which will also be presented to Cabinet for approval in February 2019.

4. Resources

The five new shared ownership homes will be managed using existing resources as a pilot. The cost of managing the properties will be recovered from the rent and service/administration charges.

Resources will need to be increased to manage the delivery of the new Homes for Harrow programme. The cost of this has been included in the financial modelling assessing the affordability of the bid and will form the basis of the final HRA budget to be submitted February 2019.

The GLA has launched a Homebuilding Capacity Fund which allows local authorities in London to bid for up to £750,000 revenue funding for 2019/20 and 2020/21 to build skills and capacity across housing and planning teams to support increased levels of housing delivery. Officers in the Housing, Planning and Regeneration teams are working together to submit a bid under the four priorities which are:

1. Delivering a new generation of council homes;
2. Increasing housing supply by supporting the development of small sites;
3. Proactive planning in areas with significant growth potential
4. Ensuring optimal density of new residential developments

Performance Issues

The delivery of these new homes contributes to meeting the Council's targets to deliver at least 500 new council homes as well as the overall affordable housing targets set out for Harrow in the London Plan.

Environmental Implications

All new homes have to meet high standards of energy efficiency to reduce CO2 emissions as well as reduce fuel poverty. Larger schemes such as the Grange Farm regeneration project will also provide a Combined Heat and Power plants (CHP) in accordance with London Plan requirements.

Other environmental improvements often included in new housing developments include: provision of green roofs, solar thermal hot water systems to meet the target for use of renewable resources and resulting reduction in CO2 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. Where possible, we will endeavour to recycle demolition material recognising this may be limited due to the construction type of some properties.

Data Protection Implications

There are no General Data Protection Regulations (GDPR) implications to this report

Risk Management Implications

The item has been included in the Directorate risk register and there will be a separate risk register for individual schemes within the current programme.

A detailed risk register will be developed for delivery of the new programme and associated funding. The key risk will be delivery and take up of funding in accordance with agreed targets dates. This will be mitigated through the detailed delivery plan which will include an element of overprogramming.

The main risk associated with the decision to sell properties on shared ownership is not being able to sell the properties. This risk has already been mitigated by offering minimum shares of 25% which makes them more affordable for the size of property than other shared ownership opportunities in Harrow.

The risk to the HRA of undertaking this scale of new council housing development has been modelled and will form the basis of the final HRA budget to be submitted February 2019.

Procurement Implications

There are no procurement implications to this report. The future report on the delivery plan for the new Homes for Harrow programme will consider the procurement options for the appointment of consultants and contractors.

Legal Implications

Cabinet has already approved the development of shared ownership properties. The council has not disposed of properties on this basis before. A shared ownership lease is being prepared based on the Homes and Communities Agency, now Homes England standard shared ownership lease and which are acceptable to mortgage companies.

Section 32 of Housing Act 1985 allows local authorities to dispose of land held for Housing purposes with the prior consent of Secretary of State. The

Secretary of State via the General Housing Consents 2013 has given consent to the disposal of Housing land where that disposal is made at market value.

Financial Implications

There are no financial implications to the disposal of shared ownership leases. The funding for the shared ownership properties under development is already approved as part of the phase 1 Infill programme. The position is improved by the application of affordable housing grant funding totalling £190k for these properties recently approved through the Building Council Housing for Londoners programme.

As mentioned above, the funding bid was submitted to rigorous assessment with regard to affordability within the HRA prior to submission. The details of the funding and its operation within the HRA will be submitted for approval to Cabinet in February 2019 as part of the final HRA Budget 2019-20 and MTFS 2020-21 to 2021-22.

Equalities implications / Public Sector Equality Duty

The Housing Strategy EQIA, completed in 2013, informed the development and adoption of the Homes for Harrow programme and there is a specific EQIA completed for the Grange Farm project. The provision of additional housing options through the development of additional affordable housing has an overall positive impact on a number of protected characteristics. The Housing Strategies are being refreshed in 2019 which will include a new EQIA. However the development of additional affordable housing will continue to have an overall positive impact.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

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Working Together to Make a Difference for Harrow

The delivery of new council homes including shared ownership homes directly contributes to the administration's priorities to Build a Better Harrow by delivering 500 new council homes. Council rented homes are available to the most vulnerable and families who are unable to afford the cost of market housing in Harrow.

Section 3 - Statutory Officer Clearance

Name: Tasleem Kazmi.....

on behalf of the
Chief Financial Officer

Date: ...1/11/18.....

Name:Matthew Dineen on behalf of the
Monitoring Officer

Date: ...23/11/18.....

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Section 3 - Procurement Officer Clearance

Name: ...Jessica Covey..... on behalf of the
Head of Procurement

Date:26/11/18.....

Ward Councillors notified:	No, as it impacts on all Wards
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EqIA carried out:	NO
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EqIA cleared by:	This is an update report and the decision to develop shared ownership has already been taken. In taking this decision the EqIA undertaken for the Housing Strategy was relied on which confirmed that developing additional affordable housing has a positive impact in terms of equality by providing housing options for the most vulnerable who are unable to access market housing
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Section 4 - Contact Details and Background Papers

Contact: Alison Pegg, Head of Housing Regeneration, email: Alison.pegg@harrow.gov.uk, Tel 020 8424 1933

Background Papers:

<http://moderngov:8080/documents/g62354/Public%20reports%20pack%20Thursday%202017-Jul-2014%2018.30%20Cabinet.pdf?T=10>

**Call-In Waived by the
Chair of Overview and
Scrutiny Committee**

NO - CALL IN APPLIES