

CABINET	DATE 17 March 2021	ITEM NO 6
TITLE Housing New Supply – Development Sites Pipeline	WARD (S) All	
CHIEF OFFICER Director (Regeneration, Enterprise and Skills)	CABINET MEMBER Housing	
DECISION CLASSIFICATION - Key	FINAL DECISION To be made at this meeting on the recommendation in this report.	

1.0 Decision required

Cabinet is requested to:

- 1.1 Approve a budget of £6,125,000 for the purpose of undertaking feasibility work and preparing planning applications for several sites, that will deliver an anticipated 350 new affordable homes as the first part of Greenwich Builds Phase 2 and via other affordable housing delivery vehicles.
- 1.2 Approve the £6,125,000 budget for undertaking feasibility work and preparing planning applications, is funded as follows:
 - £250,000 revenue budget split,
 1. £180,000 Housing Revenue Account
 2. £70,000 General Fund
 - £5,875,000 Housing Revenue Account Capital
- 1.3 Agree to the criteria set out in paragraph 4.12 that will be used to assess which sites can be allocated and offered to which ‘delivery vehicles’ to deliver new affordable homes, alongside Greenwich Builds.

Agree to delegate authority to the Director of Regeneration, Enterprise and Skills in consultation with the Cabinet Member for Housing using the criteria set out in paragraph 4.12 and referred to in the recommendation at 1.3 to agree the terms for the disposal of particular sites to other ‘delivery vehicles’

Agree to delegate authority to the Director of Regeneration, Enterprise and Skills the submission of a bid for funding from the Greater London Authority (GLA) Affordable Homes Programme 2021 – 2026.

2.0 Links to the Royal Greenwich high level objectives

2.1 This report relates to the Council's agreed high-level objectives as follows:

- Delivering Homes Through Economic Growth
- A Strong Vibrant and Well-run Borough
- A healthier Greenwich
- A safer Greenwich
- A great place to be

2.2 Specifically, this report makes a direct contribution to the objectives above as it will provide good quality new build accommodation to residents that are in housing need, and residents who are key workers and unable to access the housing market.

2.3 The requests for approval in this report also address the following priorities in the 2018-2022 Housing Strategy:

- Priority 1: Ensuring the supply of genuinely affordable homes
- Priority 2: Support for specific housing needs
- Priority 3: Building excellent communities and neighbourhoods

3.0 Purpose of Report and Executive Summary

3.1 The Council housing waiting list stands at 23,000 households. Of those 3,268 are the most vulnerable and/or the Council has a statutory duty to house. With some tenants exercising their Right to Buy the Council continues to lose some housing. The alternative providers of affordable housing, that is Registered Providers, handover rates have fallen dramatically and now more than ever the Council is stepping in to do what it can to provide more genuinely affordable housing.

3.2 To meet the Council's stated ambitions in relation to the supply of new affordable housing it is necessary to identify suitable sites for development. In addition, as the Council wishes to support as many routes to delivery as possible, the Council alongside its direct delivery through Greenwich Builds it is necessary to establish the criteria by which sites are offered to others for delivery.

- 3.3. Several sites have been identified by Officers and the broad capacity of those sites tested. However, until due diligence on title and a greater degree of site assessment is done (for example, ground condition surveys, ecological assessment, etc.) it is not possible to be sure of the deliverability and viability. A budget is required to be able to undertake the necessary due diligence.
- 3.4 Greenwich Builds is now established and delivering against the stated target of 750 new starts on site by March 2022. It is now proposed to maintain a Greenwich Builds annual pipeline of about 350 new units per year. Whilst some of these units will be funded through HRA borrowing and retained Right to Buy receipts, as in phase 1, Officers are looking for additional subsidy from the Greater London Authority (GLA) through their Affordable Homes Programme (2021-2026).

4.0 Introduction and Background

- 4.1 As of December 2020 the Royal Borough of Greenwich had over 23,000 households registered on the Councils housing waiting list. Of this number 3,268 are classed as in priority groups. There are a number of priority groups within the Housing Allocations Policy, however the three main areas of need are those with a medical priority, around 400+ households, those to whom we owe a statutory duty as homeless, over 1,000 households, and over 500 households classed as "seriously overcrowded". With only around 1,000 properties that become available each year as a result of HRA housing void relets and Registered Provider nominations, the priority demand is outstripping the current supply leading to longer waiting times before a household is successful in bidding for and accepting a home.

It is worth noting that around 900 of those in respect of whom we have accepted a main duty homeless decision, will be in Temporary Accommodation, much of which is out of the borough. This is a direct cost to the General Fund and causing significant pressures to General Fund Housing budgets. The more opportunity we have to place accepted households out of Temporary Accommodation and into secure accommodation will mean a stabilising or reduction in General Fund pressures.

- 4.2 In response to this crisis, in October 2018 Cabinet approved the report, "Housing Delivery Proposals" which sought to radically increase the pace and quantum in the delivery of social rented, genuinely affordable Council housing, in the short to medium term and ensure that the Council has the capacity, expertise and finance to support this key Council objective.

- 4.3 In approving that Cabinet report a key delivery mechanism was the direct delivery of new Council homes. The 'phase 1' programme is on course to deliver 750 new Council homes with a start on site by March 2022. This is known as Greenwich Builds and is an internal team as part of the Regeneration and Property Division.
- 4.4 Other delivery mechanisms also identified in the 2018 "Housing Delivery Proposals" report included Meridian Home Start (MHS), Community Land Trusts (CLT), Cooperative Housing, Specialist Housing Providers and Registered Providers and work is progressing with these alongside Greenwich Builds.
- 4.5 Specifically in regard to Temporary Accommodation (TA), the Council continues to purchase properties using a combination of retained Right to Buy (RTB) receipts and General Fund borrowing thus ensuring a supply of good quality accommodation for TA purposes. To date nearly 400 properties have been acquired for this purpose.
- 4.6 Now that Greenwich Builds is well established it is intended to use that capacity and capability to continue to build more Council homes. It is proposed that Greenwich Builds seeks to develop around 350 new homes per annum subject to site availability and budget. To do that a steady pipeline of sites is required. An assessment has been undertaken by Officers of potential future sites, however, to be sure of their deliverability and viability pre planning work such as title assessments, technical studies (e.g. ground conditions, ecology, etc.), pre application planning discussions and design work needs to be done. To do that a budget is required. As per the recommendation at paragraph 1.1 and 1.2 a HRA capital budget of £5,875,000 and a revenue budget of £250,000, split between the HRA and General Fund, is sought.
- 4.7 It costs approximately £17,500 per unit to secure planning permission. If within the financial year the spending results in a planning decision, then the amount of money can be capitalised – hence the capital budget ask of £5,875,000. If during the detailed assessment a site falls away, for example, it proves unviable or not deliverable for physical reasons, then it will not be possible to capitalise the relevant expenditure – hence the request for some revenue funding. As the sites identified are a mix of General Fund and HRA, the revenue amount is split proportionately.
- 4.8 Once a scheme has an outline design and the commercial viability is known Cabinet will be asked to approve a list of named sites. Consultation will follow and planning applications will be submitted.

- 4.9 The capital budget, for each build would be subject to a Cabinet decision at this point also. This will also take into account how much RTB funding or GLA Affordable Homes Grant will be applied to each scheme.
- 4.10 It is proposed therefore to get into the following annual cycle of Cabinet decisions in relation to taking forward affordable housing delivery;
- Winter – Cabinet decision overall Capital and Revenue budget to undertake site investigation and scheme design
 - Summer – Cabinet decision regarding named sites for inclusion and budget for building the scheme
- 4.11 During the course of investigating the development potential of sites, it may become apparent that certain sites are better to be delivered by a development “vehicle” other than Greenwich Builds. This may be due to site circumstances, such as wanting to balance tenure in a given location, or due to viability.
- 4.12 The following criteria will be used to assess whether an alternative development delivery vehicle to Greenwich Builds should develop a particular site.
- Ability of selected delivery vehicle to make scheme financially viable when other delivery vehicles are unable to do so
 - Capacity of delivery vehicle to deliver scheme within their existing commitments
 - Local requirements which might suit a particular tenure or approach better than another
 - Planning requirements
 - Progress against meeting the Council’s agreed high-level objectives
- 4.13 The Greenwich Builds Phase 1 programme of building is funded through a variety of sources. A combination of HRA Capital (circa 9.25% of each scheme), HRA borrowing and then either retained RTB Receipts or GLA funding secured as part of the GLA Building Council Homes for Londoners initiative “Affordable Homes Programme 2016-2022” (now extended due to Covid pressures to 2023). The Council subsidises the building of the new homes with free land, HRA capital and grant (either GLA or RTB). In most cases the schemes, using a Net Present Value (NPV) assessment prove to be unviable; that is after 40 years of discounted rental income that rental income still doesn’t pay back the build cost and they still require some HRA investment. One solution to this is to increase rents using London Affordable Rent (LAR)

instead of Formula Rent plus 5%. The other is to build some units for sale with the proceeds cross subsidising the Council homes. In Greenwich Builds Phase 1 the use of LAR is allowed under the Rent Standard and is permitted under the Affordable Homes Programme (GLA). In Greenwich Builds phase 1 therefore it has been addressed by using LAR (subject to a Cabinet decision on rents in February 2021).

- 4.14 Greenwich Builds Phase 2, where we aim to target 350 units of new build per annum, faces a bigger challenge. The first is that the HRA Capital contribution of 9.25% for Phase 1 is no longer available, as a result of the limited generation of new HRA capital funding and Members have approved the use of secured HRA capital to support the existing Housing stock. The second is that the new Affordable Homes Programme 2021-2026 (GLA) will not allow the use of LAR and the Council may have to use the lower formula rent plus 5% rental levels. Both will significantly affect viability and therefore deliverability.
- 4.15 The GLA has launched its latest “Affordable Homes Programme 2021-2026”. The Council, as with the previous programme 2016-2022, is entitled to bid and subject to this Cabinet decision, the Council will submit a detailed programme bid to support the delivery of 350 units per annum over the period. Informal discussions are already underway with GLA officers over the format of the bid and information required.

5.0 Available Options

- 5.1 There are three available options for Members to consider: Do nothing: Defer the decision: Approve the recommended decision.
- 5.2 Members could decide to do nothing regarding the funding of future development for affordable housing within the borough. There are no obvious advantages to this option. The disadvantages of this option are that the number of households in temporary accommodation would increase as there would be less permanent accommodation available for them to move into; the Borough would incur increased financial pressure due to the ongoing financing of a growing number of households in temporary accommodation.
- 5.3 Members could decide to defer the decision to fund future development for affordable housing within the borough. There are no obvious advantages to this option. The disadvantages to this option are that the Borough the number of households in temporary accommodation would increase as there would be less permanent accommodation available for them to move into; the Borough would incur increased financial

pressure due to the ongoing financing of a growing number of households in temporary accommodation.

5.4 Finally, Members could decide to approve the recommendations contained within this report. The advantages and disadvantages of this option have already been expressed in the report.

6.0 Preferred Option

6.1 The preferred option is for Members to approve the decisions listed in Section One of this report.

7.0 Reasons for Recommendations

7.1 The reason for recommendation is that the decisions requested for approval within this report, will allow the borough to start a development programme to deliver an anticipated 350 new affordable homes as the first part of Greenwich Builds Phase 2 and via other affordable housing delivery vehicles.

7.2 This new permanent affordable council owned accommodation will assist in the reduction of:

- The number of households that the borough has accepted as homeless and whom are currently living in temporary accommodation
- The number of households whom are currently living in overcrowded accommodation
- The number of households whom are currently living in accommodation that is unsuitable for their physical requirements.

8.0 Consultation Results

8.1 Residents have not been consulted on this proposal.

9.0 Cross-Cutting Issues and Implications

Issue	Implications	Sign-off
Legal including Human Rights Act	The Council has wide powers to acquire, develop and sell land for housing, both under Part II Housing Act 1985 (HA 85) and wider powers such as the Local Government Act 1972 for general fund land. Whilst the	Sangita Arya Assistant Head of Legal Services,

	<p>sites have not yet been identified it is proposed that further reports be brought to the Cabinet in due course to identify the sites and how they will be developed.</p> <p>This report will enable the necessary site investigations, design and other requirements to take place to bring the sites forward for development.</p> <p>Section 31 HA 85 enables local authorities to sell land to provide housing of any description at such price, or for such consideration as having regard to the circumstances is the best that can reasonably be obtained, notwithstanding that a higher price, consideration or rent might have been obtained if the land were used for purposes other than housing, or for providing housing of another description.</p> <p>Section 32 provides a power to dispose of Part II land and such disposals require the consent of the Secretary of State, although there are a number of general consents.</p> <p>General consent A at paragraph 3.2 allows a local authority to dispose of “vacant land.” Other consents may be appropriate in respect of disposals to other bodies.</p> <p>The powers are broad however any disposal must satisfy the test of reasonableness by taking into account all relevant considerations and ignoring irrelevant considerations and not coming to a decision that is so unreasonable that no reasonable authority would come to that decision.</p> <p>Authority is sought for the Director of DRES to finalise the terms of any disposal in due course to other delivery vehicles.</p>	<p>(Property and Regeneration) 15th February 2021</p>
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	<p>Developing additional housing is likely to improve the living conditions and therefore the Human Rights of the people who are accommodated in the new dwellings.</p> <p>Under Part 3 (Responsibility for Functions) of the Council's Constitution, Cabinet are authorised to agree the recommendations in paragraph 1.</p>	
<p>Finance and other resources including procurement Implications</p>	<p>Cabinet are requested to approve a budget of £6,125,000, for the reasons set out in the body of this report. The proposed funding will be as follows:</p> <ul style="list-style-type: none"> • £250,000 revenue budget, split: <ol style="list-style-type: none"> 1) £180,000 HRA 2) £70,000 General Fund • £5,875,000 HRA Capital <p>The funding request in this report is predicated on an anticipated programme of feasibility and pre planning work being initiated from April 2021, with planning applications approved for all circa 350 units by 31st March 2022. Under current capital regulations this development expenditure can be capitalised when it can be satisfied that a probable future inflow of economic benefit to the Council will be achieved, in line with the Councils Capitalisation Policy. For the purpose of this expenditure, the approval of a planning application demonstrates a probable future benefit. The expenditure must also be incurred in the same financial year.</p> <p>There is a significant risk that planning applications are not</p>	<p>Jason Coniam, Accountancy Business Change Manager, 9th February 2021</p>

	<p>approved within the financial year, which would result in the expenditure becoming a charge to revenue and the £250,000 proposed is not nearly sufficient. This will materially impact on the appropriate HRA or General Fund revenue outturn position. Robust governance arrangements for programme and planning management must be in place to ensure this risk is minimised, including regular reporting of site progress.</p> <p>The capital request identified in this report will form part of the overall site development budget, presented to Members in the summer when scheme viability etc is known. At this point the specific financial implications of each scheme will be considered, with funding currently projected to be a mix of Retained RTB Receipts, GLA Grant and HRA Prudential Borrowing.</p> <p>Revenue funding of £250,000 has been identified to fund abortive costs and those costs of sites which do not achieve planning within the financial year.</p> <p>The criteria set out in paragraph 4.12 will provide an initial framework to assess on a site by site basis any alternative delivery vehicles that may be used to deliver new affordable homes, alongside Greenwich Builds. Finance will work with DRES colleagues in the assessment of sites and financial implications beyond that initial framework assessment, the specific recommendations of which will be presented to Members for approval in the summer.</p>	
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Housing and Safer Communities	As per the comments in Paragraph 4.1 this will bring about much needed development in the borough for the many households awaiting priority housing.	Richard Parkin, Assistant Director of Housing Services 1 st February 2021
Equalities	The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.	Nick Simons: Housing New Supply Manager 1 st February 2021

10.0 Report Appendices

10.1 There are no appendices attached to this report.

11.0 Background Papers

11.1 There are no background papers included with this report.

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