



ISLINGTON

The Council's New Build Programme Mini-Review

DRAFT REPORT OF THE HOUSING SCRUTINY COMMITTEE



**London Borough of Islington
March 2018**

EXECUTIVE SUMMARY

The Council's New Build Programme Mini-Review

Aim:

To review the progress of the council's new build programme in comparison to other boroughs.

Evidence:

The Committee considered evidence at its December 2017 and January 2018 meeting. Evidence was received from Stephen Nash, New Homes and Development Programme Manager, and officers from the London Borough of Camden. The Committee also received written evidence on specific information requested by members.

Main Findings:

- The objective of Islington's new build programme is to maximise the amount of social rented housing in the borough. This is achieved by the development of new social housing, and also the development of private housing, the proceeds of which are re-invested into the new build programme.
- The type of units developed by the council is informed by the needs of residents on the housing waiting list. In order to reduce overcrowding, the council is developing a high proportion of two-bed units, as well as family sized three and four bed properties.
- Officers advised of the challenges of achieving the corporate objective of delivering 500 new council homes between 2014/15 and 2019/20. Although the council is currently behind target, it is expected that delays will be overcome shortly and the council will exceed this objective.
- Overall, the Committee welcomes the new build team's consultation practices, however considers that there is scope to develop these further, particularly in relation to significant new build schemes. The council should ensure that local concerns are addressed as far as possible and developments are progressed in cooperation with the majority of the local community.
- The Committee considered the financial challenges associated with the new build programme. Camden Council is lobbying the government to relax restrictions on right to buy receipts and the Committee suggests that a sector-wide joined up approach to new build funding might yield better results.
- The Committee was supportive of high environmental standards in new build housing and noted that these measures can reduce utility bills for residents.
- The Committee considers that if the council is to significantly increase the amount of affordable housing developed in the borough, then robust conversations about housing association ambitions and aspirations are needed.

Conclusions:

The Committee is supportive of the council's ambitious new build programme. Three recommendations have been made in response to the evidence received. The Committee will continue to monitor the number of affordable new council and housing association homes built through quarterly performance monitoring reports. The Committee would like to thank the witnesses that gave evidence in relation to the scrutiny. The Executive is asked to endorse the Committee's recommendations.

Recommendations:

1. Islington Council should consider if it can enhance public engagement and consultation processes in advance of significant new build schemes. This could include holding community events, the appointment of local residents to community liaison positions, and co-designing aspects of the scheme that will have a direct impact on local residents.
2. Islington Council should work with other local authorities to lobby for relaxed restrictions on the use of right-to-buy receipts and HRA borrowing.
3. Islington Council should consider how it can support or incentivise Housing Associations to deliver a greater amount of new affordable housing on development sites.

MEMBERSHIP OF THE HOUSING SCRUTINY COMMITTEE – 2017/18

Councillors:

Councillor Mick O’Sullivan (Chair)
Councillor Marian Spall (Vice-Chair)
Councillor Alex Diner
Councillor Gary Doolan
Councillor Aysegul Erdogan
Councillor Troy Gallagher
Councillor Osh Gantly
Councillor Mouna Hamitouche MBE

Resident Observers:

Rose Marie McDonald
Dean Donaghey

Substitutes:

Councillor Satnam Gill OBE
Councillor Gary Heather
Councillor Jenny Kay
Councillor Una O’Halloran
Councillor Olly Parker
Councillor Angela Picknell
Councillor Dave Poyser
Councillor Nurullah Turan

Acknowledgements:

The Committee would like to thank all the witnesses who gave evidence to the review.

Officer Support:

*Stephen Nash – New Homes and Development Manager.
Jonathan Moore – Senior Democratic Services Officer*

1. Introduction

- 1.1 The mini-review took place over two meetings in December 2017 and January 2018. The overall aim of the review was to review the progress of the council's new build programme in comparison to other boroughs.

The Committee also agreed the following objectives:

- To review the principles underpinning the council's new build programme.
 - To review the design, build, and environmental standards of the council's new build housing.
 - To assess the obstacles to developing more council housing in Islington.
 - To evaluate the decision making process for how new council developments are identified and progressed.
 - To assess the level of resident involvement in the new build process.
 - To consider how new build properties are allocated.
 - To evaluate the performance of the New Build team.
 - To compare the council's approach to new build to another London borough and housing associations.
- 1.2 In carrying out the review the Committee met with the council's New Homes and Development Manager and officers from the neighbouring London Borough of Camden.

Local context

- 1.3 Islington is an area of severe housing need. There are around 20,000 households on the housing register, but only around 1,000 council homes become available each year. 40% of council homes are one-bedroom properties and are not suitable for families. As a result, many Islington families suffer from overcrowding. Overcrowding is associated with increased physical and mental health problems and poor educational achievement by children. It can also have an impact on family life and relationships and lead to family breakdown.
- 1.4 Islington's Corporate Plan 2015-19 identifies building more council housing as its first priority. The corporate plan committed to the development of 2,000 affordable homes between 2015 and 2019, including 500 new council homes. In addition, Islington Council has committed to the development of more new homes in future; the 2018-21 capital programme allocates over £224 million to new council housing.

2. Findings

Overview of Islington's New Build Programme

- 2.1 The objective of Islington's new build programme is to maximise the amount of social rented housing in the borough. This is achieved by the development of new social housing, and also the development of private housing, the proceeds of which are re-invested into the new build programme. Although private units are sold on the open market, priority is given to those who live or work in Islington. The council does not sell new build units to foreign investors, and does not want to sell to buy-to-let landlords.
- 2.2 The new build programme does not generate any 'profit'. Occasionally a new build scheme may achieve a surplus, for example if rising property values result in private units achieving a higher than expected sale price. In this instance, any surplus is re-invested into the new build programme.

- 2.3 The type of units developed by the council is informed by the needs of residents on the housing waiting list. In order to reduce overcrowding, the council is developing a high proportion of two-bed units, as well as family sized three and four bed properties. The council is also developing a small amount of supported housing for vulnerable people, as well as community infrastructure such as libraries and community centres. New build properties are allocated in accordance with the council's local lettings policy, which gives priority to those on the estates where new units are being developed.
- 2.4 The council has a framework contract with local architects, including the council's own in-house architects, to design new build schemes. The build process is carried out by contractors appointed on a 60% quality, 40% cost basis. Officers emphasised that there was no benefit to building poor quality social rented housing. The New Build team makes use of a robust set of Employers Requirements. This ensures that properties meet, and often exceeded, the standards set out in the London Design Guide. All works are signed off by Islington Council Building Control, who carry out regular inspections during the construction process.
- 2.5 The New Build team had considered innovative approaches to maximising the amount of social rented housing. This included build-overs of existing blocks and the development of modular housing. The majority of new council developments are located on small council-owned sites. The team also considered the purchase of development sites on the open market, however this was challenging as the council can be outbid by private developers, who have significant financial resources. It was suggested that some private developers are prepared to pay over market value for sites, with the intention of maximising their profit by reducing the affordable housing offer.
- 2.6 The New Build Team considers various factors when identifying sites for development, including if the site attracts anti-social behaviour. The new build team looked to design-out antisocial behaviour in new developments.
- 2.7 The New Build team has made approaches to develop land held by other public bodies, such as the Police, Fire Brigade, GLA, Ministry of Defence and the NHS; however this has not been successful so far. It is understood that these organisations have their own financial difficulties and usually wish to achieve the highest possible sale price for their sites.
- 2.8 Islington Council generally does not 'pepper pot' private and social housing in mixed developments. Instead, the council tends to develop separate private and social housing blocks. The Committee noted concerns about community cohesion and the social mix of the borough, however, officers advised that developing separate blocks maximised the sale value of private housing and therefore ensured a greater subsidy for social rented housing. Officers also commented that it was more difficult to manage mixed blocks of private and social housing. Evidence from Camden Council indicated that they also did not 'pepper pot' schemes, highlighting different expectations between private and social tenants.
- 2.9 Officers advised of the challenges of achieving the corporate objective of delivering 500 new council homes between 2014/15 and 2019/20. At December 2017, 250 homes had been completed; 9 schemes were on site and would provide 317 homes; and a further 11 schemes were due to commence during 2018/19 which would provide 333 homes. Although the council was intending to exceed the corporate objective, the new build programme was behind target. It was explained that there had been delays to the completion of new build schemes, which included delays to Network Rail completing works affecting development sites, delays to utility companies connecting new build properties to their networks, the discovery of asbestos and bones requiring investigation and removal, and delays associated with pressures in the Planning and Legal departments. Nevertheless, it is expected that these delays will be overcome shortly and the council will achieve its objective.

Public engagement

- 2.10 The New Build team is keen to involve residents in the design process and carries out consultations as schemes are developed. The level of consultation is bespoke to the scheme and dependent on the scale of the development; major developments require a significant amount of public consultation, whereas more limited consultation is carried out on smaller schemes. Consultation methods currently used by the New Build team include door knocking, drop-in sessions, exhibitions and producing publicity. Officers advised that one to one engagement tended to result in more measured and useful comments. Public meetings were occasionally held, however officers commented that these could be fractious.
- 2.11 Consultation is carried out with specific groups when appropriate. For example, the Housing Disability Panel may be consulted when new developments include adapted properties. The Committee notes that the Islington Fair Futures Commission has recommended that all major developments in the borough should include consultation with children and young people. The council carried out specific consultation with both young people and older people in advance of the Kings Square development.
- 2.12 Officers commented that improvements had been made to the public engagement process in recent years; there was a suggestion that consultation had previously been rushed, however officers now took more time to work through local concerns before development commenced. However, officers acknowledged that engagement and consultation processes could be improved further.
- 2.13 If the council is to significantly address the housing need in the borough through its new build programme, then it is possible that the council will need to focus on larger developments in future. However, the committee appreciates that larger developments tend to attract a higher level of public opposition. Larger developments will require an enhanced level of engagement and public consultation to ensure that local concerns are addressed as far as possible and developments are progressed in cooperation with the majority of the local community.
- 2.14 The Committee received evidence from the London Borough of Camden on their public engagement practices. Camden was carrying out a major rebuild of the Agar Grove estate which would double the density of the estate. Whilst there had been initial opposition to the proposals, the scheme was now progressing with the support of the majority of residents. Camden officers emphasised the importance of community engagement, commenting that transparency and working collaboratively with the local community was essential. Schemes were co-designed with the community and developments provided local residents with new community facilities. Local people were not only consulted on the design of the new properties, but helped to develop decant strategies, and were involved in the selection of architects.
- 2.15 Camden had employed local residents to provide peer-to-peer liaison on new housing schemes; these residents had a strong presence in their local area, and were well placed to engage with the local community. Camden had also sought to address local opposition by giving scheme-specific commitments on new developments. For example, if local concerns focused around a loss of greenspace, then Camden would seek to re-provide the same amount of greenspace in the vicinity of the development. Camden Council also held community events, which attracted a different audience to traditional formal consultation meetings.

- 2.16 Overall, the Committee welcomes the new build team's consultation practices, however considers that there is scope to develop these further, particularly in relation to significant new build schemes. It is recommended that **Islington Council should consider if it can enhance public engagement and consultation processes in advance of significant new build schemes. This could include holding community events, the appointment of local residents to community liaison positions, and co-designing aspects of the scheme that will have a direct impact on local residents.**

Financial Challenges

- 2.17 The Committee considered the financial challenges associated with the new build programme. The government's annual 1% cut in social rents had an adverse impact on the Housing Revenue Account and in turn the new build programme. The development of some schemes had been paused and others had stopped altogether. As a consequence, Islington Council was primarily funding the new build programme through receipts from property sales, without significantly drawing on the HRA.
- 2.18 Some local authorities fund new build schemes through borrowing, however the HRA borrowing cap limits the amount that local authorities are able to borrow for this purpose. In late 2017, the government announced that the HRA borrowing cap could be lifted for local authorities in high need. Islington Council has already applied to the Treasury requesting that its borrowing cap be lifted; however it is understood that several other local authorities have made similar requests, and it is not known when a response will be received.
- 2.19 Construction costs had increased following the EU referendum, and it was expected that costs would increase further after Brexit. Officers advised that the average construction cost of each home was around £290,000; however the total cost, including contribution to local public realm improvements, landscaping, demolition costs, legal and planning fees, the provision of community facilities and so on, was in the region of £380,000.
- 2.20 The government had previously pledged that Right to Buy properties would be replaced on a 'one for one' basis. However, officers advised that for each unit lost the council only received approximately 30% of the construction cost of a single unit. The use of these funds was tightly regulated, and the government prohibited them being combined with other forms of "public subsidy", such as GLA grant funding, to develop new housing.
- 2.21 Camden Council is lobbying the government to relax restrictions on right to buy receipts and the Committee suggests that a sector-wide joined up approach to new build funding might yield better results. It is therefore recommended that **Islington Council should work with other local authorities to lobby for relaxed restrictions on the use of right-to-buy receipts and HRA borrowing.**

Environmental matters

- 2.22 The Committee noted the environmental standards of Islington Council's new build housing. Solar panels were fitted where appropriate and properties were well insulated, which was both energy efficient and helped to reduce fuel poverty. The New Build team was working with officers in the Energy Team and Property Services to ensure that schemes were energy efficient and were designed in a sustainable way, with components that were easy to maintain.

- 2.23 Officers have commented that Islington's energy performance requirements are robust. The council aims to achieve 'Code for Sustainable Homes Level 4' in its new developments, even though this is no longer a requirement. The code covers a range of sustainability criteria including energy efficiency and CO₂ emissions, water saving measures, the environmental impact of materials, the minimisation of pollution, reducing waste in the construction process, and other matters.
- 2.24 The Committee heard that Camden Council was also developing properties to high environmental standards; some properties were being built to the passivhaus standard, in which homes are highly insulated and heated through the circulation of air. Camden officers commented that these homes were very energy efficient, and the council had received comments that some of these homes were too warm, rather than too cold. Some Camden properties also made use of rainwater for flushing toilets.
- 2.25 The Committee is supportive of new build properties meeting high environmental and energy performance standards, and would welcome the development of more homes built to the passivhaus standard. It is noted that homes with a high energy performance rating help to reduce utility bills for residents.

Working with housing associations

- 2.26 The Committee recognises that Islington Council is not able to end the housing crisis alone. The Committee is keen for the council to work in close partnership with housing associations that are willing to develop high quality, genuinely affordable, social housing in the borough. The Committee considered details of proposed housing association new build developments up to 2020/21, and expressed concern that some of these contained a low proportion of affordable housing. Islington's planning policies require that new developments achieve the maximum reasonable amount of affordable housing, which should be around 50%. The Committee did not consider the detail of all proposed housing association schemes, however noted that several proposed schemes were due to achieve significantly less than this amount.
- 2.27 The Committee raised concerns that the process through which housing associations bid for development sites put these organisations in competition with each other. This could artificially inflate the cost of schemes and therefore decrease the viability of social housing. The Committee considers that if the council is to significantly increase the amount of affordable housing developed in the borough, then robust conversations about housing association ambitions and aspirations are needed. The Committee would support a joined up and strategic approach to working with Housing Associations which encourages and incentivises them to develop a high proportion of affordable housing in the borough.
- 2.28 It is therefore recommended that **Islington Council should consider how it can support or incentivise Housing Associations to deliver a greater amount of new affordable housing on development sites.**

Other findings

- 2.29 The Committee queried the toxicity of paint used in council developments. It was advised that the paint was a well-known brand suitable for internal walls and was hardwearing in communal areas.

2.30 The council's new build schemes met Building Control regulations regarding entrances and exits. One entrance/exit was acceptable if there was enhanced protection for the staircases, generally achieved through ventilation. Officers advised that providing more than one entrance/exit would reduce the number of new homes built.

3. Conclusions

3.1 The Committee is supportive of the council's ambitious new build programme. Three recommendations have been made in response to the evidence received. The Committee will continue to monitor the number of affordable new council and housing association homes built through quarterly performance monitoring reports. The Committee would like to thank the witnesses that gave evidence in relation to the scrutiny. The Executive is asked to endorse the Committee's recommendations.

SCRUTINY INITIATION DOCUMENT (SID)
Title: The Council's New Build Programme (Mini-Review)
Scrutiny Review Committee: Housing Scrutiny Committee
Director leading the review: Sean McLaughlin, Corporate Director of Housing and Adult Social Services
Lead officer: Stephen Nash, New Homes and Development Programme Manager
Overall aim: To review the progress of the council's new build programme in comparison to other boroughs.
<p>Objectives of the review:</p> <ul style="list-style-type: none"> • To review the principles underpinning the council's new build programme. • To review the design, build, and environmental standards of the council's new build housing. • To assess the obstacles to developing more council housing in Islington. • To evaluate the decision making process for how new council developments are identified and progressed. • To assess the level of resident involvement in the new build process. • To consider how new build properties are allocated. • To evaluate the performance of the New Build team. • To compare the council's approach to new build to another London borough and housing associations.
<p>How is the review to be carried out:</p> <p><u>Scope of the review</u></p> <ul style="list-style-type: none"> • The principles of the new build programme; including what type of properties are developed, and what proportion of properties are for social housing, shared rent, and private ownership. • The design, build and environmental standards the new build programme must meet, and how these are achieved. • The obstacles to development, including financial and planning constraints and land availability. • Decision-making processes, and how the new build programme is managed and funded. • Resident engagement in the new build programme. • How the council's new build properties are allocated, including social, shared-ownership and private housing. • Performance against corporate targets. • How the council's new build programme compares to that of another London borough.

- Design standards in regards to entrance and exit routes in both high rise and low rise properties
- Environmental standards in regards to the toxicity of paint
- The checks and balances related to decision-making on design and build choices, including decisions on the use of materials such as cladding.
- The average building costs of new housing schemes
- How housing revenue account surplus is spent, and if any funds are allocated to new build projects.

Types of evidence

- Evidence from officers in the New Build team.
- Evidence on another London borough's new build programme.
- Potential visit to new build properties.

Additional information:

Building new council homes is a key priority of the council. The Corporate Plan 2015-19 identifies 'Building more council housing and supporting private renters' as a priority, setting a target of 500 new council homes over the period.

In carrying out the review the committee will consider equalities implications and resident impacts identified by witnesses. The Executive is required to have due regard to these, and any other relevant implications, when responding to the review recommendations.

Programme	
Key output:	To be submitted to Committee on:
1. Scrutiny Initiation Document	11 December 2017
2. Recommendations & Report	13 March 2018