

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: The Economy, Housing, and the Arts Policy and Accountability Committee

Date: 9 November 2021

Subject: Update on the Council's delivery of Affordable Homes

Report of: Matt Rumble – Strategic Head for Regeneration and Development

Responsible Director: Jon Pickstone – Strategic Director for the Economy

Summary

This report updates the Economy, Housing and the Arts Policy and Accountability Committee on the Council's delivery of affordable homes and its commitment made in the Building Homes and Communities Strategy in July 2019 to build 1,800 homes over the next 10 years.

The report will also outline how the development programme embeds coproduction with local residents at the heart of development activities, as well as how the development team are playing their part in helping the Council achieve its ambitious net-zero carbon targets.

Recommendations

That the Committee both note and comment on the report.

Wards Affected: All

H&F Priorities

Please state how the subject of the report relates to our priorities – delete those priorities which are not appropriate.

H&F Priorities	How this report aligns to the H&F Priorities
Building shared prosperity	The development programme will lead to the delivery of much needed affordable housing in the borough. Each project will use the Council's Social Value strategy to ensure that local businesses and residents benefit from the contracts that are procured.
Doing things with residents, not to them	All schemes will be subject to extensive engagement and have resident involvement built into the process for developing designs as schemes progress from initial feasibility to the development of more detailed designs. In

	addition, the Development Team are the first to comply with the Defend Council Homes Policy which was adopted in January 2021.
Being ruthlessly financially efficient	Each project in the development programme is subject to strict viability appraisal that demonstrate it is financially viable and capable of delivering long term returns for the Council. In addition, the Council is utilising external government funding to support its development ambitions.
Taking pride in H&F	The development programme will deliver quality additions to the borough in terms housing, schools and civic spaces. We will encourage inclusion of carbon neutral design proposals and green initiatives wherever possible.

Contact Officer:

Name: Matt Rumble

Position: Strategic Head for Regeneration and Development

Telephone: 0208 753 4552

Email: matt.rumble@lbhf.gov.uk

Background Papers Used in Preparing This Report

None

1. Background and Context

- 1.1. Housing Revenue Account (HRA) income comes from rents and service charges, collected from tenants. This money is spent exclusively on building and maintaining the Council’s housing stock. The Council is able to borrow money within the HRA to refurbish the housing stock, as well as build new homes, thus boosting its income.
- 1.2. Historically, central government imposed borrowing limits on Councils with an HRA. This was known as the HRA debt cap. This restriction significantly constrained the council’s ability to borrow to invest in its housing stock, or build much needed genuinely affordable homes, to meet the housing need in the borough.
- 1.3. Constrained by the HRA debt cap, the Council worked creatively to set up the Affordable Housing Delivery Framework, and partnered with housing associations on several projects, to deliver new affordable homes in the borough. Council owned sites were allocated to framework partners with the council retaining nomination rights to the homes in perpetuity. Applicants on the council’s housing registers, were nominated and allocated the new homes.

- 1.4. Examples of partnership projects are Lavender Court in the north of the borough, and Mo Mowlam House (Clem Attlee) and Vanwall House (Emlyn Gardens) that collectively delivered 89 new homes, of which 56 (63%) are genuinely affordable.
- 1.5. While the Council met some of its objectives, around partnership working with housing associations and securing provision of genuinely affordable homes through nomination rights to the homes, the financial benefit and returns are all taken up by the Housing Associations who build, own and manage the homes.
- 1.6. In late 2018, central government announced the scrapping of the HRA debt cap, which meant councils had greater freedoms to borrow to invest in existing and new housing stock. This context provided a strategic driver for the Council to review its strategic capital and asset management strategies, and the way in which they can support the Council's revenue budget, and the administration's future priorities.

Building Homes and Communities Strategy

- 1.7. In July 2019, Cabinet approved the Building Homes and Communities Strategy which set out the principles of a self-funded development programme of investment in homes and community assets in the borough. Through this strategy, the Council committed to using its assets to meet its strategic objectives of delivering genuinely affordable homes, and generating long-term income streams to support the Council's financial challenges.
- 1.8. Officers undertook high-level capacity studies and identified a long list of opportunities that could deliver up to 1,800 homes. The strategic business case in the strategy sets the following objectives:
 - Build new, genuinely affordable housing which will help maintain the borough's vibrant social mix;
 - Support the Council's priority of 'Building Shared Prosperity';
 - Renew key community assets, including schools and leisure centres;
 - Generate income to reinvest in frontline services
- 1.9. Following the recent global events, the Council's financial stability is even more important in the post-Covid-19 recovery stage. The development programme plays a central role in helping the Council balance its budgets and secure additional capacity for future capital programmes.

2. Development Governance & programme

- 2.1. As part of the Building New Homes and Communities strategy, Cabinet approved the creation of a Development Board and a gateway approval process for all development projects (see Appendix 1).

- 2.2. The Development Board, chaired by the Strategic Director for Economy and attended by the Director of Finance and Strategic Head of Development and Regeneration, is responsible for managing schemes through the gateway process.
- 2.3. This approach set a governance structure with a with a clear and robust set of financial and development hurdles to demonstrate each scheme is viable and deliverable at each stage. The Development Board also ensures the correct governance processes are followed for each stage of a project, including approval of a budget to take schemes from feasibility to planning, procurement of contractors and budgets for construction.
- 2.4. A development team has also been recruited to manage the direct delivery of housing schemes and to meet the range of skills required for successful development projects including resident and stakeholder engagement, design management, procurement and scheme viability management :
- 2.5. The Development Team are currently overseeing the direct delivery of projects on 16 council-owned sites throughout the borough. The schemes and the estimated level of affordable housing for each project is described in Appendix 2.
- 2.6. The current programme aims to deliver more than 1,100 new homes over the next 8 to 10 years, of which at least 704 will be affordable. Of the 704 new affordable homes 347 will be genuinely affordable (LAR or Social rent), and 357 will be intermediate rent or shared ownership). Appendix 3 summarises the definition of these tenures.
- 2.7. In addition, some schemes also re-provide civic space, schools, playgrounds and other community assets. For example, the Education City project will deliver 132 affordable homes, a new nursery, an adult education facility, a new primary school and a Youth Zone. The White City Central Project proposes to re-provide an early year learning centre and new state of the art community facilities, as well as more than 270 new homes.
- 2.8. The Development Team also manage a further 6 partnership development projects with Housing Associations, (see Appendix 4). This partnership programme will deliver over 640 new affordable homes.
- 2.9. A map of the development sites in the borough can be viewed in Appendix 5.

3. Funding the programme

- 3.1. The success of the development programme requires borrowing through the HRA or General fund (if the sites are not on housing land) to fund development costs. Alongside this, the Council will bid for and use other funding streams, such as GLA Grant, RtB Receipts and section 106 money, received in lieu of affordable housing in private developments.

- 3.2. Importantly, the Council has secured external grants from the Greater London Authority (GLA) to support the delivery of the affordable housing in the programme. In September, the GLA announced that this Council had secured £32m of grant, to fund 9 schemes to deliver 400 new affordable homes. This is in addition to the £11m secured from the GLA's earlier funding programme. Together, the £44m of grant will see at least 650 new affordable homes built in the borough.
- 3.3. The cost of development is repaid initially by the sales receipts from the market homes, while the longer-term debt is repaid from the rental income of the new homes.
- 3.4. Current financial assessments of the 16 direct delivery schemes indicate that, on average, individual projects will have repaid the cost of development from year 17. This means that from the 18th year, the Council will start receiving financial returns on its investment in this development programme. Therefore, not only does the development programme deliver new homes and community infrastructure, it underpins the long term viability of the HRA.
- 3.5. To demonstrate each project is viable and deliverable, they must deliver a minimum of 50% affordable homes while producing a minimum positive net present Value (NPV) financial contribution of £1 at year 50.
- 3.6. The programme's current Gross Development Value (GDV) is estimated at £685m, this is against a total programme cost of £500m, of which c. 50m will be for re-provided community amenities.
- 3.7. This 'growing of the pie' approach and the positive long term financial contribution of the development programme supports the Council ability to invest in planned maintenance and compliance programmes, its Climate and Ecology Strategy objectives around decarbonising council homes, reducing the need to make future savings or increase income.

4. Resident Involvement and Defend Council Homes Policy

- 4.1. Successful development and regeneration schemes put resident at the heart of the process. One of the key commitments in the Building Homes and Communities strategy is carrying out extensive resident engagement at each stage of the development process.
- 4.2. Embedded within each development project, are the principles of co-production and the Defend Council Homes Policy. The Defend Council Homes Policy (DCHP) was approved at Cabinet in January 2021 and has established a clear set of principles describing how residents of council estates, will be engaged in design and involved in decision-making, around development activity that impacts on their council homes.

- 4.3. The Development Team have worked in partnership with the Defend Council Homes Unit and, latterly, the sub-group of the Housing Reps Forum (HRF) to create the DCHP Implementation Guide for the Development Team (a step by step guide about how to apply the policy to development activities), and a reporting dashboard for the HRF Subgroup .
- 4.4. The approach to engagement and co-production has so far underpinned the success in the White City Central and Hartopp and Lannoy projects, with both schemes being led by resident steering groups and becoming excellent examples of co-production.

5. Sustainability & Climate Challenge

- 5.1. The baseline statutory standards (i.e. Building Regulations) and Local Plan policy requirements for sustainability results in approximately 35% reduction in on-site operational carbon for new developments. Even with the implementation of 'Future Homes' standard 2025, which looks to eliminate the use of fossil fuels altogether, the CO2 reductions do not fundamentally change sufficiently, to facilitate moving towards achieving net-zero homes.
- 5.2. Therefore, as a base position, the Council is embedding additional design principles that will deliver homes that will reduce greenhouse gas emissions and exceed the current policy targets for new homes by 10%. This means the Council will seek to achieve, at minimum, a 45% reduction in on-site operational carbon.
- 5.3. Under the Climate and Ecology Strategy, the Council has set ambitious targets of achieving net zero carbon homes by 2030, as well as helping tackle fuel poverty.
- 5.4. Building further on this, and as part of a step-change to delivering net zero carbon homes, the Development Team are currently progressing three pilot projects (Hartopp and Lannoy, The Grange and Land near Jepson House). The design of these project will use industry recognised Passivhaus principles, to achieve 'operational' net zero carbon (i.e. carbon neutral from an operational use of the building). Importantly, the institutional knowledge, gained from these schemes, will be used to inform and influence the way we deliver and build future schemes, in the development programme.
- 5.5. However, focusing on achieving the net-zero operational carbon standards will require a careful balance. Adopting these Passivhaus sustainability standards, will mean an increase in the development costs of projects and, therefore, a reduction in the projected long term revenue to the HRA - or the total quantum of affordable housing delivered programme.

Appendix 1 – Development Gateway Process

Gateway	Description
0. Identifying a Site	This is when a site has been identified. Initial internal checks are carried out and conversation with other council teams.
1. Assessing Feasibility	If development on the site is feasible, a consultants team are commissioned to help develop a final proposal. Engagement begins by sending the first Defend Council Homes Policy notice to local residents and then recruiting a Resident Steering Group to help develop the proposals.
2. The Planning Process	Ongoing consultation and engagement with local residents culminating in submission of planning application based on the final project proposal developed with Resident Steering Group. Statutory Planning public consultation begins.
3. Appointing a Contractor	At this stage we procure an appoint a contractor to build the proposed development we development following intensive engagement and with support from local residents. We also issue the second Defend Council Homes Policy Notice.
4. Construction	The successful bidder is appointed contractor and takes handover of the site. They begin building the development. Residents will have dedicated points of contact throughout the programme. The building programme could be phased or in one go.
5. Completion	This is when the council takes handover of the built development and completes its checks, prior to allocating homes to perspective tenants. A 360-review is undertaken with Resident Steering Group to recognise achievements and recommend improvements.

Appendix 2 – Direct Delivery Programme

Site / Scheme	Affordable Housing				Market Housing		Total Homes	Development Stage / Status	Start On Site (estimate)	Completion (estimate)
	Genuinely Affordable	Intermediate	Total Affordable	%	Homes	%				
Springvale	10	0	10	100%	0	0%	10	Construction	Dec 2019	Jan 2022
Education City	33	99	132	100%	0	0%	132	Construction	Jul 2021	Nov 2025
Flora Gardens School	32	22	54	50%	55	50%	109	Feasibility	Dec 2022	Dec 2024
Avonmore School	27	18	45	49%	46	51%	91	Feasibility	Dec 2022	Dec 2024
Farm Lane Site	8	7	15	50%	15	50%	30	Feasibility	Oct 2023	Apr 2025
Mund Street Site	25	25	50	50%	50	50%	100	Feasibility	Sep 2024	Mar 2027
Lillie Road Site	12	11	23	51%	22	49%	45	Feasibility	Jan 2024	Jul 2026
White City Central	71	69	140	51%	142	49%	282	Feasibility	Aug 2023	Aug 2027
Hartopp & Lannoy Site	67	45	112	94%	7	6%	119	Feasibility	Jan 2023	Jul 2025
Old Laundry Yard	19	12	31	51%	30	49%	61	Feasibility	Mar 2023	Mar 2025
Commonwealth Avenue	20	20	40	100%	0	0%	40	Feasibility	Dec 2023	Oct 2025
Barclay Close	2	4	6	100%	0	0%	6	Feasibility	Mar 2025	Mar 2027
Becklow Gardens	4	8	12	92%	1	8%	13	Feasibility	Mar 2025	Mar 2027
The Grange	4	4	8	50%	8	50%	16	Feasibility	Jan 2025	Jan 2027
Hemlock Garages	2	1	3	50%	3	50%	6	Feasibility	Jan 2025	Jan 2027
Land near Jepson House	11	12	23	51%	22	49%	45	Site Identification	Apr 2024	Mar 2026
Total	347	357	704	64%	401	36%	1105			

Appendix 3 – Glossary

Term	Definition
Affordable Housing	Generally, these are homes for people whose needs are not met by the market.
Affordable Rent	Typically, these homes are let at rent levels are higher than social rent homes but lower than open market rent.
Genuinely Affordable	By this we mean the lowest and cheapest rents in the market. Typically, these are social rent or London Affordable Rent homes.
Intermediate Housing	These are homes that are for rent and sale below market levels. This type of affordable housing is aimed at people who do not qualify for social housing but cannot afford to rent or buy on the open market. It includes products such as Shared Ownership, shared equity and discounted market sales – as well as rent products such as London Living Rent and Intermediate Rent.

Appendix 4 - Partnership Projects

Site / Scheme	Affordable Housing				Private Housing		Total Homes	Development Stage / Status	Start On Site	Completion (estimate)
	Genuinely Affordable	Intermediate	Total Affordable	%	Homes	%				
Civic Campus	69	36	105	51%	99	49%	204	Construction	Jan-20	Phased from May 2022
Lavender Court	24	21	45	100%	0	0%	45	Completed	Apr-18	Apr 2021
Emlyn Gardens	14	0	14	100%	0	0%	14	Construction	Mar-18	Dec 2021
Mo Mowlam House	18	12	30	100%	0	0%	30	Construction	Jun-19	Jan 2022
Edith Summerskill House	105	27	132	100%	0	0%	133	Planning	TBC	TBC
Watermeadow Court	54	54	108	50%	108	50%	216	Planning	TBC	TBC
Total	435	150	434	68%	207	32%	642			

Appendix 5 – Borough Map with Development Projects

DEVELOPMENT PROJECTS IN HAMMERSMITH & FULHAM



HAMMERSMITH & FULHAM PROJECTS

Project
1 Avonmore School
2 Barclay Close
3 Becklow Gardens
4 Commonwealth Avenue
5 Education City
6 Farm Lane Site
7 Flora Gardens School
8 Hartopp & Lannoy Site
9 Hemlock Garages
10 Land Near Jepson House
11 Lillie Road Site
12 Mund Street Site
13 Old Laundry Yard
14 The Grange
15 Springvale
16 White City Central

PARTNERSHIP PROJECTS

Project
1 Civic Campus
2 Edith Summerskill House
3 Emlyn Gardens
4 Lavender Court
5 Mo Mowlam House
6 Watermeadow Court

WARD BOUNDARIES

- College Park & Old Oak
- Wormholt & White City
- Shepherds Bush Green
- Askew
- Ravenscourt Park
- Hammersmith Broadway
- Addison
- Avonmore & Brook Green
- Fulham Reach
- North End
- Palace Riverside
- Munster
- Fulham Broadway
- Town
- Parsons Green & Walham
- Sands End

DEVELOPMENT PROJECTS

-  H&F development projects
-  Partnerships development projects
-  Underground stations
-  Parks and Green spaces
-  Landmarks