

Cabinet 6 November 2013	
Report of: Aman Dalvi, Corporate Director Development & Renewal	Classification: Unrestricted
New Homes – Bradwell Street	

Lead Member	Cllr Rabina Khan, Cabinet Member for Housing
Originating Officer(s)	John Coker, Strategic Housing Manager Geeta Le Tissier, Strategic Housing Manager
Wards affected	Bethnal Green South, Globe Town and Mile End
Community Plan Theme	A Great Place To Live
Key Decision?	Yes

Executive Summary

The Estates Capacity Project commenced in March 2012 with the objective to identify opportunities within existing estates to produce more new homes and identified nine potential sites to build 320 new homes. In March 2013 the London Mayor’s prospectus “The Housing Covenant – Building the Pipeline” was published and invited housing providers to bid for investment funding.

The Mayor of London informed LBTH on the 22nd July 2013 that two Building the Pipeline bids had been successful. These were Bradwell Street Garages providing 12 affordable homes and Ashington House East providing 53 affordable homes. The grant awarded was £360,000 and £1,590,000 respectively. The schemes are all 100% affordable, responding to the housing priorities of the borough and will be let at POD affordable rents.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the total grant of £1,950,000. from the GLA towards the development of 65 Council homes for rent at the Bradwell Street and Ashington House East sites under the Building the Pipeline Supply programme
2. Agree the resulting contribution from the Council of £1,991,000 for the development of the Bradwell Garage site
3. Adopt a total capital estimate of £2,451,000 in order to deliver the Bradwell Street scheme. This represents the total scheme costs of £2,351,000 plus a suggested contingency of £100,000 (paragraph 1.8).

4. Authorise the Director, Development & Renewal to take the necessary actions to deliver the scheme within the timescale of the funding programme including negotiating with Network Rail for the acquisition of amenity land for the Bradwell Street project and dealing with the settlement of any existing rights on both projects
5. Authorise officers to proceed with the procurement of the required professional and technical services and works contracts and utilising suitable procurement frameworks available to the public sector.
6. Agree to set aside £200,000 of funding from within available existing HRA Overcrowding Initiatives / Affordable Housing budgets in order to complete the preliminary design, site assembly and survey costs on the Ashington House East project pending a future report to Cabinet.
7. Authorise the Director, Development & Renewal in consultation with Legal Services to agree the terms of
 - i) the GLA Funding Agreement
 - ii) the contracts for the required professional and technical services for both schemes
 - iii) the works contracts for both schemes, (subject to funding being agreed for Ashington House East scheme)
 - iv) the land transactions with Network Rail
 - v) the settlement of any existing rights over land to be used for the schemes
8. Authorise the execution of the documents referred to at paragraph 7 above on behalf of the Council

1. REASONS FOR THE DECISIONS

- 1.1 It is proposed to build 12 new Council homes for allocation to the Council's housing applicants. The site located on Bradwell Street will deliver 63 bedspaces. The scheme is 100% affordable and responds to the housing priorities of the borough; the new homes will be let at the Tower Hamlets POD affordable rents.
- 1.2 The Council was successful in bidding for grant from the GLA Building the Pipeline Supply Fund in respect of two sites, Bradwell Street and Ashington East and has been awarded £30,000 per new home delivered. The Council needs to provide the remainder of the scheme costs. This report concerns the development at the Bradwell Street site only.
- 1.3 The Bradwell Street development costs total £2.351 million with the GLA grant being £360k of the total.
- 1.4 The units will be funded in the long term through the rental stream generated by the construction of the new units. Ten of the units are large family homes and will be generating a higher rental stream than the two bed units.
- 1.5 According to the grant conditions work at Bradwell Street must commence in 2014/2015. In order to achieve this date, legal work needs to start immediately to establish rights over Bradwell Street, rights of way, party wall matters and leaseholder interests. Due diligence surveys, soil surveys, design, and the preparation of planning applications, need to be completed before April 2014.
- 1.6 In order to receive the grant, LBTH is required to sign up to a Contract which sets out the number of homes to be delivered, the milestones and time-table, the requirement to comply with the Capital Funding Guide of the GLA, the monitoring arrangements, and an agreement to adopting an open book policy pertaining to the scheme cost, to include cost of goods and services, preliminary costs and overheads.
- 1.7 The work needs to be procured promptly for contracts to be in place and allow sufficient mobilisation time for the contractor to be ready to commence work within the delivery time-table. This requirement points to the use of public sector frameworks which have already been through the EU procurement processes and have a shorter leading time than direct procurement. In order to enable providers to start delivery on Day One, the Greater London Authority has set up a Development and Construction Panel of developers and contractors called the London Development Panel. Other public sector frameworks such as the East London Partnership and SCAPE are also open to the Council to use. It is proposed to consider the terms of each of these frameworks in terms of time-table, complexity and suitability for the scheme.
- 1.8 The bid was based on an early design drawn up in 2008. It requires updating and reworking to include new factors such as the request by local residents

for community facilities and other developments in the area. It is therefore proposed that an additional £100,000 be set aside to cover associated costs that might arise as the result of new designs and to cover unquantified items that might be identified during the course of surveys.

2. ALTERNATIVE OPTIONS

- 2.1 The Do Nothing Option. This option would result in the Council not taking up the available GLA grant of £1,950,000 and not delivering any of the additional new homes.
- 2.2 The alternative funding option for the Council would be not to utilise its existing financial resources and to borrow in order to fund the construction costs. This would result in additional borrowing of £1,991,000, using up an element of the available HRA headroom.
- 2.3 Do Something Else. The Council has been looking at ways of delivering more local homes. This can also be delivered by partnering with other providers; however, the partnership model is more suited to large scale initiatives and would not be suited to individual infill sites with development potential of less than 100 housing units.

3. DETAILS OF REPORT

- 3.1 The high levels of housing need in the borough are recognised in the Council's planning policies, including the adopted Core Strategy 2010, the Managing Development Document 2012, and the draft Supplementary Planning Document out to consultation. The Core Strategy includes:
 - direct public investment in housing, in line with the Housing Strategy, to facilitate the delivery of new housing in a number of areas
 - supporting infill development where it meets an identified need and contributes to creating sustainable communities.
- 3.2 The New Council Homes scheme at Bradwell Street contributes towards the Council's housing target to meet the London Plan. It also involves areas listed for direct public investment in housing in the Council's Core Strategy, namely Globe Town and Mile End.
- 3.3 The GLA invited Registered Providers to bid against the Building the Pipeline Supply Fund earlier this year with bids closing on 21st May 2013. The Council in conjunction with Tower Hamlet Homes (THH) submitted four bids for additional new homes to be owned by the Council and managed by THH.
- 3.4 The results of the bid were announced on 22nd July by the Mayor of London. 157 Local Authorities and Registered Providers submitted bids for a share of the funding. LBTH was successful in its submission for two development

schemes: Bradwell Street within the Longnor Estate and Ashington House East on Collingwood Estate.

- 3.5 At the same time, an Expression of Interest was submitted for 34 extensions to existing dwellings in order to create family size homes. A further submission was made in September 2013 to support the Expression of Interest registered in May. The GLA is yet to make a decision on the Extensions scheme.
- 3.6 Planning Officers from the LBTH pre-application team visited the sites included in the bid and letters setting out their preliminary opinions were included in the bid submission. However, the bid was based on concept schemes and the design development and planning process may deliver different scheme designs.
- 3.7 Bradwell Street forms part of the Longnor Estate and comprises a stopped-up road, an underused parking court of a number of garages, lock-ups, playground and play areas and hardstanding areas. The garages are in bad condition and many currently lie empty. It is proposed to relocate the existing occupiers. A more secure garage location is situated on the corner of the estate and is managed by THH.
- 3.8 The scheme at the Bradwell Street site is predominantly destined for large family homes. At the same time as planning our scheme, Network Rail is proposing a new student housing scheme on adjacent land for which they require rights of access over Bradwell Street in respect of car parking, laundry and refuse. In exchange for these rights, Network Rail proposes to transfer the strip of land to LBTH. Local residents have expressed the wish to use the Network Rail land for allotments. Bradwell Street will be much improved as a result of the two residential schemes. It is to be noted that the development of the new homes is *not* dependent on the additional land from Network Rail as LBTH has ownership of Longnor Estate and of the site area which is sufficient in planning terms for amenity space to be provided to the new homes.
- 3.9 Engaging with residents on the Longnor Estate will be a priority and the design team will work with them throughout the project, from working up concept schemes to final designs and construction. Residents will be kept informed throughout the development process and will be consulted on the design prior to planning as well as through the formal planning process. Residents have been aware of a previous proposal and renewed consultation immediately followed the results of the funding bid. A meeting was held with the chair and members of the Longnor Estate in respect of our proposals for Bradwell Street on 4th September. A formal meeting with the wider TRA membership took place on 18th September. Follow-up meetings will take place through the established TRA meetings programme on both estates and will address a wide range of topics including new homes, parking provision, security and the new community space.
- 3.10 The scheme milestones form part of the grant conditions; a key consideration in meeting these is the procurement time-table which is determined by the

procurement route identified for the scheme. Our bid submission included the use of existing public sector procurement frameworks as a means of achieving a credible timeline and be on site in 2014. Frameworks such as the GLA London Development Panel, SCAPE, East London Solutions and others to which both LBTH and THH have access, have been through a rigorous vetting procedure, including cost, quality, and value for money. The use of such frameworks would also help to achieve final scheme costs which are comparable to other public sector developments and re-assures the GLA that the scheme cost will be on par with other grant-funded schemes. For LBTH it would be a safeguard in ensuring it achieves value for money.

- 3.11 The initiative will also boost economic recovery through the direct creation of new jobs in construction and the wider supply chain. The procurement pack for the contractor will request proposals for local initiatives which can assist local employment, training and healthy living. Contractors will be required to meet minimum criteria for local labour and community benefits in the borough as part of the selection criteria.
- 3.12 The Bradwell Street development costs total £2.351 million with the GLA grant being £360k of the total. The scheme expenditure commences in 2014/15 for Bradwell Street site with expenditure in the order of 5-10% for financial year 2013/14 with the balance being spread over 2014/15 in accordance with the staged payments agreed with our selected partner.
- 3.13 The project costs to date have been based on industry averages of build per square metre and on concept designs. This can vary depending on final design, survey findings, Section 106 contributions, procurement outcomes and changes in market conditions. Cabinet authorisation will be required in order to procure services and works contracts - it is proposed that this function is delegated to Executive Directors.
- 3.14 The estimated development costs and funding requirements of the scheme are as follows:

Table 1

Description	Bradwell Street Garages £,000
<u>CAPITAL EXPENDITURE</u>	
Estimated Capital Cost	2,351
GLA - Pipeline Supply Grant	(360)
LBTH Financing Requirement	1,991

- 3.15 Capital resources to finance the Council contribution are limited, and any proposals must be considered in the context of competing demands from other projects. The main commitment within the HRA is currently the £181

million Decent Homes Backlog programme which is midway through the third year of the five year initiative, and the majority of Housing Capital Resources are committed to this project in the medium term. However, the Council is holding various funds that have been specifically earmarked for the provision of affordable housing, and it is proposed that some of these resources are applied to this project. This will reduce the impact on the Housing Revenue Account and the effect on the available borrowing headroom before the Council reaches its Debt Cap.

- 3.16 It is proposed that the following items are applied towards the £1.991 million funding of the project, plus the suggested contingency element of £100,000:

	£ million
Affordable Housing Measures Capital Reserve	1.091
Recycled Affordable Housing Resources	1.000

The background to these resources is outlined below:

Affordable Housing Measures Funding

As part of the 2011-12 and 2012-13 budget processes, Council earmarked £5.675 million of resources towards the development and progression of various housing initiatives to provide affordable housing units within the borough and projects to alleviate overcrowding. In February 2013 Cabinet approved the allocation of £1.7 million of these resources to finance the refurbishment of eleven of the Authority's short life housing properties leaving an uncommitted balance of £3.975 million.

Recycled Affordable Housing Resources

The Authority historically earmarked funding for a Registered Provider to develop a scheme to provide affordable housing. None of the projects proposed were acceptable to the Council and these funds have now been returned to the Authority and are available for reallocation to another project.

- 3.17 It is proposed that a future report will be submitted to Cabinet seeking approval for the Ashington House East project. In order to complete the preliminary design, site assembly and survey costs on this project it is proposed that £200,000 of funding is set aside from within existing HRA Overcrowding Initiatives / Affordable Housing budgets.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1. This report updates Members on the outcome of the bid for GLA funding under the Mayor of London's Housing Covenant – Building the Pipeline scheme. Of the five bids that were submitted, the Council was successful in receiving grant funding for two schemes, the Ashington Estate Infill project and the Bradwell Street Garages site. This report seeks the adoption of a

capital estimate in respect of the Bradwell Street Garages site in order that the scheme can progress in line with the GLA grant conditions.

- 4.2. In respect of the Bradwell Street Garages bid, the Authority was allocated £360,000 (15%) of funding towards the total scheme costs of £2,351,000, leaving a residual cost of £1,991,000 to be funded from the Council's own resources as shown in Table 1 above.
- 4.3. In order that the project can be progressed capital estimates must be adopted for the full £2,351,000 cost of the project, plus a suggested contingency of £100,000.
- 4.4. In addition to the costs included above, it is proposed that £200,000 of the available HRA Overcrowding Initiatives / Affordable Housing budget be earmarked for preliminary works on the proposed Ashington House East scheme to incorporate design, site assembly and survey costs in advance of a future report to Cabinet to approve the project.
- 4.5. The GLA bid initially proposed that if necessary funding would be met from prudential borrowing within the HRA. However as outlined in section 3.15, it is preferable for the Council to apply its own resources if possible as this will reduce on-going costs to the Housing Revenue Account and the impact on the Council's debt cap. The Council will therefore retain the scope for future borrowing within the debt limit which will be required to finance the capital requirements of the housing stock over the life of the 30 year business plan.
- 4.6. In order to receive the grant income it is essential that the GLA grant conditions are met, including the specific delivery deadlines. It should be noted that the scheme costs that were incorporated in the GLA bid were compiled in conjunction with external advisors. The projects will be subject to a tendering process (paragraph 3.10) and it should be noted that the Council will be liable for any additional costs if the contract values returned are higher than were anticipated in the bid.
- 4.7. The GLA grant is payable on completion and delivery of the full projects. The Council will therefore need to forward fund the costs until the grant can be claimed at the end of the scheme.
- 4.8. It should be noted that the Council will lose parking and garage fee income as a result of the development at Bradwell Street, although due to the condition of the garages these fees are minimal, estimated at approximately £2,000 per annum.
- 4.9. As a result of the construction of 12 new properties, the Council will benefit from additional New Homes Bonus. Based on the current system, this will equate to approximately £20,000 of general resources to the Council per annum for the six year period following completion, although it should be stressed that the Government is currently consulting on the future methodology for determining the New Homes Bonus entitlement and that future entitlement may not be at the same level as previous years.

5. LEGAL COMMENTS

- 5.1 Legal work will include all procurement processes, contracts as well as title issues and rights of way. Land registry and preliminary utilities and environmental due diligence is underway. This work will enable us to confirm land ownership, rights of lessees and other third party interests for example occupancy of community space, parking bays etc and accommodate any needs into the design development and viability work.
- 5.2 The contribution to be made by the GLA is conditional on the Council signing a grant agreement which sets out the terms and conditions of the funding. These include payment on completion of the scheme as agreed, delivery in accordance with the agreed timetable and a final practical completion date of 31.3.2018. If the terms and conditions are not met then the grant is repayable.
- 5.3 Given the tight deadlines for starting on site at Bradwell Street, the recommended procurement route is by means of a pre-existing framework which allows the Council to draw down a contractor to build the properties. A consultant has been appointed using the Decent Homes Consultancy Framework procured by this Council.
- 5.4 The procurements for Ashington East are not as time sensitive and will be competitively tendered.
- 5.5 Title investigations on both sites have commenced and the Council owns all the land required for the new build at Bradwell Street. The Network Rail land is required to complete the scheme but acquisition of this will not delay the start on site date. Any development project but particularly an infilling project requires careful investigation of existing rights, and title investigations are proceeding to determine what rights exist and consider how these may be dealt with. Cabinet is asked to delegate authority to acquire the land from Network Rail and deal with the settlement of any existing rights.
- 5.6 When considering the recommendations in the report, the Mayor must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. There is information in the report relevant to these considerations.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1. The New Homes project targets housing applicants who are excluded by virtue of being unable to access the local housing market (either for rent or for sale).

- 6.2. Local communities in Tower Hamlets prefer families to have the use of separate kitchens and living rooms as large families have children of varying age groups with family members often involved in different activities at any one time. This arrangement is beneficial to children who have living space away from the kitchen, both for play and for studying. The internal lay-out specification of the new homes will reflect that local preference.
- 6.3. The consultation strategy will ensure that the principles of One Tower Hamlets are inherent to the way the project progresses. Consultation will be varied, and repeated through both formal and informal forums, adopting routes such as:
- Public meetings
 - Exhibitions to showcase schemes will provide opportunities for people to *see the plans* and not just read about them
 - Regular newsletters
 - Involving the community in design through architect led design groups
 - Interpreter services will be provided as required
 - Where possible we will find a location close to the proposed works where information can remain displayed throughout the process
- 6.4. The need to minimize the impact on local residents of the construction activities on the Network Rail student housing development has been raised with Network Rail as these are planned to be on site at the same time as the Bradwell Street development goes on site. Network Rail has agreed to co-operation from an early stage.
- 6.5. The project will have a focus on delivering Sustainable Communities and will work with resident groups to address safety and security issues through good design and adopting recognised standards such as Secure By Design. The new homes will add to the existing local homes and it is envisaged that the existing Tenants and Residents Associations will welcome the new residents into their fold.
- 6.6. Applicants will be from the Council's housing list. The mix of housing is focused on providing large family units and will include 10% of wheelchair units. Aids and adaptations will be provided prior to letting, thereby increasing the chances of these dwellings being suitable for the applicants. It is proposed to allocate the units prior to practical completion of the schemes. The Occupational Therapists will be involved in the final specification of the units in order to address the specific needs of the housing applicants. Applicants will be from the Council's housing list and any who live on the Longnor Estate and are already at the top of the Priority Waiting List for a Category A property, will be considered for the allocation of the wheelchair accessible homes to be built.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 7.1. The New Homes will be built to Sustainable Design Standards and will provide energy efficient homes keeping domestic bills low for families. The schemes at both sites will meet the minimum Level 4 of the Code for Sustainable Homes. In preparing the design for the planning applications, advice from the Environmental Team will be sought in order to achieve better outcomes. Grey water recycling and insulation will meet modern standards and reduce the impact of the development on the environment. Both sites will have green amenity spaces and in the case of Bradwell Street, there are allotments proposed for local residents.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1. The main risk that exists for the project is project overrun in its programme with the consequence that it incurs higher costs. The key consideration for the funding is the expectation from the GLA that the programme will assist house building in London and that it will be delivered in time to help both the London economy and the acute housing need. Against this backdrop Bradwell Street will be required to start on site no later than 31st March 2014. This will be mitigated through robust project and contract management, focusing particular clienting attention on key stages in the delivery process and putting systems in place to track progress, identifying any issues as early as possible and remaining solution focused. LBTH - D&R Housing will hold regular project meetings to monitor the expenditure against milestone and assisting in resolving issues.
- 8.2. Contractors who bid for the building contracts will be required to put up a bond equivalent to 10% of the contract value in line with the Council's procurement rules.
- 8.3. Resident support will be gained through early engagement to explain the concept schemes and their development to pre planning applications and onward to detailed planning applications in order to capture not only their support for development, but also their practical input into the scheme details. A pre- construction and health and safety meeting will be required as part of the contractor/developer delivery programme.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 9.1 The project will have a focus on delivering Sustainable Communities and will work with resident groups to address safety and security issues through good design and adopting recognised standards such as Secure By Design. Views of neighbouring residents who may be affected by the new developments will be taken into account and design solutions found wherever possible to deal with their concerns.
- 9.2 The proposed Community space will play a key role in helping to create Sustainable Communities and help prevent crime and disorder through diversionary activities as well as natural surveillance. The new homes will add

to the existing local homes and it is envisaged that the existing Tenants and Residents Associations will welcome the new residents in their fold.

10. EFFICIENCY STATEMENT

- 10.1 Provision of additional new homes will contribute to the Council's Overcrowding Strategy, rehousing tenants most in need. The homes will be built to sustainable design standards, thereby reducing the running costs such as energy bills for the residents.
- 10.2 The Project Delivery Team is in the process of being established. It will be led by a Programme Manager, 2 development officers and a resident liaison officer. The team will have new housing development skills and experience; their tasks will be to ensure that the build phase is delivered efficiently and that costs incurred are comparable in the sector. Other resources will be called upon as required and will include in house legal, asset management and finance services.
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Linked Reports, Appendices and Background Documents

Linked Report

None.

Appendices

None.

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

None.

Officer contact details for documents:

N/A