

CABINET

Tuesday, 6 October 2015 at 5.30 p.m.

C1, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London,
E14 2BG

SUPPLEMENTAL AGENDA

HOUSING RESOURCES AND CAPITAL DELIVERY REPORT

The meeting is open to the public to attend.

Contact for further enquiries:

Matthew Mannion, Democratic Services,
1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG
Tel: 020 7364 4651
E-mail: matthew.mannion@towerhamlets.gov.uk
Web: <http://www.towerhamlets.gov.uk>

Scan this code
for an
electronic
agenda:



For further information including the Membership of this body and public information,
see the main agenda.

**PAGE
NUMBER(S)** **WARD(S)
AFFECTED**

5 .4 Housing Resources and Capital Delivery

1 - 42

All Wards

Agenda Item 5.4

Cabinet 6 October 2015	 TOWER HAMLETS
Report of: Aman Dalvi, Corporate Director, Development & Renewal	Classification: Unrestricted
Housing Resources and Capital Delivery	

Lead Member	Councillor Rachel Blake Cabinet Member for Strategic Development
Originating Officer(s)	Jackie Odunoye - Service Head Strategy, Regeneration, Sustainability & Housing Options Chris Holme - Service Head Resources and Economic Development John Coker - Strategic Housing Manager
Wards affected	All wards
Key Decision?	Yes
Community Plan Theme	A Great Place To Live

Executive Summary

This report details–

1. A review of the existing development programme, currently funded and approved development schemes, their funding sources and a proposal to switch funding sources in order to meet the strict time-table for achieving spend on retained RTB receipts .
2. An affordable housing programme in line with the current resources in the Housing Revenue Account, targeted to meet housing need in the borough.
3. An update on the amount of retained Right To Buy (RTB) Receipts held by the Council is included together with the treasury conditions for spend.
4. That the proposed programme is currently over-programmed to allow for medium term planning,
5. A resident engagement and consultation strategy.

6. The report is concerned only with housing supply being brought forward within current HRA financial constraints. A further report will be brought forward outlining other mechanisms to increase affordable housing supply.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Authorise the Corporate Director, Development & Renewal
 - a) to return the GLA grant element as it applies to the development schemes at Ashington East, Hereford and Locksley
 - b) to give up the additional borrowing awarded under the Local Growth Fund in respect of sites at Baroness Road and Jubilee Street.
2. Agree the removal of the small sites at Brick Lane, Spelman Street, Christian Street, and Mile End Road from the programme on the basis that they do not represent an effective use of Council resources.
3. Approve the adoption of a capital estimate of **£10 million** in pursuit of a revised development programme to be funded from Right To Buy receipts, in order to enable the appointment of professional services, including technical advisors, architects, employer's agents, surveys, and allow the schemes detailed in the table at paragraph 3.11.3. to be developed up to RIBA stage 3.
4. Adopt a capital estimate of **£27.3 million** for the purchase of up to a maximum of 85 former social housing leasehold and/or freehold stock in the borough, subject to these satisfying conditions of affordability and good quality management.
5. Agree a capital estimate of **£7.06 million** be allocated for the creation of a Local Affordable Housing Grant scheme subject to the Commissioners' decision as required by the 2014 Directions.
6. Authorise the Director, Development & Renewal, to procure services and works and to let contracts in the delivery of the new homes in as far as required to fulfil recommendation 3 above.
7. Authorise the Director, Development & Renewal, to purchase social housing leasehold or freehold stock in the borough as per paragraph 4 above, including properties with a purchase value exceeding £250k and to procure services and works to bring the properties up to the required standards for letting to social tenants.

To Note:

The Mayor in Cabinet is recommended to

1. Note that an enhanced development programme with an indicative value of £115 million for the delivery of circa 400 new homes is being assessed for inclusion within the capital programme. This will incorporate a review of the developments included in recommendation 1.
2. Note that should schemes not proceed following development to RIBA stage 3, these costs will be abortive and therefore must be charged to revenue. If so, the costs will be financed from revenue resources earmarked to finance a Revenue Contribution to Capital expenditure.
3. Note that the proposed programme is currently over-programmed to allow for medium term planning, however the schemes will not progress beyond RIBA Stage 3 unless the total funding on a scheme by scheme basis is in place.
4. Note that a Resident Communication and Engagement Strategy will be developed and implemented for the delivery of the Capital Development Programme.

1. REASONS FOR THE DECISIONS

- 1.1. The report presented to Cabinet on 28th July 2015 set out the issues arising from recent government announcements. The most recent policy announcements were made in July 2015 as part of the government's Summer Budget (July 8th 2015) and are projected to have a profound long-term impact on both Local Authority HRAs and Registered Providers. The main announcement was that, from April 2016, social rents will be cut by 1% for four years.
- 1.2. The Council has accumulated significant retained receipts from the disposal of properties under Right to Buy legislation. These must be used for the provision of new social housing in accordance with the terms of the agreements that the Council has entered into with the DCLG. The RTB receipts accumulated by the Council are referred to in paragraph 3.2. The market conditions are such in Tower Hamlets that these are likely to continue increasing for the foreseeable future. The conditions for the use of these receipts prevent the Council from using them in the course of usual business, in maintaining existing properties, including in regeneration schemes. One-for-one RTB receipts can only be used to fund up to 30% of the cost of rented affordable units. The Treasury also prevents their use in combination with

HCA/GLA grant funding and additional borrowing specifically granted by central government under the Local Growth Fund.

- 1.3. The impact of these two factors on the Housing Revenue Account (HRA) were detailed in the July 2015 Cabinet Report on the HRA and a strategy was outlined in order to address it. This current report sets out a three part programme and introduces new approaches alongside the traditional house building approach. The Council is seeking to meet the deadline for the expenditure while at the same time targeting client groups who have a specific housing need.
- 1.4. In addition, the government's proposal to extend the RTB to housing association tenants is intended to be partly funded through the sale of high value Council housing assets. The stated intention is that local authorities will sell their high value stock when it becomes void, and that an element of the resulting receipts will be used to provide compensation to housing associations. The impact of these policies is likely to have an adverse effect on the Council's capital programme; in the light of this making best use of retained RTB receipts represents a prudent use of resources.

2. ALTERNATIVE OPTIONS

- 2.1 The delivery of new affordable housing to be let at rent levels set at a maximum Affordable Rent of 80% of market rent (the definition of affordable by the GLA) is one option which some Housing Associations and boroughs have adopted. In Tower Hamlets, rents set at 80% of market rents are not considered affordable to the client groups identified by the Council as being in need of housing. Rents are very high in the borough due to the proximity to the financial districts, the regeneration of East London and to the London factor. Not only does the Council consider that this option does not meet housing need, but the Mayor has set up a Housing Policy and Affordability Commission which is due to report in December 2015.
- 2.2 Doing nothing has been considered as it would remove the pressure on the HRA. It would result in the Council having to return RTB receipts to central government with interest (*compounded 4% above base rate*), thereby reducing resources currently available in the HRA. The receipts would be reallocated to all boroughs and there would be no guarantee that the investment would be in LBTH. Further details of the conditions of usage set out by DCLG can be viewed in the linked Cabinet Report dated 28th July 2015.

- 2.3 The loss of the RTB Receipts together with the payment of the interest is likely to be less than the capital expenditure needed to deliver new homes (using a funding profile of 30% RTB Receipts and 70% borrowing). However, such a position would be the opposite of the strong case boroughs have put to central government, namely that housing is at a critical point in the capital and that resources are needed to provide affordable housing.
- 2.4 Giving up the one-for-one RTB receipts would imply that the Council would not take the opportunity of exercising greater control over its development schemes. Freed of grant conditions that limit the application of funding sources and that constrain a flexible approach to rent levels, the Council would be free to shape its own development programme, targeting its own priorities and to make use of RTB receipts to do so.
- 2.5 In considering whether to return the RTB receipts to central government, the Council has a duty to consider not only the financial impact on the HRA but also the provision of affordable housing, the acute housing need in the borough, and service enhancements made possible through the use of the RTB Receipts. i.e.a substantial development programme much greater than the current traditional programme achieved through the use of low levels of GLA grant or the recent additional borrowing from CLG.

3. DETAILS OF REPORT

UPDATE ON RIGHT TO BUY

- 3.1. The level of RTB receipts held for one-for-one replacement, and the restrictive time-table in which they must be spent means that the Authority is currently focusing resources on the provision of new supply. However, given the drop in income caused by the 1% rent reduction, it is probable that the Authority will, in future, as part of a wider Asset Management Strategy within the HRA, need to keep under review the balance of expenditure between new supply and stock maintenance.

- 3.2. At its meeting on 28th July 2015, the Mayor in Cabinet considered the ‘*Strategy and Option for the Use of Right to Buy Receipts*’ report. The Authority now has £29.9m of one-for-one retained receipts, as shown in Table 1 below, requiring a total spend of £99.8 million on replacement social housing is required.

RTB Sales	Quarter Received	Retained one for one Receipts (30%) £	Spend needed on social housing £	Spend Deadline	Council resources needed (70%) £	Cumulative spend needed on social housing £
1	2012/13 – Q1	-	-	-	-	-
2	Q2	-	-	-	-	-
2	Q3	-	-	-	-	-
7	Q4	-	-	-	-	-
1	2013/14 – Q1	-	-	-	-	-
13	Q2	-	-	-	-	-
26	Q3	1,503,000	5,010,000	31/12/16	3,507,000	5,010,000
46	Q4	3,508,000	11,693,000	31/03/17	8,185,000	16,703,000
50	2014/15 – Q1	3,480,000	11,600,000	30/06/17	8,120,000	28,303,000
51	Q2	4,246,000	14,153,000	30/09/17	9,907,000	42,456,000
86	Q3	7,065,000	23,550,000	31/12/17	16,485,000	66,006,000
68	Q4	6,115,000	20,383,000	31/03/18	14,268,000	86,389,000
49	2014/15 – Q1	4,024,000	13,413,000	30/06/18	9,389,000	99,802,000
402		29,941,000	99,802,000		69,861,000	

Table 1. – Current level of RTB one-for-one receipts and Council contribution needed

- 3.3. The level of RTB sales is not showing any signs of slowing down at the moment, with 20 sales having taken place in July, and a further 25 in August 2015.
- 3.4. The Council currently has schemes in place to spend £5.202 million of the one-for-one receipts, on the housing elements of the Poplar Baths and Dame Colet House new-build schemes and small sites already approved (Brick Lane, Christian Street, Spelman Street and Mile End Road). It is however proposed to remove these small sites from the programme (see paragraph 3.9.15) This will reduce the level of committed one for one receipts to £4.554 million, leaving a balance of £25.386 million to use.
- 3.5. Taking account of design, town planning, local consultation, governance, procurement and construction processes, it is clear that any potential development solutions for the use of RTB receipts will be challenging to meet full scheme spend in line with the quarterly deadlines, particularly in June, September, December 2017 and June 2018, especially for those schemes

which do not have planning consent. Accordingly, it will be important to progress potential schemes as quickly as possible through these processes. Modern methods of construction will be considered where viable and appropriate by officers and respective consultants to establish whether the speed of delivery can be improved, without compromising quality and financial viability.

- 3.6. The Council is currently investigating other strands of funding a council housing investment programme which would place less emphasis on the HRA. The contribution of retained one-for-one RTB receipts to other funding models varies on the type of model and whether the utilisation of RTB receipts is permitted under the treasury rules in conjunction with the forms of funding considered.
- 3.7. For example, many boroughs have considered setting up a Special Purpose Vehicle (SPV) this could have a variety of structures including a Joint Venture Company (JVC) or wholly owned company (WOC). An SPV would enable LBTH to utilise other funding sources for a house building programme. The degree of control the Council would retain in an SPV model would determine whether RTB receipts could be utilised. Governance would need to be carefully designed so as to regulate the degree of control retained by the Council, in order to meet the conditions for utilising Right To Buy receipts.
- 3.8. The Council will continue to explore all relevant and viable avenues to utilise RTB receipts. As noted in July 2015 Cabinet report, officers will investigate enhanced housing options and developer led Section 106 purchases. Consideration will also be given to the conversion of office to residential opportunities.
- 3.9. Proposals for the use of the retained receipts are set out in the following paragraphs.

Funded Schemes – Switching funding of Existing Housing Development Programme

- 3.9.1 As outlined in the July 2015 report, In November 2014, Cabinet approved capital estimates and the funding sources for various new developments.
- 3.9.2 Approval was given for a scheme with a value of £2.160 million, to provide ten units across four small sites in Brick Lane, Christian Street, Spelman Street and Mile End Road, with the projects being part funded by retained one for one receipts of £648,000 to represent 30% of the costs.

3.9.3 However, four larger schemes were also approved, two under the Mayor of London's Housing Covenant – 2015-18 programme, and two under the DCLG's Local Growth Fund. Although these schemes total £38.157 million, the Council is unable to apply one for one receipts towards their funding because the projects are part funded through Government initiatives – either grant or increased borrowing approvals. Further details of the projects are outlined below.

3.9.4 Funding Programme: Mayor of London's Housing Covenant – 2015-18

Locksley & Hereford Street sites - £26.868 million, 132 units
(Current Funding: GLA Grant: £3.960 million; LBTH Capital: £22.908 million)

3.9.5 Under the 'Mayor of London's Housing Covenant – 2015-18 programme', the Council was successful in securing grant funding of £3.960 million towards the costs of two new build schemes on the Locksley St and Hereford St sites comprising 132 units. These are both infill sites on existing housing estates.

3.9.6 Capital estimates totalling £26.868 million were adopted for these two schemes by the Mayor in Cabinet. The Council was allocated £3.960 million of grant under the Mayor's Housing Covenant, with the residual cost of £22.908 million being funded from HRA borrowing from within its HRA headroom. Under the terms of the grant award, the use of one for one receipts was specifically excluded from the funding sources that were permitted to finance these projects.

3.9.7 Funding Programme: Local Growth Fund

Jubilee Street & Baroness Road sites - £11.290 million, 48 units
(Current Funding: HRA Borrowing: £8.225 million; LBTH Capital: £3.065 million)

3.9.8 The Council has been developing potential HRA sites to provide 26 units at 6 Jubilee Street - a disused hard standing area previously used as a car park, and 22 new units in Baroness Road - an infill site on Newling Estate. These sites were intended for the Government's 2014 Local Growth Fund programme, which sought to increase HRA borrowing capacity and stimulate Local Authority house building.

3.9.9 Capital estimates totalling £11.290 million were adopted for the schemes by the Mayor in Cabinet on 5 November 2014. The Council was allocated £8.225 million of additional borrowing capacity within its Housing Revenue Account (HRA) as part of the Local Growth Fund. The residual cost of £3.065 million

was to be funded by a direct revenue contribution from the Council's own resources. Under the terms of the borrowing approval, the use of one for one receipts was specifically excluded from the funding sources that were permitted to finance these schemes.

3.9.10. As stated in the November 2014 Cabinet report, it should be noted that the approval under the Local Growth Fund enables the Council to borrow funds for the construction of the specific projects, however all capital financing costs will be the responsibility of the Council. In this case, the annual capital financing charge would be approximately £0.7 million which reflects both the payment of interest and repayment of the principal sum outstanding. This will be a charge to the Housing Revenue Account.

3.9.11. In addition to the four schemes in the paragraph above, Ashington East was approved by Cabinet in November 2013. The scheme attracted £1.59 million grant and the capital estimate is £13.92 million for the provision of the homes (excluding the cost of re-providing the community centre).

3.9.12. As outlined in this report, since the Cabinet decision was made in November 2014, substantial sums of one for one receipts have been retained by the Council which require significant spend on replacement social housing. Alternative funding arrangements for some or all of the sites above would be to use one for one receipts to fund 30% of the scheme costs, with other HRA resources funding the remaining 70%.

3.9.13. The table below shows the effects of funding the schemes using one for one receipts rather than the grant or borrowing capacity that has been awarded.

Scheme and no of units	Capital Estimate Adopted	Funding Awarded	HRA Resources	Proposed Funding with RTB Receipts	Proposed HRA Resources
Ashington East (53)	£13.920m	£1.590m (11%)	£12.330m	£4.176m	£9.744m
Locksley Estate (78)	£15.071m	£2.340m (15%)	£12.731m	£4.5m	£10.57m
Hereford St (54)	£11.797m	£1.620m (14%)	£10.177m	£3.35m	£8.447m
Baroness Rd (22)	£4.707m		£1.077m	£1.412m	£3.295m
Jubilee Street (26)	£6.582m		£1.987m	£1.975m	£4.607m
Total	£52.077m.	£5.50m	£46.527m	£15.413m	£36.663m

Table 2. Grant Funded schemes and Local Growth Fund

- 3.9.14. Utilising one for one receipts instead of grant or the additional borrowing capacity will mean that the necessary borrowing will be reduced with a consequential reduction in debt charges to the HRA.
- 3.9.15. On 5th November 2014 Cabinet agreed the use of RTB Receipts to fund small sites at Brick Lane, Christian Street, Spelman Street and Mile End Road. Following further appraisal, it is now considered an ineffective use of resources including staff and specialist consultancy hours to prioritise these small sites. The RTB receipts held require a larger programme and the value for money aspect of delivering one or two units per site is low.
- 3.9.16. All the above schemes are at an early stage of delivery and have not yet been submitted for planning. Were these developments to be part-funded from RTB Receipts instead, the call on the HRA for a percentage of scheme costs would reduce from 85% to 70%, with the Council having greater flexibility in deciding the level of rents that could be applied on the scheme.
- 3.9.17. The consequences of withdrawing from the GLA funded programmes need to be considered carefully. The GLA is aware of the difficulties faced by Local Authorities in general following the July 2015 budget announcements, and that it is unlikely that the Council would have the financial capacity to bid for grant at the same time as to undertake a development programme under the RTB Receipts programme.
- 3.9.18. Traditionally, the Investment Partners have been Registered Providers and the borough has assumed the facilitating and monitoring role. The Council would focus on this and continue to be a valuable development partner.
- 3.9.19. Other programmes such as the Housing Zone, Opportunity Area Planning Framework (OAPF) and other new initiatives are critical to the delivery of the GLA's on-going housing delivery and the merits of the proposals are likely to be the real focus.

3.10. Affordability

3.10.1. The Executive Mayor has established a Cabinet Commission to investigate the delivery of affordable housing in Tower Hamlets and the degree to which it is affordable for those on low and average incomes in the borough who cannot afford to access market housing. The Housing Policy & Affordability Commission is due to report in December 2015. It will consider the approach of the Council to achieving homes which are truly affordable. The rent levels recommended by the Commission will apply to the housing development schemes currently in the pipeline and recommended for approval in this report.

Unit type	Market rent 2015/16	Local housing allowance April 2015	80% market rent	Framework rent (POD) 15/16	50% market rent	90% framework rent	75% framework rent	Target rent 2015/16
1 bed	£ 330	£ 257	£ 264	£ 215	£ 165	£ 194	£ 161	£ 99
2 bed	£ 419	£ 302	£ 335	£ 232	£ 210	£ 209	£ 174	£ 112
3 bed	£ 529	£ 354	£ 423	£ 265	£ 265	£ 239	£ 199	£ 126
4 bed	£ 619	£ 417	£ 495	£ 287	£ 310	£ 258	£ 215	£ 141
5 bed	£ 683	£ 417	£ 546	£ 307	£ 342	£ 276	£ 230	£ 157

Table 3. Tower Hamlets 2015 Rents – Comparison

3.10.2. Initial modelling carried out shows that the 1% reduction in social and affordable rent for four years will lead to a loss of rental income in the HRA in excess of £24 million over the period of four years. For the purpose of planning income and expenditure in the Housing Revenue Account and for setting development budgets, assumptions on the rental income will be based on the Borough Framework Rents (aka POD Rents). The development schemes will be put through the tests of development appraisal and viability on several occasions during the development process and these will be revised to adopt the rents set by the Housing Policy & Affordability Commission.

3.11. Housing Capital Investment 15/16 onwards

The Housing Development Programme

3.11.1. Following an estate capacity study, the existing housing development programme was compiled on the basis of the following criteria and was made up mainly of infill sites on housing estates:

- Brownfield sites
- Suffering from anti-social behaviour
- Well above average spend to retain
- Significant overcrowding
- Average or below average leasehold ownership
- Offer improvement opportunities to the surrounding area
- Had sufficient development potential and acceptable density
- Offered the opportunity of building more homes for vulnerable people and met housing need
- Had sufficient amenity land for the new development

These criteria will be revised and brought back for further consideration in how they continue to be relevant in devising a revised development programme.

3.11.2. In addition, new sites from the General Fund have been identified as they offer good development opportunities in terms of current usage, deliverability and appropriate number of units for the programme. Together with the housing sites already identified as part of the existing programme, these new General Fund sites will form the first phase of the Council's housing investment programme utilising the one-for-one receipts. In addition, the Council's emerging Asset Strategy will identify sites that are surplus to requirement in their current usage; these will either be disposed of for a capital receipt or brought forward as part of the Council's housing development programme.

3.11.3. The consolidated development programme showing potential dwelling numbers is contained in Table 3 below. It will deliver a number of benefits, namely:

- Reducing overcrowding
- A range of affordable rented homes for local people in housing need, including homes designed to provide disabled access
- Homes built to lifetime homes standard
- Located close to good transport infrastructure
- Design which considers sustainability and green infrastructure
- A well designed structure with balconies to provide external spaces
- External hard and soft landscaping to improve the surrounding street scene
- The creation of apprenticeships and other job opportunities both during construction and operation of the developments.

Site	Unit numbers
Jubilee Street	26
Baroness Road	22
Locksley Estate	78
Hereford Estate	
Ph 1	54
Ph 2	18
Tent Street	
Ph 1	42
Ph 2	42
3-5 Arnold Road	65
Ashington East	53
Total Units	400

Table No. 4 - Proposed Housing Investment Programme –Phase One

The proposals to date and background detail of the schemes are attached in Appendix 4.

3.11.4. The indicative cost estimate for the programme is assumed on the basis of all affordable homes and totals approximately **£115 million**. However, the tenure mix may include a range of options, including affordable rent, intermediate or purchase options, subject to planning policy. Of relevance will be Strategy S08; ensuring housing contributes to the creation of socially balanced and inclusive communities.

3.11.5. This report is seeking the adoption of a programme **Phase One capital estimate** for the projects listed in Table No.4 above; this will allow the schemes to be developed up to RIBA stage 3, which will then allow a detailed project capital estimate to be adopted prior to seeking planning consent and going out to procurement. A capital estimate of £10 million is requested.

3.11.6. The proposed capital estimate is for proposed Fees that include a degree of over-programming in order to ensure that there is significant flexibility and contingency within the programme to ensure the target of expenditure for RTB receipts is met, taking into account the potential of events such as technical surveys having an impact on planned scheme time-tables. To mitigate this factor, no scheme will be developed past RIBA Stage 3 without full funding being in place.

3.12.0. General Progress Update

GENERAL FUND SITES

3.12.1. Feasibility studies have been completed for both Arnold Road and Tent Street by the in house technical team. The procurement process has commenced to procure the full technical team via a framework as set out below. Surveys will be instructed on these sites.

HOUSING INFILL SITES

3.12.2. The new build housing programme will be delivered by the Council for the infill/estate sites. High level feasibility studies have been completed, Architectural Services and Cost Adviser have been appointed and the RIBA stage 1 feasibilities on all sites commenced 14th September 2015.

3.12.3. Stage 1 consultation has been completed on the four infill sites. Additional detail of the consultation is attached in Appendix 3.

Key themes from residents included:

- anti-social behaviour
- increase in population
- routes/paths to the park
- parking
- housing management issues
- loss of sunlight/daylight

These issues are being reviewed by the project team as part of the design, planning and engagement process. A communications plan has been developed and this is attached at Appendix 2.

3.12.4. Development Programme : 2015-18

The following key milestones are now applicable:-

Milestone Stage	Target Date
Appoint Project Team	3 rd Quarter 2015/16
Planning Application	4 th Quarter 2015/16
Planning Approval	4 th Quarter 2015/16
Procurement	1 st Quarter 2016/17
Construction Phase (Housing Infill Sites) Start On Site	2 nd Quarter 2016/17
Completion	4 th Quarter 2017/18
Start On Site – (Non Housing & General Fund Sites)	3 rd Quarter 2016/17
Completion	1 st Quarter 2018/19

Table 5 – Development Time-table

3.13.0. Design Considerations

- 3.13.1. The proposed schemes will be designed in accordance with the London Housing Design Guide Standards and the draft LBTH Design Guide. Planning Policy S09 will be applicable; ensuring that all housing is high quality, well designed, energy efficient and sustainable. Design compliance will be managed to incorporate new local guidance relating to the design of accommodation for those with disabilities.
- 3.13.2. The effects of the Government's Housing Standards Review in terms of the removal of the Code for Sustainable Homes has been noted but until its replacement by the new Building Regulations, the default position is that "the spirit of the Code" should be adhered to in new Council developments.
- 3.13.3. Construction quality will be maintained, not only through planning, but by a comprehensive set of Employer's Requirements, that will be the responsibility of the Employer's Agent to monitor. Furthermore, a client side Clerk of Works will be retained, reporting directly to the Project Manager, who will monitor construction quality on site and compliance with the Employer's Requirements and statutory regulations.
- 3.13.4 Housing Managers and local stakeholders will be involved in design and construction management, to ensure minimal environmental impact during the construction phase and following handover. To ensure continuity of the project team input into the handover period, the Capital Delivery Team will retain a monitoring function on reported defects during the first year of use (The Defects Liability Period or DLP).

3.14.0. Procurement

- 3.14.1 The proposed procurement of the design team and the principal contractor is likely to be from approved frameworks available for council use although flexibility may be needed dependent on the individual requirements of the contracts. The Council has established relationships with Framework providers East London Solutions; Southern Construction Framework or Barking and Dagenham Framework. The 4 infill schemes (excluding Ashington East) will be let in two lots, with two sites in each.
- 3.14.2. The construction parts of the schemes are intended to be developed on a Design & Build basis, which generally can provide for greater certainty over final costs and easier recourse against the contractors should there be any breaches of contract. However, it is important to maintain quality, and to ensure this it is intended that the design team will be initially appointed by the Council and they will take the design to at least RIBA Stage 3 prior to transfer to the Construction contractor. This will also ensure sufficient input from both structural and M&E advice at the planning stage. Approval is therefore sought for funding to enable the appointment of professional services, including technical advisors, architects, employers agents, surveys, in order to allow the schemes detailed in paragraph 3.11.3. above to be developed up to RIBA stage 3. This will enable a detailed project capital estimate to be determined and brought back to Cabinet for adoption prior to seeking planning consent and commencing the relevant procurements.
- 3.14.3. The main advantage of using frameworks is that it avoids the need to go through the full OJEU process (European Procurement Directives). The use of frameworks provides for a simpler two stage selection process (the Mini Competition) that reduces procurement time.

3.15.0.The One For One RTB Receipts Programme

3.15.1. The July 2015 Cabinet Report on the HRA set out a number of options for the use of the One for One RTB Receipts in addition to the Housing Development Programme. These options included a Leasehold Buy Back Scheme and a Local Housing Grant Scheme for Registered Providers.

Table 6 below shows the existing housing development programme followed by the new proposed complete programme including the One for One Receipts programme.

Current Development Programme	COUNCIL LED HOUSING DEVELOPMENT PROGRAMME		
	Site	Funding Source	Units
	Ashington East	GLA	53
	Bradwell	GLA	12
	Watts Grove	GLA	148
	Poplar Baths	RTB Receipts	60
	Dame Colet	RTB Receipts	40
	Locksley	GLA	78
	Hereford	GLA	54
	Baroness	Local Growth Fund	22
	Jubilee Street	Local Growth Fund	26
	Spelman Street	RTB Receipts	3
	Christian Street	RTB Receipts	1
	Brick Lane	RTB Receipts	3
	Mile End Road	RTB Receipts	3
	Total		503

New Proposed Programme

Site	Funding Source	Units
Ashington East	RTB Receipts	53
Bradwell	GLA	12
Watts Grove	GLA	148
Poplar Baths	RTB Receipts	60
Dame Colet	RTB Receipts	40
Locksley	RTB Receipts	78
Hereford	RTB Receipts	72
Baroness	RTB Receipts	22
Jubilee Street	RTB Receipts	26
Arnold Road	RTB Receipts	65
Tent Street	RTB Receipts	84
Leasehold Buy Backs	RTB Receipts	85
RP's Local Housing Grant	RTB Receipts	101
Total		846

Table 6. One for One RTB Receipts Programme

3.16.0. A Local Affordable Housing Grant Scheme

3.16.1. The Mayor in Cabinet is asked to allocate a capital estimate of £7.06 million for the creation of the Local Affordable Housing Grant Programme scheme subject to the Commissioners' agreement as required by the 2014 Directions. It is proposed that the Council set up a Local Affordable Housing Grant Programme funded by retained RTB Receipts under which Preferred Partner RP's will contribute to programme delivery in a timely manner. The grant will be a maximum of 30% of total scheme costs for affordable rent new build or buy-backs. This is to reflect the Treasury requirement that a maximum of 30% of RTB receipts can be applied to the financing of schemes.

3.16.2. The borough stands to gain in adopting a new partnership approach with Registered Partners. In calling on RPs to deliver the affordable housing at rents that it sets rather than rents that are agreed with the GLA, it opens up new avenues in the delivery of homes. RPs would be in agreement with this approach if the financial viability were to support the Business Plan. With the contribution of 30% of scheme costs coming from RTB Receipts, the housing associations only need borrow for 70% of scheme costs, thereby making a saving on loan rates.

3.16.3. It is proposed that the Council set up a Local Affordable Housing Grant calling on RPs active in the borough to use the grant

- in the construction of new homes on land acquired by the RPs, or on land in Council ownership
- in the buy backs of properties acquired under the RTB (this would apply to previously transferred estates) whereby the RPs would buy back the dwelling instead of building a new unit.

3.16.4. An investment of £7.06m in the Grant Programme would kick start a programme worth £23.5m with the RPs contributing the balance of £16.4m. At a notional average of £230k development cost per unit, a programme of that size would deliver in excess of 100 new affordable homes.

3.16.5. The programme would last for five years. The borough holds unallocated £25.4m RTB receipts to be spent by Quarter one of 2018/19. In order to spread risk between the RPs and the Council and to make it attractive to RPs, it is proposed that **£7.06m** of retained RTB receipts be ring fenced for the programme, subject to review in Year 3 of those schemes which are on course to meet the projected spend. Scheme allocations which do not project to meet the deadline of spend and as yet unallocated funds in Y3 will be reallocated to other schemes to enable a full spend by Y5.

3.16.6. It is proposed that priority be given for homes that meet the LBTH specific strategic criteria:-

- Deliverability – the scheme must be deliverable within the desired timeframes. Milestones will be set and the grant will be repayable if the milestones are not achieved.
- Affordability – preference will be given to homes that are most affordable to local residents
- Tenancies – preference will be given to homes with longer tenancies
- Delivery of other strategic objectives – preference will be given to schemes that assist with P120 (households with disabled members) or the Under-occupation Policy.
- Buy-backs – details are proposed in para 3.16.

The Preferred Partner RPs will already be signed up to our Common Housing Register but they will have to enter into our standard Rents and Nominations agreement and a LA Grant Agreement.

A grant scheme will require the approval of the Commissioners. Appendix One contains draft criteria for the scheme which will be reviewed and developed prior to submitting for approval by the Commissioners.

3.17 A Leasehold Buy Back Programme

- 3.17.1. Whilst a new build programme offers a better quality housing stock than existing leasehold properties; the time-table and the complexity of delivering infill sites may need a fall back option to be identified. Therefore, it is proposed that a leasehold buy-back programme is adopted.
- 3.17.2. A blended approach regarding property size (targeting 1bed, 2bed and 3beds) to develop a range of options to help reduce overcrowding, should be adopted. It is also proposed that this programme is extended to local registered providers as a grant programme (the Council will develop a contract for such a programme) in order to maximise spend and obtain best value.
- 3.17.3. A budget of up to a maximum of £27.3 million (85 units) is proposed for the leasehold buy-back programme to cover the purchase price, all professional fees and project management costs and up to £10k of works. This is the level of expenditure required to fully utilise the £8.1million of currently uncommitted receipts that must be applied by 30 September 2017 at up to 30% of the costs of new housing supply.
- 3.17.4. Recent valuations for right to buy sales to council tenants have resulted in a range of values across the housing stock for example 1 beds ranged from £200,000 to £340,000, 2 beds between £210,000 and £600,000 and 3 beds £280,000 to £800,000. Both the location and condition are factors in the valuations of properties, however it is estimated that the programme will present better value than a purchase on the open market. In addition, it concentrates stock in areas already owned by the Council, ensuring that no additional service contracts are needed and management services would fit within existing patterns.
- 3.17.5. As part of the criteria for selecting properties in the programme, the Council would consider acquisitions of ground floor properties, seeking to meet a need which is borne out by the number of applicants requiring ground floor housing for medical reasons who have priority status on the Housing Waiting List. The condition of the properties would also be a factor as the Council takes the opportunity to address existing issues relating to absentee landlords, delivering overall improvements to general estate management and a resolution of antisocial behaviour.
- 3.17.6. Under the regulation only properties which have been disposed of by the Council **ten years previously** or more, are eligible for buy backs with the application of the maximum 30% RTB receipts.

3.17.7. The workings of the scheme will require detailed planning with a maximum limit set on the value the Council would spend on any individual property, as well as criteria set for eligibility. Due to the significant values of property within the Borough, careful consideration should be given in respect of the value for money and affordability implications of a buy-back programme, particularly if compared to a new build programme.

3.17.8. The main focus of the programme is the reacquisition of previous social housing which was sold under the RTB. However, in some instances, it may be advantageous to the Council to buy back the freehold of a dwelling. The Council may have sold the freehold to an individual house which is located on an existing housing estate or is a street property or is in a small block. In those instances, the freehold would be purchased.

3.18 Resident Engagement and Consultation Strategy

3.18.1. The Council will establish an extensive programme of consultation throughout its council house building programme. A calendar for community wide consultation will be established for each project, locally elected members will be informed and consulted from the offset, with an initial kick off consultation with the community to establish the objective of the development and receive feedback. Consultation with key stakeholders will follow the initial meeting. The programme for engagement will then be established. The results of the consultation programme will inform the Council and Developers of any appropriate design matters in the overall scheme.

3.18.2. The consultation programme will ensure all local residents are given the opportunity to comment on the design and functionality of the new developments. The plans will be available online and displayed to the residents at Exhibitions on the estate. There will be feedback forms and other media to provide comments on the projects. The results will inform the final design process and help create a positive relationship between the community and the development projects. In addition to residents, Key stakeholders (such as ward members, portfolio holders, heritage groups, Network Rail etc) and statutory consultees for each project will be identified. Key stakeholders will be consulted through personal invitation to the area-wide exhibitions/drop-ins and one-to-one consultation where needed. A regular newsletter / bulletin will be produced which will publicise the exhibitions and Planning consultations in a timely manner.

3.18.3. Infill Sites on existing housing estates require a distinct approach. The main considerations will be :

- community involvement
- acceptable density both in design terms and in community sustainability
- the views of local residents on the proposals are sought at the very beginning in order to inform the proposals
- sufficient amenity land for the new development
- a good management plan for the future
- the ability to solve local issues such as decant possibility for a block or an estate which needs to be redeveloped
- daylight and sunlight issues
- access and construction traffic
- resident security during the development

3.18.4. Sites requiring Redevelopment are likely to be existing housing blocks which have a long term maintenance need which is not capable of being met. These sites often pose anti-social behaviour issues to local residents; addressing those issues would be part of the proposals. Where the existing block/estate counts leaseholders, extensive consultation with leaseholders is required from the onset in order for them to decide whether they wish to be part of the plans.

3.18.5. Many development sites in London are initially brownfield land which have had or have light industrial use. It is important that in bringing such sites to development, that the Council undertakes full remediation and undertakes to assist in the relocation of services if appropriate.

Further detail on the Resident Engagement Strategy is attached as Appendix No. 2. Development Programme – Communications Strategy.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 An initial report was considered by Cabinet on 28 July 2015 which outlined the issues facing the Council's Housing Revenue Account and specifically the need to utilise the significant level of receipts which have accumulated following the Government's reinvigoration of the Right to Buy system. This report updates Members on the latest position in relation to the level of RTB one for one receipts currently retained by the Authority, the amount of these receipts that have already been committed to replacement social housing, and the various schemes that are being proposed in order to utilise the remaining unallocated one for one receipts.

- 4.2 The report requests that the Mayor in Cabinet note that there are a number of proposals being developed to ensure that the Authority spends a sufficient amount of money on replacement social housing by the deadlines set out in Table 1.

Switching GLA Grant Fund & Local Growth Fund for one for one receipts

- 4.3 Recommendations 1 a) and 1 b) of this report recommend that the Mayor in Cabinet agree to authorise the return of the GLA grant and additional borrowing awarded under the Local Growth Fund in relation to schemes at Ashington East, Hereford Street, Locksley Estate, Jubilee Street and Baroness Road.
- 4.4 Returning the GLA grant funding means that the Authority will lose £5.550 million of grant funding. However, as detailed in Table 2, the percentage of the current scheme costs funded by grant is between 11% and 15%, whereas one for one receipts can fund up to 30% of the scheme costs which would equate to over £12 million, based on current scheme costs.
- 4.5 In respect of the Local Growth Fund, it should be noted that although the approval enables the Council to borrow funds for the construction of the specific projects, all capital financing costs would be the responsibility of the Council. In the case of these schemes, the annual capital financing charge would have been approximately £0.7 million which reflects both the payment of interest and repayment of the principal sum outstanding. This would have been a charge to the Housing Revenue Account.
- 4.6 As detailed in paragraph 3.9.15 this report asks that the Mayor in Cabinet agrees to remove the ten units proposed at Brick Lane / Christian Street / Spelman Street & Mile End Road. It had been proposed to use Right to Buy one for one receipts to fund 30% of these schemes, and a Revenue Contribution to Capital (RCCO) of £1.512 million was earmarked to fund the remaining 70%. These resources can instead be used towards the enhanced development programme.

Enhanced Development Programme

- 4.7 As shown in Table 2, capital estimates are in place for Ashington East, Hereford Street, Locksley Estate, Jubilee Street and Baroness Road, totalling £52.077 million. It is proposed that these schemes be incorporated into an enhanced development programme, which will also incorporate schemes at Tent Street and 3 – 5 Arnold Road, as shown in the table setting out the New Proposed Programme at 3.15.1.

- 4.8 The report proposes that a capital estimate of £10 million be adopted to enable the appointment of professional services, including technical advisors, architects, employer's agents and surveys, in order to allow the schemes shown in the table setting out the New Proposed Programme at 3.15.1. to be developed up to RIBA stage 3 level,
- 4.9 Once the schemes are at RIBA stage 3 level, further Cabinet approval will be sought for formal capital estimates to be adopted, and the schemes to be incorporated into the capital programme. At this stage a detailed financial appraisal of the costs and likely resourcing of the scheme will be undertaken. This will need to consider the tenure of the properties and rent levels.
- 4.10 The HRA capital programme includes an uncommitted budget of £48.166 million to finance new supply utilising one for one receipts. The resources to finance the £10 million capital estimate sought to progress the schemes to RIBA stage 3 status will be met from this budget.
- 4.11 If any of the schemes do not proceed following development to RIBA stage 3, these costs will be abortive and therefore must be charged to revenue. If so, the costs will be financed from revenue resources earmarked to finance a Revenue Contribution to Capital expenditure.
- 4.12 Right to buy one for one receipts can only be used to part-fund social housing that is available for rent (at up to 80% of market rent.) It is currently assumed that all the LBTH new build schemes would comprise 100% rented units, in which case it would be permitted to use RTB one for one receipts to fund up to 30% of all the costs. However, as outlined in para 3.11.4, the tenure mix on these sites is yet to be determined, therefore it is not currently possible to calculate the amount of one for one receipts that will be used.
- 4.13 It should be noted that although previously agreed schemes are being developed on Housing Revenue Account land, the Tent Street and 3-5 Arnold Road sites are held for General Fund purposes. If these sites are ultimately developed for Local Authority housing, it will be necessary to appropriate the land into the HRA for the purpose of delivering council homes. The implications of this will be included in the assessment of potential projects in future Cabinet reports.

Buybacks

- 4.14 This report requests that the Mayor in Cabinet agrees to adopt a capital estimate of £27.280 million for a leasehold buy-back programme – this is the current amount of additional spend on replacement social housing that is required by the end of March 2017, June 2017 and September 2017.

- 4.15 It is considered that a capital estimate of £27.280 million could purchase up to 85 properties, although the budget will incorporate not only the purchase price, but also all fees, project management costs and up to £10,000 of works per property, to cover the cost of bringing properties up to a lettable, Decent Homes standard. As noted in paragraph 3.17.2 it is proposed that the Council adopt a flexible approach regarding the size of the property that the Authority purchases.
- 4.16 The advantage of a buy-back programme is that the properties can be acquired, and therefore the expenditure incurred, in a timely and rapid manner if necessary. In view of this, a possible option is that a capital estimate is adopted but that properties are only purchased as and when required to ensure that one for one receipts are not lost. A best value assessment of each individual purchase would be undertaken prior to entering into contract.
- 4.17 A decision will need to be taken about the level of rent that is to be charged on leasehold buy-back properties. Based on an assumed average purchase price of £321,000, the Council would be able to utilise £96,300 of retained one for one receipts, resulting in a requirement to finance the residual £224,700 from other sources. If this sum is financed through borrowing, assuming that the loan is repaid over 30 years, the initial weekly loan repayment would equate to £247 at an interest rate of 4% or £219 at a rate of 3%.
- 4.18 This does not include the costs of management and maintenance which could add another £2,000 per annum, i.e. £38 per week, bringing the total weekly costs to the council to £285 at a 4% interest rate, or £257 at 3%. In order to cover its costs the Council would therefore need to charge rents of this level in year 1, although over time rental levels should increase at a higher level than the expenditure items, so there is scope to even the rental levels over a longer period of time in order to recover full term costs. It should be noted however that the costs above do not include any provision for on-going capital need.

Local Affordable Housing Grant Programme

- 4.19 This report requests the Mayor in Cabinet to agree that a capital estimate of £7.06 million be allocated for the creation of the Local Affordable Housing Grant Programme, subject to the Commissioners' decision. The programme would be targeted to Registered Providers (RPs).
- 4.20 The sum of £7.06 million represents a 30% one for one contribution towards RP schemes, therefore the total amount of replacement social housing that could be delivered would be £23.550 million, which represents the amount of total spend required by the end of December 2017.

- 4.21 Even if the Authority plans to pass one for one receipts to a third party the responsibility to spend the required amount on replacement social housing remains with the Authority. In the event that RPs within the borough failed to spend sufficient sums, or did not spend by the required deadlines, the Authority would be liable for any interest arising from a failure to spend in line with the Right to Buy agreement.
- 4.22 Government guidance recommends that where an Authority grant funds another body it should not pay grant until scheme completion; this is in order that the Authority will be able to demonstrate clearly to its auditors that its contribution did not constitute more than 30% of the total scheme costs.
- 4.23 In addition, the government guidance reminds Authorities that the one for one receipts must have been spent by the required deadline; a contracted commitment to spend the resources does not count as 'spend', nor does the fact that an Authority has granted the one for one receipts to a third party count as 'spend'.

Resources

- 4.24 All expenditure must be funded from HRA resources, with borrowing being the final option. At its meeting in February 2015, Council agreed the 2015/16 HRA Capital Programme which included an initial sum of £33.716 million of Council resources to be spent in order to finance the 70% Council contribution needed to spend the (then) one for one unallocated receipts of £14.5 million. It should be noted that the Council decision was an approval to utilise resources to finance schemes if they are available, and subject to viability assessments of each project. Potential non-borrowing resources will be incorporated into the future assessment of the schemes when capital estimates are sought.
- 4.25 The capital estimates sought in this report total £37.280 million. It is proposed that these be financed from the following sources:
- £11.184 m Right to Buy one for one receipts
 - £ 7.500 m New Homes Bonus (CAB 28/07/15)
 - £10.000 m additional Decent Homes grant
 - £ 2.850 m preserved RTB receipts
 - £ 5.746 m RTB receipts - non one for one

Total: £37.280 m

Further details of these funding sources are set out below.

4.26. New Homes Bonus £7.5 million

At its meeting on July 28th 2015, as part of the 'Strategic and Resource Planning 2016-17 to 2018-19' report, the Mayor in Cabinet agreed to note that £7.5m uncommitted New Homes Bonus has been set aside to fund replacement of social housing.

4.27. Additional Decent Homes grant £10 million

The Authority has been awarded £13.270 million of additional Decent Homes grant for 2015/16 in order to reduce the level of non-decent backlog stock down to 10%. The Council was however effectively already funding these works as part of the £181.37 million enhanced Decent Homes programme, therefore it is judged that £10 million of HRA resources that were notionally in place as funding for the Decent Homes programme can be switched and instead used to fund new supply.

4.28. Preserved Right to Buy receipts £2.85 million

As part of the stock transfers that took place between 2004/05 and 2009/10, the registered social landlords (RSLs) have an obligation to share an element of the Right to Buy receipts received from the sale of housing stock that was transferred to them from the Council. Although the transfer agreements provided for a 'holiday' period of between five and 10 years in which no receipts would be payable to the Authority, many of these 'holiday' periods have come to an end or will shortly do so. A sum of £2.85 million has been received to date. received

4.29. Right to Buy receipts (non one for one) £5.746 million

As part of the calculation of the one for one receipts element, the Council deducts certain sums from the net Right to Buy receipt, i.e. for allowable debt, administrative costs, buy back allowance and the Local Authority's share. These capital receipts can be used for any purpose. It is recommended that £5.746 million be used towards the funding of replacement social housing.

4.30. A review of the Council's 30 year HRA finance model is being undertaken, particularly in relation to the future capital investment needs of the existing stock in light of the ending of the Decent Homes Programme in the next financial year. A stock condition survey is currently being carried out to provide the basis for the assessment and while it should assist in identifying

any budgetary pressures that may exist, it will also highlight whether resources that are currently earmarked to fund the capital maintenance programme may be available to supplement the funding of new housing supply instead. The model will also be updated to reflect the impact of the Government's budget proposals.

5. LEGAL COMMENTS

- 5.1** The report sets out proposals for an affordable housing programme in line with the current resources in the Housing Revenue Account targeted to meet housing need in the Borough. It also provides an update on the amount of retained Right to Buy (RTB) receipts held by the Council together with the treasury conditions for spend.
- 5.2** The Council is a local housing authority within the meaning of the Housing Act 1985 and is specifically empowered to provide housing accommodation, either by erecting houses, or converting buildings into houses on land acquired by it for the purposes of Part 2 of the Housing Act 1985, or by acquiring houses. The powers under the Housing Act 1985 include altering, enlarging, repairing, or improving such houses.
- 5.3** Section 1 of the Localism Act 2011 gives the Council a general power of competence to do anything that individuals generally may do, subject to specified restrictions and limitations imposed by other statutes and this power can be utilised to provide grants under the proposed Local Affordable Housing Grant Programme Scheme..
- 5.4** Right to buy receipts are capital receipts within the meaning of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and those Regulations generally require the Council to pay the amounts received to the Secretary of State on a quarterly basis. However, pursuant to section 11(6) of the Local Government Act 2003, the Council may enter into an agreement with the Secretary of State to retain the whole or part of a capital receipt. As set out in the report, such an agreement was entered into in 2012 (and amended on the 17th July 2013) which specifies circumstances in which the Council is not required to pay specified capital receipts to the Secretary of State. This primarily covers a percentage of right to buy receipts received on or after 1 July 2012, subject to conditions. The proposed use of these RTB receipts appears to be in accordance with the Agreement referred to above.
- 5.5** The nature and value of each proposed contract will need to be understood before proceeding with the procurement. Should the value exceed the European threshold, as set down by the Public Contracts Regulations 2015,

then the competitive exercise must comply in all respects with the requirements of the Public Contracts Regulations and with European Law. Approval will need to be obtained for any subsequent construction contract award in accordance with the Council's constitutional arrangements.

- 5.6. The Council has an obligation under section 3 of the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty). This is further addressed in paragraph 7 below. One way that the Council seeks to fulfil this duty is by complying with its procurement procedures. The general principle is that the Council achieves best value by subjecting spend to competition and choosing the winning bidder by applying evaluation criteria showing the best and appropriate mix of price and quality. The Council will need to comply with its procurement procedures when purchasing services and works.
- 5.7. On 17 December 2014, the Secretary of State made directions ('2014 Directions') in relation to the Council pursuant to powers under section 15(5) and (6) of the Local Government Act 1999. Those directions are in place until 31 March 2017. The directions require that during the direction period the Council must adopt all recommendations of the statutory officers (relevantly the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer) in relation to the processes and practices to be followed in relation to entering into contracts, unless the prior written agreement of the Commissioners is obtained not to do so. The 2014 Directions also provide that '*all functions the Authority exercises relating to the making of grants under any statutory power or duty*', including any grants pursuant to section 1 of the Localism Act 2011 (but excluding the Disabilities Facilities Grant) are to be exercised by the Commissioners. Accordingly the setting up and administering of the Local Affordable Housing Grant Programme scheme will require a decision by the Commissioners.
- 5.8. When exercising its functions the Council 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 do not (the public sector equality duty). The Council's compliance with this duty is expanded upon in paragraph 6 below.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1. On reducing inequalities, this proposal will help deliver real and lasting change. The delivery of more affordable homes will help give households, particularly those from black, Asian, or other minority ethnic backgrounds) on

low incomes (many of whom are benefit dependent) a secure home. This has the potential to create an environment for household members – particularly children – to improve their educational attainment which will in turn help them access sustainable employment in the future. The delivery of more housing that is wheelchair accessible and meets lifetime homes standards is a proven method to help reduce inequalities.

- 6.2. The provision of additional rented schemes can potentially impact on community cohesion. The amount of private housing developed for sale and private rent has been particularly high in Tower Hamlets. However, the large majority of this housing is inaccessible to residents due to high house prices. Therefore, maximising the amount of affordable housing for rent wherever possible can contribute to community cohesion. This can be achieved by reducing the number of households on the Common Housing Register waiting for a home, whilst also giving an opportunity for local applicants to access low cost home ownership opportunities.
- 6.3. Delivery of these commitments set out in this report has the potential to make a significant contribution to the 'Great Place to Live' strand of the Community Plan. This directly makes a significant contribution to the core Local Plan target of new affordable homes delivery. The programme also makes a wider contribution to Community Plan objectives, such as on increasing household recycling; reducing crime (through Secure By Design standards); and increasing skills and training opportunities. The proposal is a good 'strategic fit' with the Community Plan and will help Tower Hamlets deliver both the housing and sustainable communities priorities identified.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1. The Council is required to consider the value for money implications of its decisions and to secure best value in the provision of all its services. It is important that, in considering the application of funding, Members satisfy themselves that resources are allocated in accordance with priorities and that full value is achieved.
- 7.2. The report seeks to adopt a capital estimate for partnership work with Registered Providers whereby the Council would invest a maximum of 30% of scheme costs and lever in the remaining 70% through the Registered Providers' resources.
- 7.3. This report is concerned with achieving best value with the application of Right To Buy Receipts to schemes resulting in additional homes for local residents. The strategies and schemes considered will deliver value for money in meeting the Council's duty as a local housing authority.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 The schemes will comply with the Council's requirements on the reduction of carbon emissions, energy consumption along with green and sustainable construction delivery.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 The level of HRA borrowing required will have an impact on the long term strategy for the Council owned stock. Due to the 30/70 proportion in which schemes are capable of being funded, the HRA will have fewer funds to allocate to maintenance needs and to upgrade existing stock. The Tower Hamlets Homes Board agreed a report in December 2014 on a proposed asset management and investment strategy. The asset management needs will be reviewed in the light of the asset survey; the report is currently expected for Quarter 2.
- 9.2 The construction market is currently very active and the pace of construction related inflation may outstrip the project estimating process – however, the budget estimates currently make assumptions about the level of construction inflation based on BCIS index as well as the actual returns on current schemes.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 The schemes proposed will be designed to Secure By Design Standards. In addition, the natural surveillance offered by the new developments is likely to improve safety in the respective areas.
- 10.2 The proposed leasehold buy-back scheme will contain as part of officers selection criteria consideration of privately rented estate properties that are poorly managed and result in ASB.

11. SAFEGUARDING IMPLICATIONS

- 11.1 None.

Linked Reports, Appendices and Background Documents

Linked Report

- 28th July 2015 Cabinet – Strategy for the Use of Right To Buy Receipts

Appendices

1.Criteria for RP Funding

2.Communications Strategy

3. Resident consultation feedback from :

Jubilee Street, Baroness Road, Locksley and Hereford Estates

4. Development Sites Information

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

None

Officer contact details for documents:

John Coker, Strategic Housing Manager (D&R) - Phone: 020 7364 3782

APPENDIX ONE

Draft Criteria for RP Funding

1. Eligibility

- Open to Developing Registered Providers working in the Borough
- RPs that own all or the majority of its stock in the borough consistent with the membership rules for the Tower Hamlets Housing Forum (THHF)
- RPs that play an active role in the Tower Hamlets Housing Forum (THHF)
- RPs with Full Membership of the LBTH Preferred Partner Scheme
- RPs who will directly manage the accommodation funded

2. Standards of Development

- LBTH Planning Guidance on Affordable Housing sets the base standards
- Schemes should meet planning policy on mix on bedroom size, tenure, and other standards
- The London Housing Design Guide will apply
- The Tower Hamlets draft Design Guide for Council owned Affordable Housing (where applicable)
- RP approved design standards
- Developments which are part of Section 106 can be included but only if they meet the above standards

3. Tenures & Rent

- Using the Managing Development planning document as guidance, schemes will prioritise the delivery of Social rented units in each scheme
- The rent level will be agreed with the funder of the scheme prior to seeking planning approval and will make consideration of the recommendations of the Housing Policy and Affordability Commission

- Service charge element to be no more than 15% of the rent where this is not included in the rent to be charged
- Other tenures such as market sales or market rented units can be included if they assist scheme viability but will not attract funding under the programme
- A Development Appraisal must be submitted with each scheme in order to demonstrate scheme viability and that the funding objectives are met
- The LBTH Standard Nominations Agreement for RPs will apply

4. Funding

- The amount of funding available for this initiative is £7.06 million
- Funding is currently available for spend in 2016-2019
- The grant element will represent a maximum of 30% of the scheme cost
- Payment will be in two tranches at Start On Site and at Practical Completion providing expenditure can be demonstrated and the funding criteria are met
- All Funding is subject to entering into a legal agreement with the Council.

5. Prioritisation

- Where possible larger 3 & 4 bed units let on social (target) rents with preference for units being on the ground or lower floors
- Fully accessible homes for those with disabilities and preference for wheelchair housing to be on the ground floor
- Schemes with planning permission
- Schemes must deliver according to the timescale set out below
- Schemes that fit in with the Planning or supported Borough Housing Investment Strategy e.g. Whitechapel Master Plan area
- Schemes providing other community benefits
- A realistic timeframe for bids to be developed by RPs assessed by Council and approved including Cabinet approval and legal approvals. Some of these steps will need to be concurrent)

APPENDIX TWO

DEVELOPMENT PROGRAMME - COMMUNICATIONS STRATEGY

1.0 Introduction

1.1 Tower Hamlets council is seeking to establish an extensive programme of consultation throughout its council house building programme this includes sites initially proposed at :-

- I. Tent Street;
- II. Arnold Road ;
- III. Locksley ; Herford; Baroness and Jubilee

1.2 The consultation will have 3 essential stages :-

STAGE 1 - Meeting with residents at the **Initial concept** stage to communicate the broader intentions of the scheme and engender initial comment and feedback.

STAGE 2 – Following the initial feedback, officers will then work up the **design stage** and return for further feedback and discussion.

STAGE 3 – Planning, whilst there is a statutory process for this stage, the council will ensure that residents are fully briefed on the application.

1.3 The consultation will be with all key stakeholders, statutory consultees and the wider community. The consultation will be carried by the regeneration team at the London Borough of Tower Hamlets, who will advise on the key stakeholders and hold introductory meetings.

1.4 Tower Hamlets Homes will be a key stakeholder to every project and any consultation will be closely co-ordinated with them.

1.5 The consultation programme will ensure all local residents are given the opportunity to comment on the design and functionality of the new developments. The plans will be available online and displayed to the residents at Exhibitions on the estate. There will be feedback forms and other media to provide comments on the projects..

1.6 The results of the consultation programme will inform the Council and Developers of any appropriate design matters in the overall scheme

2.0 Key Messages

2.1 The development programme will deliver a number of benefits as follows:

- Reducing overcrowding
- A range of affordable rented homes for local people in housing need, with separate kitchens including homes designed to provide disabled access.
- Homes built to lifetime homes standard.
- A considered Local Lettings approach
- Located close to good transport infrastructure.
- Design which carefully considers sustainability.
- A well designed structure with balconies to provide external spaces.
- External hard and soft landscaping to improve the surrounding street scene.
- The creation of apprenticeships and other job opportunities both during construction and operation of the developments.

3.0 Target Audience

3.1 In addition to residents, Key stakeholders (such as ward members, portfolio holders, heritage groups, Network Rail etc) and statutory consultees for each project will be identified. Key stakeholders will be consulted through personal invitation to the area-wide exhibitions/drop-ins and one-to-one consultation where needed. A regular newsletter / bulletin will be produced which will publicise the exhibitions and Planning consultations in a timely manner – i.e. at least 7 days' notice of exhibitions.

4.0 Consultation Tools

- Exhibitions with suitable qualified staff available to explain and answer any questions on the projects;
- On-to-one meetings with appropriate stakeholders;
- Specific media briefings (local press – East End Life);
- Press releases;
- Newsletters;
- Email updates to specific stakeholders;
- Website with latest news section and online feedback form;

- Community champions;
- Planning forum lead by LBTH planning department
- Frequently Asked Questions briefing document with key facts;
- Other media campaigns such as posters, notice boards etc.

5.0 Consultation Methodology

- 5.1 A calendar for community wide consultation will be established for each project, locally elected members will be informed and consulted from the offset, with an initial kick off consultation with the community to establish the objective of the development and receive feedback. Consultation with key stakeholders will follow the initial meeting. The programme for engagement will then be established. The results will inform the final design process and help engender create a positive relationship between the community and the development projects.
- 5.2 The opportunities for feedback will not only assist in the design but other media will publicise the projects. Use of Newsletters and bulletins throughout the project will assist the community in better understanding the key developments in the planning and construction phase and inform residents when the new facilities will open to the public and when the new residential accommodation will be available.
- 5.3. Leaseholders have different legal and property interests and may need separate consultation sessions that focus on those issues. Where the existing block/estate counts leaseholders, extensive consultation with leaseholders is required from the onset in order for them to decide whether they wish to be part of the plans. The rights of leaseholders need to be considered in the development process such as whether they have any interest in the land being considered for development (this will depend on the individual lease).
- 5.4 The community will have an on-going opportunity to provide comments and communicate with the project team via the project website and email contact.
- 5.5. The planning applications for the projects will be supported by Statements of Community involvement.

APPENDIX 3

Resident consultation feedback from:

Jubilee Street, Baroness Road, Locksley and Hereford estates

1. Residents were consulted on Jubilee Street on Saturday 8th and Wednesday 15th August, and had around 31 residents. Comments from residents regarding the proposal:
 - Many complained regarding housing management issues, such as ASB, drug use, vandalism and car crime in and around Jubilee Gardens.
 - Many felt estate would become overcrowded with the new build and not enough amenities to support current residents, such as, health care and schools.
 - Residents would like to see housing management issues dealt with before any consideration for more housing on the estate.
 - Some were against loss of visitors parking bays and would like these bays provided elsewhere within the vicinity.

5. Residents were consulted on Baroness on Saturday 15th and Wednesday 19th August, and had 21 residents in total along with Cllr John Pierce. The feedback was mainly positive. Comments from residents regarding the proposal:
 - Residents felt it was important to keep the existing through routes/paths to the park and Columbia Road as it is frequently used by residents and general public.
 - The new designs should be area sensitive as it is conservation area with Lubetkin buildings nearby. The area already very dense and new scheme should incorporate/keep green spaces.
 - No loss of existing tree's.
 - Some residents were concerned about loss of sunlight and daylight. Leaseholders were concerned about increase in service charge.
 - Some were against affordable rent as many residents will not be able to afford the rent.

6. Residents were consulted on Hereford on Saturday 15th and Wednesday 19th August, and had 35 residents in total along with Cllr John Pierce. Comments from residents regarding the proposal:
 - Leaseholders from Westhope House were concerned about their house prices dues to the loss of view

- Many were upset about the proposed loss of green space. They feel Weavers fields is too dangerous due to vagrants, drug dealers etc, hence their children prefer to play in the green space on the site
 - Many were concerned about the increase of population on the site
 - A group of leaseholders from Westhope house felt that no housing should be built by the borough at all as it would be sold Right to Buy and benefit private developers eventually.
7. Residents were consulted on Locksley on Saturday 1st and Wednesday 5th August, and had 25 residents in total with members of local TRA.

The feedback was as follows -

- Site A and D supported for redevelopment.
- Site E was felt too close to local amenities, schools, shops etc., and may increase traffic, parking and loss of green area on site E.

APPENDIX 4

DEVELOPMENT SITES INFORMATION

ALL PROPOSALS ARE SUBJECT TO CHANGES IN THE LIGHT OF PLANNING CONSIDERATIONS, PLANNING APPROVAL AND FINANCIAL VIABILITY

INFILL/ ESTATE SITES

Jubilee Street E1 3ER

The existing site comprises a redundant car park adjacent to Anne Goodman House to the North and Longford House to the south with Jubilee Gardens to the West. The site has been identified as an infill development opportunity.

This is a level and rectangular site presenting a good development opportunity for a scheme fronting onto Jubilee Street, providing a target of **26 units** subject to planning and financial viability.

Baroness Road E2 7PW

The existing site at Baroness Road contains a car park between existing residential blocks and is fronted by mature trees. Gardens for neighbouring flats border the site to the south, and a park and playground lie immediately east. The latter is accessible further along the park boundary.

The development target is **22 units** subject to planning and financial viability.

Locksley

The Locksley proposals focus on three opportunity sites, within an existing housing estate adjacent to the Regents Canal at Rhodeswell Road, London E14.

The current sites are as follows :-

Site A Rhodeswell E14 7TL - is an area of hard standing and a redundant car park area and small green near Grand Union Canal adjoining 86 to 144 Rhodeswell Road.

Site D Salmon Lane Bridge E14 7TX - to the south of 1 to 12 Parnham Street is overgrown redundant land near the canal.

Site E Rhodeswell Road E14 7TJ - a green adjoining Ashpark House on the junction of Norbiton and Rhodeswell Road.

The target development target is for **78 units**, subject to planning and financial viability.

Hereford E2 6HL

The Hereford Estate comprises 8 blocks of flats and maisonettes built in 1957. The infill sites, which have been identified as possible development opportunities, would span between the existing Westhope House and Kinsham House.

The site is well located fronting on to Vallance Road in the E2 postal area and is located adjacent to the western edge of Weavers Fields.

The development target is for **54 units** with options to increase up to **72**, subject to planning and financial viability.

GENERAL FUND SITES

In addition to the four preconstruction infill sites above there are two further sites have not been progressed historically with THH. These opportunity sites were identified by officers due to the need to ensure that the Council fully utilised RTB receipts in a timely fashion, whilst maximising the numbers of homes to be delivered.

These sites are:

Arnold Road - William Brinson Centre
Tent Street

Early feasibility studies have now been undertaken on the site to mass up the potential extent of development and these have had early input from planners. The feasibility studies have concentrated on and costed the delivery of 100% affordable tenures.

The proposals to date include for the following:

Arnold Road E3 4NT

The existing site comprises an existing day care centre called the William Brinson Day Care Centre on a site of approximately 0.25 hectare. The centre is currently used by a 3rd sector provider on a fixed contract term that is due to expire in 2016. The current accommodation is not deemed to be fit for purpose and needs to be upgraded but this proposal has to be reviewed in the context of the procurement of the new contract next year as well as the Adult Services commissioning review. The 3rd sector provider does not occupy the whole site and could if needed be accommodated on site in a new development or relocated. This is subject to further discussion in the context of the programmed new contract award next year and how it should be accommodated.

The site is bounded on two sides by railway lines and to the west by the magistrates court and car parking, giving rise to a good opportunity to develop the site massing

further than it is currently. To the east are the railway arches which are primarily occupied by garages and small businesses.

The site is level and has good access representing a good development opportunity. Initial discussions with planners indicate that a building of 5 and 8 storeys could be developed which could provide some 65 residential units subject to planning and financial viability.

Tent Street E1 5DQ

The existing site at the end of Tent Street contains part of a disused railway viaduct currently attached to a live network rail viaduct. There is currently an unregulated user on site using the site for a small business that will be removed. The site also has some considerable solid bunding that will need to be removed.

Once cleared the site however comprises a significant development site. At this stage the feasibility study has considered developing the site both with and without the viaduct in situ. Officers are in discussions with Network Rail over both the demolition costs and programme as well as potentially enlarging the site by the acquisition of a further redundant railway arch that protrudes into the site.

If the viaduct remains on site this will restrict the development to some 42 units and the viaduct could then be refurbished for community use both with a centre underneath and potentially gardens over.

If however the viaducts can be viably removed then the site becomes considerably more developable in these circumstances it may be possible to as many as 85 – 100 units on site.

In this instance we would also consider the phased delivery on the site in two halves to bring forward numbers earlier.

The properties to the North and West are industrial with the live viaduct running along the north of these. With relatively new housing to the South of the site could allow higher development without fear of significant Rights of Light issues and overshadowing.