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| Cabinet 20 September 2023 |  TOWER HAMLETS |
| Report of: Karen Swift, Divisional Director, Housing and Regeneration | Classification: Unrestricted |
| Housing Development Capital Programme Additions | |

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| Lead Member | Councillor Kabir Ahmed, Cabinet Member for Regeneration, Inclusive Development and Housebuilding |
| Originating Officer(s) | Rupert Brandon, Head of Housing Supply |
| Wards affected | All wards |
| Key Decision? | Yes |
| Reason for Key Decision | Financial threshold and Significant impact on wards |
| Forward Plan Notice Published | 22.08.23 |
| Strategic Plan Priority / Outcome | Providing Homes for the Future |

Executive Summary

This report sets out proposals for additional funding to the Council's Housing Development Capital Programme, part of the wider HRA Capital Programme.

Funding for additional budget of £73.223m has arisen principally from reductions made on other capital projects and through increased Right to Buy receipts.

A number of schemes are highlighted as additional ones in the programme and the report seeks Mayoral approval to allow, after consultation, for changes in the programme overall including those in the report.

To help deliver the increased capital programme additional staffing resources are required. These include Housing, Capital Delivery, Procurement and Legal teams. The report seeks approval for the increased revenue costs to be funded via the HRA. Schemes that come to fruition will have staff revenue costs off set by relevant capitalisation.

Appendix 1 provides the existing programme.

Appendix 2 sets out comparative recent performance on overall housing delivery.

Recommendations:

The Mayor in Cabinet is recommended:

1. To approve the increased budget of £73.223m to the Housing Development Capital programme.
2. To approve the schemes listed as additions to the programme as set out in paragraph 3 table 1.
3. To approve the changes listed within the existing programme as set out in paragraph 3 table 3.
4. To approve that subject to prior consultation with the Mayor by the Corporate Director of Housing and Regeneration and the Corporate Director of Resources schemes can be amended and substituted and that additional schemes can be added provided that the capital sum set out in recommendation 1 above is not exceeded.
5. To approve that subject to prior consultation with the Mayor by the Corporate Director of Housing and Regeneration and the Corporate Director of Resources that should additional funding be identified this can be added to the programme.
6. To note potential additions to the programme in future at paragraph 3 table 2.
7. Approve the increase in budget for additional staff resources as set out in paragraph 3.7
8. To note the existing programme as set out in Appendix 1.
9. To note the comparative performance of the London Borough of Tower Hamlets compared to neighbouring boroughs in the delivery of homes, as set out in Appendix 2.
10. To note the Equalities Impact Assessment / specific equalities considerations as set out in paragraph 4

1 REASONS FOR THE DECISIONS

- 1.1 The 2023-26 HRA Capital Programme approved in March 2023 requires updating following the in-year review of capital schemes in the Council's capital programme. The additional funding will contribute to the supply of affordable housing and the Mayoral target of 1,000 rented social homes a year. The 30-year HRA Business Plan will reflect the additional capital funding.
- 1.2 In order to assist deliver the increased programme additional staff resources are required in both the client team, Housing Supply, and support services of Legal and Procurement.

2 ALTERNATIVE OPTIONS

- 2.1 By not using available resources the schemes contained in the report, and any subsequent additions and substitutions will not be funded and therefore not contributing to new supply.
- 2.2 The absence of additional staff resources will mean the existing staff will find delivery more challenging.

3 DETAILS OF THE REPORT

3.1 The Housing Development Capital Programme is based upon the HRA Business Plan. This includes setting the parameters for capital expenditure on existing and new stock within the HRA, which covers what can be borrowed in addition to the use of capital receipts from land and building sales or Right to Buy sales, grant and s.106. From time-to-time changes within the programme will be sought to allow for substitutions, increased costs, etc.

3.2 The HRA Business Plan represents a moment in time and normally is used to model a HRA capital programme at the time of budget setting. Within the last year, since last budget setting the Mayor subsequently reviewed the capital programme and removed/scaled back schemes across both housing and HRA capital, notably the 'Temporary Accommodation buy-back' (£15.2m) and Registered Provider Grant Scheme' (£14.1m) programmes which has freed up resource, largely capital receipts and RTB receipts that can now be used to fund the HRA pipeline. These receipts were either general fund housing or committed against other schemes which are no longer progressing/ have been scaled back. The borrowing capacity within the business plan remains the same but other forms of funding have been made available following the review of the capital programme.

3.3 The review of other capital schemes has identified available funding of £38.1m capital receipts and £35.1m of RTB receipts that are now available to be added to the Housing Development Capital Programme. The funding of the Housing Development Capital Programme will need to be closely monitored and reviewed to keep a pace with the changes to funding streams available to the council to fund the programme. This will largely be driven by additional funding the council will receive/generate over the coming months and years, including potential further GLA grants, S106 monies and RTB receipts. As additional funding is confirmed, the overall funding of the programme will need to be updated where required to ensure the council is applying its capital resources as efficiently as possible across the entire programme. The schemes listed below have hitherto been in the pipeline of future schemes i.e. those awaiting funding. Now that funding has been identified these can be brought forward and included in the programme.

Table 1.

| Scheme | Ward and GF or HRA | Estimated Homes and mix | Capital Receipts (£m) | RTB Receipts (£m) | Total Budget (£m) |
|---------------------|---------------------------|--------------------------------------|------------------------------|--------------------------|--------------------------|
| Ensign Youth Centre | Whitechapel - HRA | 42 7x4, 14x3, 14x2, 7x1 | 12.600 | 8.400 | 21.000 |
| White Horse Road | St. Dunstan's - HRA | 15 5x4, 5x3, 1x2 | 4.980 | 3.320 | 8.300 |
| Bradwell Street | Bethnal Green East - HRA | 7 4x4, 2x3, 1x1 | 1.800 | 1.200 | 3.000 |

| | | | | | |
|---|--|-----------------|---------------|---------------|---------------|
| 91 Wapping Lane | St. Katharine's and Wapping – HRA | 1 1x2 | 0.096 | 0.064 | 0.160 |
| 1a Solander Gdns | Shadwell - HRA | 2 2x2 | 0.570 | 0.380 | 0.950 |
| Total Costs | | 124 | 20.046 | 13.364 | 33.410 |
| Unallocated Budget | | | 38.109 | 35.114 | 73.223 |
| Unallocated Budget Remaining | | | 18.063 | 21.750 | 39.813 |

NB: All schemes will have a planning compliant mix of at least 50% social rent, and 50% Tower Hamlets Living Rent. Schemes will comply with planning policy for 10% wheelchair homes.

3.4.4 Ensign Youth Centre. The existing community use is subject to a lease which is in discussion between the Council and lessee. A resolution on this is required before development can commence. A significant increase in the current estimate of homes is being investigated through increased height.

3.4.5 White Horse Road is a site that has been considered for development but until now has not had funding available. It is now being brought forward for the provision of an estimated 15 homes.

3.4.6 Bradwell Street has to date been without funding and is now being brought forward for an estimated 6 homes with the new funding available.

3.4.7 91a Wapping Lane. This scheme was approved by Cabinet in November 2021 but now needs its budget included in the capital programme.

3.4.8 1a Solander The scheme is now for permanent homes and not TA so needs to be accounted for within the HRA.

3.4.9 Ashington House was temporarily removed from the programme in November 2022 to allow for other more progressed schemes to be funded instead, as at the time a scheme was not suitably advanced. The block was considered as a redevelopment site however due to the lack of increase in affordable homes that could be developed it is now considered for refurbishment. Survey work has been undertaken that will form the basis for significant major works and improvement to block. This will require further detailed consideration to determine the most appropriate asset management route. This scheme will become part of the major works capital programme and not the housing development programme. A scheme proposal will be brought forward in due course.

3.4.10 Other schemes within the Council's pipeline will be worked up included as appropriate within the capital programme following consultation with the Mayor as set out in recommendation 4.

Table 2. Examples of schemes currently under consideration:

| Scheme | Ward and GF or HRA | Estimated Homes |
|--|----------------------------------|------------------------|
| Whitechapel Sports Centre | Whitechapel - GF | 20 - 72 |
| John McDougall Park Property | Island Gardens - GF | 20 |
| Christian Street | Whitechapel - HRA | 2 |
| Pigott Street | Mile End - HRA | 6 |
| Lark Road | Bethnal Green West - HRA | 5 |
| Cubitt Town Library flat | Blackwall and Cubitt Town - GF | 1 |
| New build acquisitions from developers | Various | 10 - 20 |
| John Orwell | St. Katharine's and Wapping - GF | tba |
| Total No. of homes | | 64 - 126 |

3.5 There are some schemes in the current programme that need amendments made to their budgets. The report seeks approval for this from the additional capital funding and HRA borrowing. All schemes have been affected by increasing costs and where original costs estimates were made or budgets allocated a while ago, or those coming to site or procurement of contractors now need budgets to reflect this. Other sites have experienced on site difficulties e.g. contractors experiencing labour and materials shortages, and in one case a main contractor going into liquidation. These sites are detailed in the table below. This also includes additional requests for Albert Jacob House was included in the capital programme in November 2022. The element for which budget is now requested is for additional rooftops to be added to the scheme. The Montefiore Centre is also already in the capital programme and this addition will allow for rooftop development to be added to the main scheme, which includes improvements to the existing community facility.

3.6 All schemes in the current programme that are not yet on site, or have revised planning applications, are under review to maximise the number of homes achievable and will increase the number of units in the programme.

Table 3

| Scheme | Approved Budget | Additional Budget Required | | | Reason |
|---|-----------------|----------------------------|-------------------|------------|--|
| | | Capital Receipts (£m) | RTB Receipts (£m) | Total (£m) | |
| Albert Jacob House – rooftop extensions | 10.200 | 2.700 | £1.800m | £4.500m | Increase in scope and size of original scheme of 26 with 10 additional homes. |
| Montefiore Centre – rooftop extensions | 2.500 | 2.700 | 1.800 | 4.500 | Increase in scope and size of original scheme of 4 homes with 10 additional homes. |
| St Paul's | 13.235 | 0.802 | 0.300 | 1.102 | During construction significant redesign M&E required to flue, bespoke Project 120 works and bin stores. This added delays and additional cost. Additional resource has been required to assist in on-site delivery management. |
| Lowder House | 7.286 | 0.180 | 0.120 | 0.300 | Gas connection delays and resultant loss and expense, works costs increased due to redesign of bespoke Project 120 units and bin stores. Additional resource has been required to assist in on-site delivery management. |
| Vawdrey | 1.900 | 0.420 | 0.280 | 0.700 | Since the original budget was approved based on a pre-tender estimate in June 2021 costs have increased significantly. In addition, delay to start on site resulted from right of way mitigations and a change required by UKPN to move a sub-station. |
| Rushmead | 2.300 | 2.400 | 1.600 | 4.000 | The original scheme of 5 houses is now to be submitted for a new application of nine flats. The last cost estimate was February 2022. There is an increase in size and design of development as well as significant inflation since original approval. |
| Buckhurst | 2.500 | 0.750 | 0.500 | 1.250 | The original estimate that obtained approval has been superseded as new costings were obtained following detailed |

| | | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|--|
| | | | | | design work. Inflation has added significant cost. |
| Edward Mann | 7.239 | 3.061 | - | 3.061 | The original budget was set in February 2022. Since then inflation and an additional three units in the scheme have increased costs requiring a new budget to reflect this. |
| Blackwall Reach | 20.300 | 0.300 | - | 0.300 | Realignment of existing capital receipts received to this cost centre to cover additional programme activity, resettlement and legal costs due to delays in completion of phase 2. |
| Total | 67.460 | 13.313 | 6.400 | 19.713 | |
| Unallocated Budget | | 18.063 | 21.750 | 39.813 | |
| Unallocated Budget Remaining | | 4.750 | 15.350 | 20.100 | |

3.6 To assist the delivery of this increase in the programme and additional sites through the Development Agreement route an increase in staff resources is sought.

3.6.1 Additions sought to the Housing Regeneration team of three new posts, re-alignment of a role and one-year short term cover while recruitment. Key to ensuring delivery is enhanced resource within Legal and Procurement services to help deal with tendering and issuing of contracts. This is estimated at three posts on fixed term contracts.

3.6.2 The estimated cost of these staff resources is £506k in the first year and reducing in future years after tenders and contracts have been completed.

4 EQUALITIES IMPLICATIONS

4.1 The Equality Act 2010 requires the Council, in the exercise of its functions to have due regard to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.

4.2 With the diversity and rapid growth of the borough, ensuring equality is embedded throughout Council plans, services and activities is a key priority and at the heart of all decision making. To help meet its duty under the Equality Act the Council undertakes equality impact assessments to analyse a proposed change to assess whether it has a disproportionate impact on persons who share a protected characteristic.

4.3 As part of the process of establishing a housing capital programme, an equality impact assessment checklist is carried out on all new proposals and schemes

to determine if a full equality impact assessment needs to be carried out. Full equality impact assessments are carried out for each new build scheme as part of the governance process. This process prevents any proposal which amounts to discrimination from being implemented and any project which is likely to lead to a differential impact is varied to mitigate the differential impact.

- 4.4 It is intended that the housing capital programme, as a whole, reduces inequality, fosters cohesion and has a positive impact for residents and organisations in the borough.

5 OTHER STATUTORY IMPLICATIONS

- 5.1 Under Section 17 of the Crime and Disorder Act 1998, the council is under a legal duty when exercising its various duties to have due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area, including anti-social behaviour adversely affecting the local environment and quality of life of residents; the misuse of drugs, alcohol and other substances and re-offending. It is anticipated that a number of the capital schemes proposed will have beneficial consequences for crime and disorder in the borough through providing new and improved homes, enhancing the public realm and improving life chances for children and young people.
- 5.2 Any safeguarding implications of individual proposals in the budget are set out in the papers relating to those proposals.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report recommends that Cabinet approve the increased budget of £73.223m to the Housing Development Capital programme, where £33.4m relates to new housing development schemes, and £19.7m relates to growth required to budgets for existing approved housing schemes and £20.1m is available for allocation as set out in recommendation 4.
- 6.2 The total estimated costs of the new housing development schemes of £33.4m, which will be financed from a combination of capital receipts (£20.0m) and Right to Buy Receipts (£13.4m). These funds are currently available for allocation to the housing development programme, hence deemed affordable to the HRA as a whole. The estimated cost and funding for each new housing development schemes is further detailed in Table 1 above.
- 6.3 The total estimated costs of growth required to budgets for existing approved housing schemes is £19.7m, which will be financed from a combination of capital receipts (£13.3m) and Right to Buy Receipts (£6.4m). These funds are also currently available for allocation to the housing development programme, hence also deemed affordable to the HRA as a whole. The estimated cost and funding for growth required to each existing approving housing scheme is further detailed in Table 3 above.

- 6.5 If the total request of £53.1m for new housing development and growth to existing housing scheme budgets are approved, the councils unallocated HRA capital receipt and Right to Buy receipt balances will reduce to £20.1m, which will be available to finance future additional schemes or changes to the programme.
- 6.6 It is important that costs of the housing development schemes and the programme as a whole are closely monitored to ensure they are contained within approved budgets to ensure the overall affordability of the HRA as a whole.
- 6.7 Para.3.6.1. and 3.6.2 identifies additional resources that will be required to deliver this capital programme. These resources have an estimated cost of £506k and will be funded within the HRA. The detailed work undertaken within each role will require scoping to identify how much of these posts can be capitalised. Any costs that cannot be capitalised will be met from HRA revenue, for which there is no budgetary provision. There will therefore either need to be mitigating savings or growth within the HRA to fund these posts.

7 COMMENTS OF LEGAL SERVICES

- 7.1 The Council must comply with the conditions under which the various funds were received for example, the restrictions relating to the use of the funds stated in the relevant S.106 agreement. The Council will need to comply with the rules relating to retained right to buy receipts and their use for replacement supply which can be found in the amended guidance issued by the Government in late June this year.
- 7.2 The ability to spend any of the sums detailed in this report will be subject to separate delegation.

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix 1 Existing Programme
- Appendix 2 - Planning Statistics from the GLA on comparative housing completions between 2019 and 2022

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

- NONE.

Officer contact details for documents:

N/A

Appendix 1 Existing Programme

| Site | Ward | No. & Mix of Homes | Status | Completion Due |
|--|--------------------|---|--------------|----------------|
| <i>40 homes have already completed homes in 2023/24</i> | | | | |
| Barnsley | Bethnal Green West | 53 1x5, 5x4, 16x3, 8x2, 23x1 | On site | Oct 23 |
| Strahan | Bow West | 9 5x3, 3x2, 1x1 | On site | Nov 23 |
| Lowder | Wapping | 18 6x3, 5x2, 7x1 | On site | Oct 23 |
| St.Paul's | Mile End | 23 7x3, 7x2, 9x1 | On site | Jan 24 |
| Mellish Street | Canary Wharf | 22 5x3, 8x2, 9x1 | On site | Dec 23 |
| Shetland Road | Bow East | 19 3x4, 4x3, 3x2, 9x1 | On site | Dec 23 |
| Norman Grove | Bow West | 24 2x4, 3x3, 5x2, 7x1, 7x bedspaces | On site | Apr 24 |
| Landon Walk | Poplar | 16 9x3, 7x2 | On site | Mar 24 |
| Heylyn Square | Bow West | 32 7x3, 6x2, 19x1 | On site | Oct 24 |
| Bancroft/Wickford | Bethnal Green East | 33 6x4, 8x3, 7x2, 12x1 | On site | Jan 25 |
| Arnold Road | Bromley North | 62 12x4, 20x3, 14x2, 16x1 | On site | Jan 25 |
| Sewardstone Road | Bethnal Green West | 4 4x bedspaces | On site | Oct 23 |
| Alfred Street | Bow West | 4 3x4, 1x2 | On site | Jun 24 |
| Walter Terrace | Stepney Green | 4 4x4 | On site | Jun 24 |
| <i>Sub Total</i> | | 323 | | |
| Brunton Wharf | St Dunstan's | 32 6x4, 9x3, 9x2, 8x2 | In tendering | Apr 26 |

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|--------------------------------------|-----------------------------|---|--|------------------------|
| Vawdrey Close | Bethnal Green East | 4 4x4 | In tendering | Jul 25 |
| O'Brien Garages | Bethnal Green East | 10 3x4, 2x3, 3x2 2x1 | In tendering | Sep 25 |
| Sub Total | | 46 | | |
| Buckhurst Street | Bethnal Green West | 6 6x4 | Planning Obtained | Aug 25 |
| Edward Mann Close | Shadwell | 22 7x3, 7x2, 8x1 | Planning Obtained | Apr 26 |
| Sub Total | | 28 | | |
| Smithy Street | Stepney Green | 8 7x4, 1x2 | Planning Submitted | Feb 26 |
| Buxton Street | Spitalfields and Banglatown | 4 4x4 | Planning Submitted | Aug 25 |
| Sub Total | | 12 | | |
| Schemes in design or redesign | | | | |
| | | | Comment | Completion Date |
| Candy Street | Bow | 24 9x3, 15x2 | In pre-application to increase number of homes from earlier approval for 16 units | Jun 25 |
| HAP | Stepney Green | 180 affordable 33x4, 82x3, 44x2, 21x1 232 Market 27x3, 119x2, 27x1 | New application required as mosque is re-located in scheme. Scheme to be considered for additional height. | 2026-2029 |
| Rushmead | Bethnal Green West | 9 8x2, 1x2 | New application to increase on previous approval for 5 homes. | Sep 25 |
| Montefiore (existing) | Spitalfields and Banglatown | 4 1x4, 3x2 | See above. Includes community use | Sep 25 |
| Albert Jacob House (existing) | Bow East | 26 4x4, 6x3, 13x2, 3x1 | See above. Includes g/f retail. | Apr 26 |
| O'Leary rooftops | Stepney Green | 32 3x2, 29x1 | In pre-application | 2026 |

| | | | | |
|--------------------|---------------|--------------------------------------|---|--------|
| Tomlinson rooftops | Weavers | 14 14x1 | In pre-application | 2026 |
| Cressy Place | Stepney Green | 31 10x4, 9x3, 11x2, 1x1 | In pre-application to increase on previous scheme of 22 homes. | Apr 26 |
| Caxton Place | Bow West | 36 5x4, 9x3, 16x2, 6x1 | Additional storeys under consideration to increase scheme to 36 from 30 | May 26 |
| Copenhagen | Mile End | 14 1x4, 11x3, 2x1 | Sunlight/daylight under review to increase existing number of homes | Nov 26 |
| St. George's | Shadwell | 27 tbc | Architects appointed | May 26 |
| Sub Total | | 629 | | |
| Total | | 1010 | | |

40 homes have already completed in 23-24

Appendix 2 - Planning Statistics from the GLA on comparative housing completions between 2019 and 2022

| | 2019-2020 | 2020-2021 | 2021-2022 | Total (3 Years) |
|----------------------|------------------|------------------|------------------|--------------------------------------|
| London | 7,439 | 5,304 | 8,750 | 21,493 |
| Tower Hamlets | 994 | 495 | 996 | 2,485 (11% of London's Total) |
| Newham | 741 | 603 | 595 | 1,939 |
| Hackney | 128 | 185 | 55 | 368 |