

Cabinet 2 April 2014	 TOWER HAMLETS
Report of: Aman Dalvi, Corporate Director, Development and Renewal	Classification: Unrestricted
New Homes: Ashington East	

Lead Member	Councillor Rabina Khan, Cabinet Member for Housing
Originating Officer(s)	Jackie Odunoye
Wards affected	Bethnal Green South
Community Plan Theme	A Great Place To Live
Key Decision?	Yes

Executive Summary

The Mayor of London informed the Council on 22nd July 2013 that two funding bids submitted by the London Borough of Tower Hamlets under the Building the Pipeline Supply Scheme, had been successful. They were Bradwell Street Garages, providing 12 new affordable homes, and Ashington East, providing 53 new affordable homes. The Council was subsequently awarded funding for an Extensions programme providing 45 additional bedrooms for 34 existing homes, with completion by March 2016.

The schemes at Bradwell and Ashington East are 100% affordable, responding to the housing priorities of the borough and will be let at POD affordable rents. This report focuses on the Ashington East development which attracted a grant of £1,590,000 from the GLA to support the £11,470,000 cost of the scheme. Funding provision for the scheme is included within the 2014-15 budget reports. The report requests that Cabinet adopts the Capital Estimate for Ashington East and authorises the actions and processes for the delivery of the scheme.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the development of 53 New Council Homes and the redevelopment of the Community Centre on Collingwood Estate
2. Note the grant of £1,590,000. from the London Mayor's Building The Pipeline Supply Programme towards the development of Ashington East
3. Note the resulting contribution from the Council of £9,880,000. for the Ashington East site on Collingwood Estate

4. Note that Cabinet is requested to adopt a capital estimate of £11,470,000 in order that the scheme can be included within the capital programme
5. Note the constraint contained in the GLA programme of achieving a Start On Site of March 2015
6. Authorise the Corporate Director, Development & Renewal to take the necessary actions to deliver the scheme within the timescale of the funding programme including dealing with the settlement of any existing rights
7. Authorise officers to proceed with the procurement of the required professional and technical services and works contracts and utilising suitable procurement frameworks available to the public sector.
8. Authorise the Corporate Director Development & Renewal in consultation with the Mayor to award the contracts for professional and technical services and works contracts.
9. Authorise the Corporate Director Development & Renewal in consultation with the Service Head Legal Services to agree terms for the contracts at 8 above
10. Authorise the Head of Legal Services to execute all necessary documents to implement the decision at 8 above.

1. REASONS FOR THE DECISIONS

- 1.1 Tower Hamlets has one of the highest population densities in inner London. Housing need, both in terms of quality and quantity, is one of the most significant drivers for change in the borough. However, housing affordability is low in comparison to national standards. This is reflected in its planning policies, more specifically the Core Strategy and the Managing Development Document adopted in April 2013. The Council has a commitment to provide affordable housing for its residents. It is actively engaged in tackling housing need on several fronts, through partnerships with the private and third sectors, and through a direct development programme targeted to existing borough communities. The development at Ashington East fits within this strategy.
- 1.2 The Council is using its own land asset in order to develop affordable housing; it requires the capital funds and the cash flow to enable it to undertake the development. Tapping into the London wide housing strategy, the Council wishes to enter into a partnership with the GLA to part fund the scheme. The GLA has agreed to a grant of £1,590,000 as per recommendation 2 above. The grant is accompanied by a funding agreement which includes regular monitoring from the GLA and a requirement to be on site by March 2015.
- 1.3 The Council will be funding the remaining £9,880,000 from the Housing Revenue Account through a mixture of existing resources and borrowing. It will receive the grant on completion and will be forward funding the total development costs.
- 1.4 The operational processes required to deliver the scheme, including meeting legal and procurement obligations as well as the grant requirements are covered in recommendations 7-10. These recommendations flow from the earlier decisions requested in Recommendations 2-6.

2. ALTERNATIVE OPTIONS

- 2.1 The Do Nothing option would not deliver 53 additional affordable homes for rent in the borough, in the Bethnal Green South area. It would not attract the estimated New Homes Bonus amount of £80,000. It will not supply 53 new allocations to the Housing Waiting List at POD rent. It will not generate rental income from the 53 new homes.
- 2.2 The Do Something Else Option would see the funds targeted to the development of Ashington East diverted to another potential development in the borough. It will not necessarily benefit from the grant of £1,590,000 from the GLA, as one of the key qualifying criteria along with Value for Money, is a Start on Site prior to the end of March 2015. It will also impact on the reputation of Tower Hamlets as a developing Council against neighbouring London boroughs who have also adopted a new build programme.
- 2.3 A third option would be to purchase homes from the private sector and bring

them up to a modern standard of repair. This option does not deliver additional homes in the borough. Property prices are very high and the Council would be exposing itself to financial risk. The acquisition of assets has delivered a buyback programme in the past but is unable to achieve the same number of homes as the approach of maximisation of existing assets.

- 2.4 The last option is to enable and support housing partners to deliver new affordable homes. This option is the main plank of Tower Hamlets Housing Strategy for the delivery of new homes and remains firmly in place. The New Homes: Ashington East scheme sits alongside this option and does not replace it.

3. DETAILS OF REPORT

- 3.1. The Ashington East scheme is within the curtilage of the Collingwood Estate, located in Bethnal Green South. There is easy walking access to a number of buses and to both Bethnal Green Overground and Central Line railway stations, providing convenient access to business and shopping. Whitechapel Road is a few minutes' walk away and there is a wide range of community and educational facilities close by, making the new development sustainable for the area. The site is currently occupied by parking spaces and a Community Centre.
- 3.2. The scheme will present the opportunity to develop a modern Community Centre (through reprovision of the existing centre) with a cost- effective ratio of services to space and maximised sharing and multi-use possibilities, given the costs to the Tenants and Residents Association of running a Community Centre.
- 3.3. The site at Ashington East is a more complex site than the first site in the Building the Pipeline Supply programme (Bradwell Street) in that the proposal is to build three separate core units on the infill site. Preliminary plans indicate that this configuration is more likely to secure planning permission and will create a development that will minimise the impact on existing residents. The proposals allow for the improvement of public and private realm through improved parking and landscaping.
- 3.4. The proposal is to develop three new build apartment blocks around a re-configured landscaped parking court and communal gardens. The infill proposals create individual apartment blocks which provide street frontage and overlooking onto Collingwood Street, Barnsley Street Coventry Road and St Bartholomew Gardens, adding life and surveillance to the street scene. Storey heights will range from six to eight storeys. The site has the potential to accommodate a "book end" apartment block at either end of Orion House and a small block fronting Barnsley Street.
- 3.5. Residents have been consulted on the scheme and are generally supportive. Tower Hamlets Homes has started to engage with the Tenants and Residents' Association who will continue to be involved in the scheme, through consultation on the design of the new homes and of the new

Community Centre. During the initial consultation, residents took the opportunity to express their views that the block opposite the development site, Ashington House, is overdue for redevelopment and should be prioritised by the Council in future plans.

- 3.6. The design of the new development will be developed in close consultation with existing residents at Collingwood Estate. Design events will be organised and will be aimed at the appropriate groups, including consulting with children on the estate on the design of the landscaping and areas for play. There will be a chance for older children to meet the designers and be involved in identifying things they would like to see included. Tower Hamlets Homes will employ a Resident Liaison Officer to ensure that residents are informed of the progress of the works and that they have a point of contact about the works. THH will also have a dedicated Project Manager for the works in addition to the consultants and technical staff employed. A local Project Group including Residents, Contractor representatives and Tower Hamlets Homes staff and representatives will be set up to enable continuous communication at key stages of the development. This approach has worked well in large regeneration schemes generally as regular feedback and reporting at round the table meetings make it possible to address issues on the ground in a timely manner. A Resident Newsletter will be produced and an Open Residents meeting held with the contractor before the start of works on site.
- 3.7. Works on site are due to last two years, from March 2015 to March 2017. This is because working on the three corner blocks simultaneously would be too disruptive for residents. Contractors would be required to submit an Operations plan and a Works Management Plan as part of the contract management process. Tower hamlets Homes would employ a Construction Design Management Co-ordinator. The site will not be allowed to receive deliveries at certain times, to ensure the safety and access to residents to and from school. The Council will require that all wastage will be removed at the end of the day. All lorries will be required to have the TFL accreditation FORS for the safety of cyclists in the interest of road safety. It is proposed that to hold talks about site safety at the local school.
- 3.8. The 53 units at Ashington East are spread across family size units and smaller units in line with planning requirements. It is expected that 14 family units will be provided, with the remainder being two bedroom and one bedroom flats. The requirements of applicants in Category A and B on the Project 120 are being considered. Many of the applicants for Ashington East require homes which are on the ground floor, have a private garden and level shower access. The scheme will deliver 10% disabled units although some of them may not be on the ground floor and will be serviced by lifts.
- 3.9. The Ashington East development costs are expected to be in the region of £11.350 million with the GLA grant representing £1.590 million of the total. In addition £120,000 has been incorporated into the capital estimate to reflect internal costs. Expenditure will be profiled from April 2014 to April 2018 allowing for the retention fee payable 12 months after the end of the construction phase.

- 3.10. New jobs created as a result of the works contract for Ashington East will be targeted to local people. The contract will deliver opportunities for work placements for job seekers and work experience for students. The value of this contract will be tendered using the standard procurement process and will follow the guidelines set out in the Councils Procurement Policy Imperatives which includes obligations on contractors to contribute Economic and Community Benefits as part of any winning bid.
- 3.11. It is mandatory for the Council to be on site no later than March 2015 for the site at Ashington East under the Building the Pipeline Supply programme. The way to achieve this is for the Council to make use of existing procurement frameworks which have already been through the OJEU competition process. In addition, these frameworks ensure that the firms have been put through a rigorous vetting process, including cost, quality and value for money standards suitable for public sector clients. The use of frameworks will also help to achieve final scheme costs which are comparable to other public sector developments and represent value for money. This was approved under the procurement Forward Plan by Cabinet in January 2014.
- 3.12. Below is the time-table to enable a Start on Site of March 2015, making use of the Greater London Authority Framework (GLA) panel of contractors which was set up by the GLA in order to speed up the development process. The use of the framework removes the need to undertake a separate OJEU procurement exercise for the scheme, enabling a fast track time-table.

Table 1

<u>Work Stage</u>	<u>Date</u>	
Employer's Agent Appointment	November 2013	Completed
Cost Planning – costs per category (services/design/demolition/construction)	January 2014	Completed
Procurement Forward Plan Approved	January 2014	Completed
Procurement Tollgate Stage 1	January 2014	Completed
Procurement of Architects	March 2014	
Design Development and Resident Consultation Meetings on Design	March - July 2014	
Rights of Light and Party Wall Assessments and Surveys	July - August 2014	

Expression of Interest from contractors on procurement framework based on design and proposed planning proposals	August 2014
Develop tender documentation and Employer's Requirements based on planning.	November 2014
Tender Period for Contractors on Framework	December 2014
Planning Permission	January 2015
Start On Site and demolition of existing structure	March 2015

3.13. The estimated development costs and funding requirements of the scheme are as follows:

Table 2

Description	Ashington East £,000
<u>CAPITAL EXPENDITURE</u>	
Estimated Capital Cost	11,470
GLA - Pipeline Supply Grant	(1,590)
LBTH Financing Requirement	9,880

3.14. Capital resources to finance the Council contribution are limited, and any proposals must be considered in the context of competing demands from other projects. The main commitment within the HRA is currently the £181 million Decent Homes Backlog programme which is midway through the third year of the five year initiative, and the majority of HRA capital resources are committed to this project in the medium term. However, the Council is holding various funds that have been specifically earmarked for the provision of affordable housing, and it is proposed that some of these resources are applied to this project. This will reduce the impact on the Housing Revenue Account and the effect on the available borrowing headroom before the Council reaches its Debt Cap.

- 3.15. It is proposed that the following items are applied towards the £9.880 million funding of the project:

	£ million
Affordable Housing Measures Capital Reserve	2.884
Earmarked HRA Provision for new supply	1.000
HRA Prudential Borrowing / Revenue Contribution	5.796
Housing Overcrowding Reduction Initiatives Funding	0.200

- 3.16. The background to these resources is outlined below:

Affordable Housing Measures Funding

As part of the 2011-12 and 2012-13 budget processes, Council earmarked £5.675 million of resources towards the development and progression of various housing initiatives to provide affordable housing units within the borough and projects to alleviate overcrowding. In February 2013 Cabinet approved the allocation of £1.7 million of these resources to finance the refurbishment of eleven of the Authority's short life housing properties, followed by an allocation of £1,091,000 on 6 November 2013 towards the funding of the Bradwell Street garages. This leaves a currently uncommitted balance of £2.884 million.

Earmarked HRA Provision for new supply

As part of the 2011-12 revenue outturn process, £1 million of HRA balances were earmarked to provide a provision for new supply.

Housing Revenue Account Prudential Borrowing / Revenue Contribution

The GLA bid initially proposed that, if necessary, funding would be met from prudential borrowing within the HRA. However, ultimately financing will be applied in the most efficient way to benefit the Council's interests and alternative sources of funding may be applied if available e.g. an HRA revenue contribution. It is preferable for the Council to apply its own resources if possible as this will reduce on-going costs to the Housing Revenue Account and the impact on the Council's debt cap. The Council would therefore retain the scope for future borrowing within the debt limit which will be required to finance the capital requirements of the housing stock over the life of the 30 year business plan.

Housing Overcrowding Reduction Initiatives budget

When the Bradwell Street Garages scheme was considered by Cabinet in November 2013, approval was given for the use of £200,000 of funding to be set aside from within existing HRA Overcrowding Initiatives / Affordable Housing measures budgets to complete preliminary design and site assembly works on the Ashington East project.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 This report updates Members on the outcome of the bid for GLA funding under the Mayor of London's Housing Covenant – Building the Pipeline scheme. Of the five bids that were submitted, the Council was successful in receiving grant funding for the extensions programme and two new build schemes, the Ashington Estate Infill project and the Bradwell Street Garages site. This report seeks the adoption of a capital estimate in respect of the Ashington East site in order that the scheme can progress in line with the GLA grant conditions.
- 4.2 In relation to the Ashington East bid, the Authority was allocated £1,590,000 of funding towards the total scheme costs which are now estimated at £11,470,000. These projections include an element of £120,000 in respect of internal Council costs. This leaves a residual cost of £9,880,000 to be funded from the Council's own resources as shown in Table 2 above. Specific funding provision of £10,834,000 was included within the 2014-15 capital programme which was approved by Council on 6 March 2014. This included the utilisation of £200,000 of resources from the Housing Overcrowding Reduction Initiatives budget as previously agreed by Cabinet (see paragraph 3.16). The residual element of £636,000 will be met from approved HRA capital resources that are currently uncommitted.
- 4.3 In order that the project can be progressed a capital estimate must be adopted for the full £11.470,000 cost of the project.
- 4.4 In order to receive the grant income it is essential that the GLA grant conditions are met, including the specific delivery deadlines. It should be noted that the scheme costs that were incorporated in the GLA bid were compiled in conjunction with external advisors. The projects will be subject to a tendering process and it should be noted that the Council will be liable for any additional costs if the contract values returned are higher than were anticipated in the bid.
- 4.5 The GLA grant is payable on completion and delivery of the full projects. The Council will therefore need to forward fund the costs until the grant can be claimed at the end of the scheme.
- 4.6 As a result of the construction of 53 new properties, the Council will benefit from additional New Homes Bonus. Based on the current system, this will equate to approximately £80,000 of general resources to the Council per annum for the six year period following completion, which under current estimates is likely to be split 65% retained by the Council and 35% passported to the London LEP.

5. LEGAL COMMENTS

- 5.1 Local Authorities have a strategic housing role by virtue of a variety of housing, planning and equalities legislation, primarily from the Housing Acts of 1985 and 2004 as amended. This role includes the planning and facilitation of new supply. In exercising that role care has to be taken to fulfil the duties under The Equality Act 2010 and the report details the provisions made for disabled units.
- 5.2 The Report details the increase in costs since the estimates were prepared and seeks authority for the additional expenditure and the award of the contract/s.
- 5.3 Section 3 of the Local Government Act 1999 requires best value authorities, including the Council, to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”.
- 5.4 The proposals described above comply with the Council’s procurement duties as an approved method of procurement will be conducted namely using the GLA Framework which has already been procured in order to ensure the grant condition deadlines are achieved.
- 5.5 There is urgency in this approval as the contribution to be made by the GLA was conditional on the Council signing a grant agreement which sets out the terms and conditions of the funding. These include payment on completion of the scheme as agreed, delivery in accordance with the agreed timetable and a final practical completion date of 31.3.2018. If the terms and conditions are not met then the grant is repayable.
- 5.6 Is this is an infill project careful consideration will be given to existing rights over the development sites. It is recommended that authorisation to settle such claims is given to the Corporate Director.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1. The overarching aim of the Community Plan is to improve the quality of life for everyone who lives and works in the borough. The supply of 53 additional homes will assist in relieving overcrowding, disrepair and housing need for households where their members qualify under the Council’s Allocations policy. Targeted to the Common Housing Register, the 53 homes will deliver benefits to those in priority need within the policies contained in the Allocations Policy, which also includes provision for local letting schemes.
- 6.2. The aspiration of One Tower Hamlets is to create a borough where everyone has equal stake and status and benefits from the same opportunities as their neighbour. Central to this aspiration is the right to good quality affordable housing, especially in Tower Hamlets with housing developments reaching

astronomical prices and at the same time a high number of people in housing need including people living in temporary accommodation. The new housing development at Ashington East contributes to the achievement of the aspiration of equal stake and equal status as it will offer borough residents unable to afford rents in the private sector, access to quality housing at affordable rent.

- 6.3. The New Homes project targets housing applicants who are excluded by virtue of being unable to access the local housing market. Applicants will be from the Council's housing list. The mix of housing is focused on providing large family units.
- 6.4. The development will include 10% wheelchair units in line with planning policy. Aids and adaptations will be provided prior to occupation. Prior to practical completion of the schemes, the units will be allocated and the Occupational Therapists will be involved in the final specification of the units taking into account the specific needs of the housing applicants.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

The New Homes will be built to Code Level 4 of the Sustainable Homes Design Standards and will provide energy efficient homes keeping domestic bills low for families. In preparing the design for the planning applications, advice from the Environmental Team will be sought in order to achieve better outcomes. Thermal performance will meet the new standards and reduce the impact of the development on the environment. The design of the homes will specify high quality materials which wear well and incur low maintenance costs. It is easier to achieve the desired sustainability benefits in new build scheme than in refurbishment and Decent Homes works. Ashington East will be designed to be a sustainable development.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1. The main risk is programme overrun with the consequence that the project incurs higher costs. The key consideration for the funding is the expectation from the GLA that the programme will help to address the acute housing need in London. Against this backdrop Ashington House East is set to achieve a Start on Site of no later than 31st March 2015. The risk will be mitigated through robust project and contract management, focusing particular clienting attention on key stages in the delivery process and putting systems in place to track progress, identifying any issues as early as possible and remaining solution focused. LBTH - D&R Housing will hold regular project meetings to monitor the budget spend against milestone and assisting in resolving issues. The Major Projects Board will carry out regular reviews of risk, budget and milestones.
- 8.2. Protecting against the risk in the works contract, contractors who bid for the building contracts will be required to put up a bond in line with the Council's

procurement rules. This will ensure that the Council is able to recover any costs incurred should a new procurement exercise be necessary as a result of the contractor becoming unable to meet their obligations. A main contractor with the capacity and financial security capable of delivering a building contract of c. £10m will be selected. The principal contractor will be responsible for the sub-contractors employed on the scheme.

- 8.3. Resident liaison will be key element the project managing the risk of residents being unhappy about the disruption caused by the development. Early engagement will be sought to explain the concept schemes and their development to pre planning applications and onward to detailed planning applications in order to capture their practical input into the scheme details. A pre- construction and health and safety meeting will be required as part of the contractor/developer delivery programme.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

10. EFFICIENCY STATEMENT

- 10.1 The new homes will be built to sustainable design standards, thereby reducing the running costs such as energy bills for the residents and keeping maintenance costs low for the Council.
- 10.2 The Project Delivery Team will be led by a Programme Manager, 2 development officers and a resident liaison officer. The delivery team will also be responsible for the Bradwell development ensuring consistency and learning from the first smaller development before embarking on Ashington East. It will be assisted by the Employer's Agent. The team will have new housing development skills and experience; their tasks will be to ensure that the build phase is delivered efficiently and that costs incurred are comparable in the sector. Other resources will be called upon as required and will include in house legal, asset management and finance services.

- 10.3 The scheme will result in rental income of c. £637,274. per annum into the HRA for the term of the HRA Business Plan and beyond. The rent will vary depending on the unit mix agreed at planning stage and on the rent levels for 2017 when the scheme reaches completion.
- 10.4 The scheme attracts the New Homes bonus, of which 65% will be retained by the Council.
- 10.5 The scheme benefits from capital investment of £1,590,000. from the Greater London Authority.
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Linked Reports, Appendices and Background Documents

Linked Report

- November 2013 Cabinet Report New Homes: Bradwell

Appendices

- NONE

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

- NONE