


Individual Mayoral Decision 26th March 2014	 TOWER HAMLETS
Report of: Aman Dalvi, Corporate Director, Development & Renewal	Classification: Unrestricted
New Homes: Extensions	

Lead Member	Councillor Rabina Khan
Originating Officer(s)	Geeta Le Tissier
Wards affected	All wards
Community Plan Theme	A Great Place To Live
Key Decision?	No

Executive Summary

The GLA housing development fund known as Building the Pipeline Supply included provision for funding bids for an Extensions programme in 2013 alongside the additional affordable homes to be built. The Council has been successful in its bid for funding to support a programme of 34 Extensions for the relief of overcrowding.

The grant allocation is £30,000. per property and totals £1,020 million. To secure the funding the Council must provide at least 45 additional bedrooms from 34 homes, with works to be completed by March 2016.

On 5th February 2014 Cabinet adopted a capital estimate of £3.610 million in respect of the Extensions element of the GLA Pipeline scheme. The properties for inclusion in the programme need to be assessed in terms of their suitability under building regulations, planning policy and deliverability. Properties require building surveys, party wall inspections, and planning assessments. Technical advisers, consultants and construction contracts need to be procured in order to take this programme forward.

Recommendations:

The Mayor in Cabinet is recommended to: / The Mayor is recommended to:

1. Note the grant of £1,020,000 from the GLA under the Building the Pipeline Supply Funding Stream for the extension of 34 Council homes for rent at various addresses in the borough and authorise the execution of the grant agreement with GLA.
2. Authorise the Corporate Director Development & Renewal to approve the details of the proposed schemes subject to planning

3. Authorise the procurement of agents, consultants, technical advisers and contractors required to deliver the extensions
4. Authorise the Corporate Director Development & Renewal, in consultation with the Mayor to award all necessary contracts to undertake the schemes
5. Authorise the Corporate Director Development & Renewal, in consultation with the Service Head - Legal Services to agree the terms of the necessary contracts
6. Authorise the Service Head -Legal Services to execute all necessary documents to implement the decisions in respect of this report

1. REASONS FOR THE DECISIONS

- 1.1. The shortage of family homes in the borough at affordable rent means that many families only have the option of social or affordable housing open to them. The Council is aware that providing additional homes to those in housing need sits alongside the need to reduce overcrowding among its existing tenants. Those who are already in Council-owned accommodation may require more space as the result of growing families and circumstances outside their control such as medical reasons. In that context, the London Borough of Tower Hamlets submitted a bid for match funding for 34 extensions in May 2013 under the GLA Building the Pipeline Supply Funding Stream. Having been successful in its bid for all 34 extensions, the Council is required to sign a legal agreement with the GLA for the delivery of this work.
- 1.2. The 34 properties due to be extended are dotted across the borough and they will be progressed as individual sites. The work will be managed as a programme for efficiency of delivery and in the interest of keeping costs down. The Council does not have the technical expertise in-house to deliver the scheme and needs to procure these services. In addition, construction work will need to be procured and contracts awarded within a time-frame that enables work to progress within the deadline contained in the grant programme. The grant programme for the Extensions completes in March 2016, date at which all the extensions must be completed. The actions and authority requested in this report are necessary to enable work to be procured and the extensions to be built.

2. ALTERNATIVE OPTIONS

- 2.1 The Council could decide to fund the Extensions entirely from its own resources and decide not to seek the match-funding from the GLA. This would achieve the same objectives although the Council's resources would be stretched, diverting from other capital budgets currently dedicated to increasing affordable housing provision in the borough.
- 2.2 It would be possible for LBTH not to undertake the Extensions and to recommend to the overcrowded families and to pursue their transfer applications. This option would not assist vulnerable and overcrowded families and would not assist the general cause of improving neighbourhoods and creating a great place to live for its residents.
- 2.3 Another alternative option would be to move the residents out of their existing homes under the Decant provision in order to extend the properties. The residents would then have the right to return to their old homes provided they still require larger homes and are able to afford the increased rent. This option is likely to create more disruption for residents while the Council would incur the costs of decanting the tenants in addition to the cost of extending the properties.

3. DETAILS OF REPORT

- 3.1. Residents who had registered for a housing transfer because their current home was overcrowded were identified using the April 2013 - LBTH Housing List. The study found the following:

Table 1.

	Additional bedroom needed	Number of Overcrowded Applicants
	1	1238
	2	338
	3	16
Total		1592

The data was refined further to identify residents in overcrowded homes who had a medical priority. The focus then changed to the properties themselves with a review of the building types. Many of these households were living above ground-floor level, making a structural solution more problematic (presence of leaseholders above, below or otherwise adjacent). Suitable properties were deemed to be ground floor properties and houses offering the possibility of garden extensions. A mix of suitable properties currently occupied by overcrowded households was arrived at.

- 3.2. The programme will extend 34 properties, creating an additional 2 bedrooms in some dwellings, totalling 45 additional bedrooms created. The average cost of creating one additional bedroom is estimated at £80,244.45. The properties may vary throughout the programme as the planning process and the technical surveys progress. Some of the families identified earlier may also have had a change in circumstances while others have exercised their Right To Buy.
- 3.3. Resident Engagement is a key element of the success of the Extensions programme. Sensitivity in the communications with the residents and in working around them in their home will be impressed on the contractors, especially as some of the household members are likely to be vulnerable on account of their medical condition. 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 meeting will be set up for the residents to meet the contractor before the start of works on site.
- 3.4. The Extensions Programme offers the opportunity to adopt a tailor made Procurement Strategy with a local base. With the value of the Extensions Works being under the threshold for EU procurement requirements, the programme will appoint contractors on the Constructionline group of contractors, who are currently delivering works in the borough. This strategy ensures an understanding of the community and a pre assessed technical

capability. The selected main contractor will function as a management facility who will identify, appoint and manage a selection of **local, small companies**, identified through local advertisement and a local event planned for late April. Qualifying local contractors will need to demonstrate experience in delivering single room/ storey extensions and home improvements for residents and that they deliver the works with a caring ethos.

- 3.5. Where the works include scaffolding, efforts to maximise the output of other work streams will be made on account of the high cost of erecting scaffolding. This is likely to include retrofitting where funding is in place for this work. Our primary focus is on cost effective fabric improvement measures which maximise carbon and fuel cost savings.
- 3.6. 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. New jobs created as a result of the works contract will be targeted to local people. Local sub-contractors who are appointed will be encouraged to employ local operatives.
- 3.7. The extended properties will need to be re-assessed for the rent charged and for Council tax. The extended properties will need to be pegged at target rent if they are currently below target rent plus the additional bedroom/s will attract the relevant charges. Some properties are due to receive one or two additional rooms. Residents will be informed of the new rent level prior to the work starting and they will have the option of pursuing their transfer application to a larger home should they prefer to do so. (Addresses were initially identified based on transfer applications.)
- 3.8. The agreement with the GLA will be for a package of 34 properties to be extended attracting a grant rate of £30,000. per property. The grant is for a number of extensions provided and it is up to the Council to identify those dwellings which are capable of being extended as well as the total cost of delivering them. However, in identifying extensions, the council needs to deliver a value for money scheme as its application for grant was awarded in competition against other providers who had also bid for funding. The overall objective remains to deliver new family homes at a cost which is comparable to other public sector housing providers including Registered Providers. The inclusion of aids and adaptations is limited to a maximum of £10,000. in properties built by Registered Providers. Where the cost of aids and adaptations exceeds the £10,000. mark, the resources to provide these would need to be identified from other sources of funding and may not be funded from the scheme costs.
- 3.9. Time-table for Delivery

Table 2. Time-table

1	Technical Surveys and Site Investigations	Throughout
---	---	------------

2	Confirmation of Tenants Circumstances and Housing Need	Throughout
3	Procurement of Employer's Agent	April 2014
4	Procurement of Panel of Local Contractors	August 2014
5	Planning Applications	September 2014
6	Completion of first batch of 9 units	March 2015
7	Start on extensions to flats	November 2014
8	Completion of all 34 units	March 2016

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 On 5 February 2014, Cabinet approved the 'Housing Revenue Account – Budget Report 2014/15, Adoption of Housing Revenue Account Capital Estimates, Adoption of Housing General Fund Capital Estimates' report and adopted a capital estimate of £3,610,000 to deliver the Extensions element of the GLA Pipeline scheme.
- 4.2 The funding that was earmarked to finance the capital schemes was:

£ million

Housing Revenue Account Revenue Contribution	2.590
GLA Pipeline Supply Grant	1.020

The background to these resources is outlined below:

Housing Revenue Account Revenue Contribution

It was agreed that the Council's contribution of £2.590 million is funded from within the £9.89m Revenue Contribution to Capital (RCCO) set aside within the 2014/15 Housing Revenue Account budget. The GLA bid initially proposed that, if necessary, funding would be met from prudential borrowing within the HRA. However, it is preferable for the Council to apply its own resources if possible as this will reduce on-going costs to the Housing Revenue Account and the impact on the Council's debt cap. The Council will therefore retain the scope for future borrowing within the debt limit which will be required to finance the capital requirements of the housing stock over the life of the 30 year business plan.

GLA Pipeline Supply Grant

This is the grant funding of £30,000 per property that was secured from the GLA in respect of the proposed works to thirty-four dwellings.

- 4.3 Following the initial Cabinet adoption of the capital estimate and confirmation of the funding sources, this report seeks further approval for the procurement methodology and the appropriate delegations to enable contracts to be entered into. As part of this process it must be ensured that all relevant European procurement legislation is followed and that the requirements of the Council's procurement procedures are met.
- 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 GLA funding level is fixed, and therefore the Council will continue to be liable for any additional costs if the contract values returned through the proposed procurement arrangements are higher than currently anticipated.
- 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 noted in paragraph 3.7, following the completion of the extension, each property will need to be assessed to determine its new rental level and council tax liability and the new charges levied accordingly.

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 supply. In exercising that role care has to be taken to fulfil the duties under The Equality Act 2010 and the report explains how this scheme will cater for those with housing needs arising from disability as well as overcrowding
- 5.2 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".
- 5.3 The proposals described above comply with the Council's procurement duties as an approved method of procurement will be conducted namely using Constructionline a Public-Private Partnership between Capita and the Department for Business Innovation & Skills. This maintains an up-to-date register of pre-qualified suppliers for construction contracts and so shortens the procurement process, This will ensure the grant condition deadlines are achieved.
- 5.4 There is urgency in this approval as the contribution to be made by the GLA is conditional on the Council signing a grant agreement which sets out the terms and conditions of the funding. These include delivery in accordance with the

agreed timetable and a final practical completion date of 31.3.2016. If the terms and conditions are not met then the grant is repayable.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The principal objective of the Extensions Programme is to reduce overcrowding for families and at the same time improve the life chances of young people. The client group is therefore families living in social rented properties, many of whom are on benefits. The access to sufficient space in the family home to study has been identified as a relevant factor in holding back young people in their studies and their development. Having a bedroom of their own enables children and young people to study without constant interruption from family thus establishing the foundation for gaining skills to secure work. The additional space provided to families will have a direct benefit on the achievement of young people from disadvantaged backgrounds.
- 6.2 Another benefit of the programme is to reduce health inequalities as some households have a member with a disability or who suffers from a long-term medical condition. Both design and specification will require a clear focus on ensuring the remodelled homes are designed and specified to incorporate the mobility and health needs of the occupier/s not only now but in the longer term.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 7.1 The construction work will be carefully managed to reduce the impact on the local environment. Orders for materials will be delivered to the property for the actual work being undertaken avoiding the need for large lorries or for stocking materials. Any greenspace which is damaged during the work period will be repaired after the completion of the works.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1. The main risk to the programme is the technical risk of the properties identified due to party wall issues, soil surveys, or the impact on neighbouring buildings. This risk is being managed by actively identifying more suitable buildings to replace those in the programme.
- 8.2. Secondly, the extension programme needs to provide value for money to the tax payer and the funder and the overall programme must remain in budget. The cost of each property will be compared to the average cost of building a new home (without considering the land value) as part of the regular project management. There is a point where there is no value in extending the home and the alternative option of transferring the overcrowded family should be considered.

- 8.3. The risk of the properties being the subject of a Right To Buy application after completion of the works cannot be mitigated against. The valuation of the properties should reflect the increased surface area in new Right To Buy applications. However, the Council stock of large family dwellings will not reflect the work undertaken nor the expenditure in extending the property in that eventuality. It is not possible to limit the Right To Buy on the improved homes.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 9.1 All the new bedrooms built in the programme will be fitted with doors and/ or windows which have the Secure By Design accreditation.
- 9.2 Contractors will be issued with letters of introduction from Tower Hamlets Homes when they present themselves to the residents. Appointments will be made in advance of the contractors calling to the properties except where reasonable attempts to contact the residents have been unsuccessful. Residents who are not confident about letting contractors into their homes will have the support and assistance of a Resident Liaison Officer at Tower Hamlets Homes.
- 9.3 Guidance to residents for the period of the works will be given and will include advice about locking away unfixed items of value to avoid damage and where appropriate undertaking a condition survey and an assets register prior to the contractor working in the home. Residents should not leave workmen in their homes unattended and must ensure that they have a representative present at all times during the period of the works.

10. EFFICIENCY STATEMENT

- 10.1 The creation of additional bedrooms removes the need for the Council to find suitable alternative accommodation for the overcrowded families, reducing the onus on the Council as housing provider.
- 10.2 Procurement costs will be kept low through the use of contractors on the existing Decent Homes Framework and from the THH Repairs Framework. Framework contractors have already successfully tendered for Decent Homes works and will have a site compound presence in and around the borough, further reducing preliminary costs and increasing value for money.
- 10.3 The main contractor will be required to sub contract to three local contractors to carry out the works in the areas as detailed below.

Table 3.

AREA	Location	No. Extensions
1	Bethnal Green North, Bethnal Green South & Weavers, Spitalfields St & Banglatown, St	15

	Dunstans&Stepney Green	
2	Whitechapel, Limehouse, St Katherins&Wapping.	11
3	Bow, Bow East, Blackwall&Cubitt, Mile End & Globe Town	8
Total		34

Linked Reports, Appendices and Background Documents

Linked Report

Cabinet Budget Report 5th February 2014

Appendices

None

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

None

Officer contact details for documents:

Geeta Le Tissier, Ext 6094, Geeta.LeTissier@towerhamlets.gov.uk