

Cabinet 5 November 2014	 TOWER HAMLETS
Report of: Aman Dalvi, Corporate Director Development & Renewal	Classification: Unrestricted
New Homes – LBTH Housing Development Programme	

Lead Member	Cllr Rabina Khan, Cabinet Member for Housing and Development
Originating Officer(s)	John Coker & Geeta Le Tissier
Wards affected	All Wards
Community Plan Theme	A Great Place To Live
Key Decision?	Yes

Executive Summary

1. The demand for affordable Housing in LBTH is considerable and based on current projections will continue to grow. The Mayor has pledged the delivery of 5,500 new affordable homes in the period 2014-18.
2. Tower Hamlets has a three pronged housing strategy to boost supply: delivering affordable housing through partners, supporting and engaging with private landlords, and developing a council house building programme.
3. The New Build programme being delivered directly by LBTH is gaining momentum. This report updates Cabinet on the programme and seeks authorisation to develop a further 190 new homes.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Agree that consultancy services may be engaged to take the following projects (details of which are set out in the report) to the planning stage –
 - (a) Locksley Estate and Hereford Street;
 - (b) Jubilee Street and Baroness Road;
 - (c) Brick Lane, Christian St, Spelman Street and Mile End Road

2. Note the proposed approach to procurement of the consultancy services in paragraph 3.16 of the report and the estimated value of the services in paragraph 3.17 of the report.
3. Note the risks set out in the report in relation to proceeding with the projects as outlined in 1 and 2 in circumstances where the projects are not currently included in the Council's capital programme and do not have budgets allocated.
4. Authorise the Corporate Director Development & Renewal, after consultation with the Service Head – Legal Services, to agree the terms of the necessary contracts.
5. Adopt capital estimates, including contingencies, of £15.071 million for Locksley Estate and £11.797 million for Hereford Street (a total capital estimate of £26.868 million), subject to the scheme being included in the 2015-16 to 2017-18 capital programme, and subsequent Council approval as part of the 2015-16 budget process.
6. Adopt capital estimates, including contingencies, of £6.583 million for Jubilee Street and £4.707 million for Baroness Road (a total capital estimate of £11.290 million), subject to the scheme being included in the 2015-16 to 2017-18 capital programme, and subsequent Council approval as part of the 2015-16 budget process.
7. Adopt capital estimates, including contingencies, of £538,000 for Brick Lane, £280,000 for Christian Street, £817,000 for Spelman Street and £525,000 for Mile End Road (a total capital estimate of £2.160 million), subject to the scheme being included in the 2015-16 to 2017-18 capital programme, and subsequent Council approval as part of the 2015-16 budget process.
8. Agree that £1.91 million of the adopted capital estimates may be expended prior to the schemes being included in the 2015-16 to 2017-18 capital programme and subsequent Council approval as part of the 2015-16 budget process, in order that the services outlined in paragraph 1 can be commissioned and note that this funding is available from uncommitted resources of £2million that were set aside as a provision to fund new housing supply as part of the 2014-15 budget process.
9. Agree entry into the grant agreements with the GLA and HCA.
10. Authorise the procurement of the required professional and technical services and works contracts and utilising suitable procurement frameworks available to the public sector.
11. Authorise the Corporate Director, Development and Renewal to agree the terms and conditions of the agreements referred to in 1 and 9, after consultation with the Service Head – Legal Services

1. REASONS FOR THE DECISIONS

- 1.1 The Council was successful in obtaining funding under the Affordable Housing Programme 2015-18 from the Greater London Authority for two affordable housing development schemes delivering 132 new homes.
- 1.2 In March 2014, central government invited Local Authorities to bid for additional borrowing within their Housing Revenue Account for the express purpose of delivering additional affordable housing schemes. In July 2014, Tower Hamlets was given permission to borrow in order to fund 48 additional new homes.
- 1.3 The Council needs to put in place the governance and is required to allocate the resources necessary to enable the delivery of these schemes.

2. ALTERNATIVE OPTIONS

- 2.1 Do Nothing. This option would see the council rely solely on Registered Providers purchasing affordable housing units from private developers under Section 106 Agreements.
- 2.2 Do Something Else. A more comprehensive house building programme can be set up to deliver more homes. This would involve identifying all the land assets owned by the Council and using their market value to cross subsidise the construction of more affordable housing units.
- 2.3 Do Something Different. A number of Local Authorities are going down the route of setting up Development Companies. Under this scenario, the delivery of newbuild housing would sit outside the usual operations of the Council. This structure is used to lever in various sources of funding.

3. DETAILS OF REPORT

- 3.1. The Estate Capacity Project identified nine infill sites to deliver 309 affordable homes at a total development cost of £62 million. One of these infill sites (Ashington East) is already funded through a mix of borrowing and grant from the London Mayor's Building the Pipeline Supply Programme, along with the units being developed on the Bradwell Street site. These schemes were approved by Cabinet in November 2013 and April 2014.
- 3.2. Bids were submitted for grant funding to support two further infill sites (Locksley & Hereford) delivering 132 new homes under the recent Affordable Housing Programme 2015-18. The Council was awarded funding in July 2014, and approval for these schemes is sought in this report.
- 3.3. In March 2014, the government released a national programme of public sector borrowing targeted at house building to Local Authorities, the Local

Growth Fund. An announcement was made on 7th July 2014 and LBTH was awarded the following increase in its HRA borrowing capacity:

Jubilee Street	26 units	£4,594,980 borrowing approval
Baroness Road	<u>22 units</u>	£3,629,814 borrowing approval
Total	<u>48 units</u>	

- 3.4. The Council is also seeking to develop a number of schemes by utilising its retained 1-4-1 Right to Buy receipts, these receipts are time limited and must be returned to CLG if not utilised within three years. Four sites have been identified generating up to ten homes using a combination of the Council's own resources and retained 1-4-1 Right to Buy receipts.
- 3.5. Recent awards of additional funding from central government and the GLA total £12.185m and contribute to a new programme of £34.305m. This adds to the award of £8.7m in 2013 under the Building the Pipeline scheme towards the development of 214 new homes with a combined scheme cost of £40.861m.
- 3.6. The current development programme being delivered directly by LBTH stands at £81.2m and delivers 404 new affordable homes (excluding Poplar Baths and Dame Colet House).
- 3.7. The time-table of the programme currently being delivered and that of the proposed new development sites, is set out below:

Table 1. Development Programme

Delivery Time-table	Units	Start On Site	Practical Completion
Bradwell	12	May 2014	May 2015
Ashington East	53	March 2015	March 2017
Watts Grove	149	March 2015	Nov 2016
Hereford	54	Sep 2015	June 2017
Locksley	78	Sep 2015	Jan 2018
6 Jubilee	26	Sept 2015	Jan 2017
Baroness Road	22	Nov 2015	Mar 2017
Spellman	3	Mar 2016	July 2017
Brick Lane	3	Sep 2015	Sep 2016

Christian St	1	Sep 2015	Sep 2016
82 Mile End Road	3	Mar 2016	July 2017
Poplar Baths & Dame Colet	100	June 2014	Aug 2015 & April 2016
Total	504		

3.8 The two development sites in the Affordable Housing Programme 2015-18 are Hereford and Locksley, both infill sites on existing housing estates. As per the table above, they deliver between them 132 new homes.

3.8.1 Hereford Estate. The Hereford Estate is located on Vallance Road and adjacent to the western edge of Weavers Fields, in Bethnal Green. It is a very short walk to a number of bus routes and the city. The site identified for infill has good orientation west-east. Weavers Fields offers long views across a public park. The site is in a fantastic location, close to shops, transport facilities of Bethnal Green Road, and public open space. The development site will provide housing for 54 households.

3.8.2 Locksley Estate. The proposed scheme comprises 3 vacant sites within the Locksley Estate. The Locksley Estate is located in between Commercial Road and Mile End Stadium, just to the north of the Limehouse Basin. The Regents Canal forms the western boundary to the estate whilst the Limehouse Cut forms a boundary to the south east. Within the estate, Salmon Lane has local shops along both sides of the street. Commercial Road and associated shops and facilities is located just 200m to the south of the site. The proposal will deliver 78 new homes including 8 wheelchair accessible dwellings. All design proposals are subject to planning permission.

3.9 The two development sites funded from the Local Growth Fund releasing additional HRA borrowing are 6 Jubilee Street, a disused hard standing area previously used as a car park and Baroness Road, an infill site on Newling Estate. As per the table above, they deliver between them 48 new homes.

3.9.1 6 Jubilee Street. The existing site is an underused car park, currently presenting a gap in the street frontage - a proposal in this location would provide an enclosure to the road. To the west of the proposed block of flats are the communal Jubilee Gardens, which will serve as amenity space for the new residents. The block will accommodate 3 wheelchair accessible dwellings. The development will deliver 26 new homes.

3.9.2 Baroness Road. The existing site is a car park currently used by the Council's Decent Homes contractors. The proposal is for a new access road to run along the north end of the existing resident's gardens as a continuation of Baroness Road, which will be fronted by a new 4 storey residential block to its north. Two wheelchair accessible flats are provided at the ground floor with parking in close proximity. The development delivers 22 new homes for affordable rent.

- 3.10 In addition, the Council is developing sites at 82 Mile End Road, Spellman Road, Brick Lane and Christian Street from a mixture of borrowing and Right To Buy receipts destined for the replacement of homes sold under the Right To Buy scheme. They represent the potential for 10 new homes.
- 3.11 82 Mile End Road is a small narrow unused land parcel next to a housing block at the said address. It would seem that there was at some time a house in the spot. Rubbish is sometimes dumped on this space by persons unknown and the development of the site would undoubtedly improve the local area. A design study is required; it is estimated that the site can deliver 3 new homes.
- 3.12 Spellman Road. Currently the site suffers from an unsuccessful planning of roadway, parking bays, fencing and intermediate strips of grass which are an eyesore in the development. A built proposal in this location would serve to continue the east/west running Monthope Road to create a new mews street within the estate, providing better definition to the communal gardens to the rear. The proposal comprises of a 1 wheelchair house with adjacent parking space and 2 houses which will be 2 storeys and will have a pitched roof.
- 3.13 Brick Lane. The Brick Lane site is located in the north western corner of Bethnal Green, and on the boundary with Shoreditch. The site is only 500m away from Shoreditch Overground station. The Brick Lane site is in close proximity to all the amenities on Bethnal Green Road and of course the shops, market and restaurants on the main drag of Brick Lane. It is a very short walk to a large number of bus routes and the city. The proposal is to develop a small end of terrace 3 storey walk-up flat block, adjacent to number 257 Brick Lane, delivering 3 new homes.
- 3.14 Christian Street The Christian street site is a very small site yielding a single dwelling. The site is mid way between Shadwell DLR Station and Overground station to the east, and Aldgate East Tube station to the north-west. Christian Street is in close proximity to all the amenities o Commercial Road and relatively close to Wapping High Street, it is a short walk to a number of bus routes.
- 3.15 The remaining schemes in the time-table above have already been reported to Cabinet.
- 3.16 The work required to take the 8 sites to a stage of pre-development will include the letting of contracts of consultancy services in order to establish the detailed technical requirements and the letting of contracts for design and architectural services and planning agents. It is planned to package the procurement of the consultancies in line with procurement guidelines in three lots, in order to spread the economic benefit of the contracts, and to obtain the same high quality design for all the sites over the same period and achieve the time-table required to receive the grant funding. The construction contracts will only be let after the Council budget has been approved in February 2015.
- 3.17 The consultancy services required for the four sites in receipt of external funding to take the sites to planning stage are estimated at 5% of the total

scheme costs. This equals to £1,907,850, made up of £1,343,350 for Hereford and Locksley and £564,500 for 6 Jubilee Street and Baroness Road. It is proposed to use approved funds set aside for the provision of new housing supply – these totalling £2 million. This work will only take the sites to planning stage as Start On Site and construction works are not due to start until September 2015, by which time Council will have considered the construction costs as part of the 2015/16 budget.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1. This report updates Members on the outcome of the recent bids for GLA grant funding under 'The Mayor of London's Housing Covenant – 2015-18 programme' (bid submitted 10 March 2014; funding announced 22 July 2014) and for an increase in HRA borrowing capacity under the DCLG's 'Local Growth Fund – Housing Revenue Account Borrowing Programme' (bid submitted 16 June 2014; funding announced 7 July 2014), and seeks the adoption of the necessary capital estimates in order that the schemes can proceed.
- 4.2 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.
- 4.3 Additional HRA borrowing capacity of £8.225 million was authorised under the 'Local Growth Fund – Housing Revenue Account Borrowing Programme', which is to be used to part-fund new build schemes of 48 units on the Jubilee Street and Baroness Road sites.
- 4.4 In addition, the Council intends to build 10 replacement council homes on sites in Brick Lane, Christian Street, Spelman Street and Mile End Road, part funding up to 30% of the costs of these schemes from retained 1-4-1 Right to Buy receipts.
- 4.5 Each of the initiatives requires the Council to contribute its own resources. These capital resources 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 fourth year of the five year initiative, and the majority of Housing Capital Resources are committed to this project in the medium term.
- 4.6 Further details of the individual scheme funding is outlined in the following paragraphs.

4.7 Locksley & Hereford St sites - £26.868 million, 132 units
(funding source:
GLA Grant: £3.960 million; LBTH Capital: £22.908 million)

The Council has been allocated £3.960m of grant funding towards the total costs of these schemes, which are estimated at £26.868m, including a 5% contingency. This leaves a residual cost of £22.908m to be funded from the Council's own resources as shown in Table 2 below.

Table 2 – Locksley & Hereford St scheme costs

Description	Locksley St £'000	Hereford St £'000	TOTAL £'000
<u>CAPITAL EXPENDITURE</u>			
Estimated Capital Cost	14,353	11,235	25,588
5% contingency	718	562	1,280
GLA grant	(2,340)	(1,620)	(3,960)
LBTH Financing Requirement	12,731	10,177	22,908

- 4.8. The Authority currently has sufficient HRA borrowing headroom available and current modelling assumptions are that the whole Council contribution of £22.908 million would be financed from HRA borrowing over 20 years at an interest rate of 4.9%. This equates to an annual capital financing charge of £1.8m which reflects both the payment of interest and repayment of the principal sum outstanding. This will be a charge to the Housing Revenue Account.
- 4.9 The affordable rents receivable on the housing development will not be sufficient to cover the annual costs of the scheme over the period in which the borrowing is being repaid. The anticipated annual gap between income and expenditure will be in the region of £0.7 million, and therefore the HRA budget planning process for 2017/18 will need to identify annual savings of that amount in order to deliver a balanced HRA business plan. It should be noted however that after the HRA borrowing has been repaid, the Authority will own all the properties with no debt outstanding on them, and thereafter there will be a net annual cash inflow to the Authority, as the annual rents received will be higher than the management and maintenance costs associated with the properties.

4.10 **Jubilee Street & Baroness Road sites - £11.290 million, 48 units**
(funding source:
HRA Borrowing: £8.225 million; LBTH Capital: £3.065 million)

The Council has been allocated £8.225 million of additional borrowing capacity within its Housing Revenue Account (HRA) as part of the Local Growth Fund. The total costs of these schemes, including a 5% contingency, are estimated to be £11.290m. This leaves a residual cost of £3.065m to be funded from the Council's own resources as shown in Table 3 below.

Table 3 – Jubilee St & Baroness Rd scheme costs

Description	Jubilee St £'000	Baroness Rd £'000	TOTAL £'000
<u>CAPITAL EXPENDITURE</u>			
Estimated Capital Cost	6,269	4,483	10,752
5% contingency	313	224	538
Additional HRA borrowing	(4,595)	(3,630)	(8,225)
LBTH Financing Requirement	1,987	1,077	3,065

- 4.11 It is proposed that the residual £3.065 million be financed from within the planned revenue contribution to capital (RCCO) projected in the HRA medium term financial plan.
- 4.12 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.
- 4.13 As is the case with the Locksley and Hereford Street sites (paragraph 4.9 above), the affordable rents receivable on the housing development will not be sufficient to cover the annual costs of the scheme over the period in which the borrowing is being repaid. The anticipated annual gap between income and expenditure will be in the region of £0.2 million, and therefore the HRA budget planning process for 2017/18 will need to identify annual savings of that amount in order to deliver a balanced HRA business plan. It should be noted however that after the HRA borrowing has been repaid, the Authority will own all the properties with no debt outstanding on them, and thereafter there will be a net annual cash inflow to the Authority, as the annual rents received will be higher than the management and maintenance costs associated with the properties.

4.14 **Brick Lane, Christian Street, Spelman Street & Mile End Road sites - £2.160 million, 10 units**

(funding source:

Retained 1-4-1 RTB Receipts: £0.648 million; LBTH Capital: £1.512 million)

It is proposed that Retained 1-4-1 Right to Buy receipts are used as part funding for these developments. The Council has entered into an agreement with the Secretary of State whereby it is allowed to retain an element of the capital receipts that it receives from Right to Buy sales. Under the terms of the agreement these receipts must be used to finance up to 30% of the cost of replacement social housing within three years, otherwise the retained receipts must be repaid to the Department of Communities & Local Government (DCLG) with interest.

The Council is proposing to apply an element of its retained 1-4-1 Right to Buy receipts to fund up to 30% of the cost of building 10 replacement homes on these four sites. The total cost of these schemes is estimated to be £2.160m which means that retained 1-4-1 Right to Buy receipts can be used to finance £0.648m (30% of the anticipated scheme costs). This leaves a residual cost of £1.512m to be funded from the Council's own resources as shown in Table 4 below.

Table 4 – Brick Lane, Christian St, Spelman St & Mile End Rd scheme costs

Description	Brick Lane £'000	Christian St £'000	Spelman St £'000	Mile End Rd £'000	TOTAL £'000
<u>CAPITAL EXPENDITURE</u>					
Estimated Capital Cost	512	267	778	500	2,057
5% contingency	26	13	39	25	103
1-4-1 Right to Buy receipts	(161)	(84)	(245)	(158)	(648)
LBTH Financing Requirement	357	196	572	367	1,512

4.15 In order that these projects can be progressed capital estimates totalling £40.317m will need to be adopted for the various developments. Although all schemes will be accounted for separately, a summary of the overall budgetary and funding position is:

		£m
<u>Expenditure:</u>		
Estimated Capital Cost:		38.397
Contingency:		<u>1.920</u>
Total Estimated Scheme Cost:		<u>40.317</u>
 <u>Funding:</u>		
LBTH Financing:	HRA Borrowing 1	22.908 (Existing Headroom)
	HRA Borrowing 2	8.225 (Local Growth Fund Headroom)
	HRA RCCO	4.577
GLA Grant		3.960
1-4-1 Retained Right to Buy Receipts		<u>0.648</u>
		<u>40.317</u>

- 4.16 It should be noted that in cases where the Council is contributing its own funding sources to the schemes, it is preferable to apply resources that it already holds, wherever possible, either through a revenue contribution, or the use of HRA reserves, as this will reduce ongoing costs to the Housing Revenue Account and the impact on the Council's debt cap. An assessment will therefore be made at the time when financing is required as to how the Council's element of these schemes will be funded so as to ensure that best use is made of the Council's resources.
- 4.17 It should also be noted that although the adoption of capital estimates is being sought at this stage, expenditure can only be incurred if the schemes are approved for inclusion within the 2015-16 to 2017-18 capital programme which will be considered by Council in February 2015 as part of the 2015-16 budget process. Adoption of the capital estimates now will enable contracts to be let in March 2015 if the budget is approved by Council and will therefore prevent delays in the programme (see paragraph 4.20).
- 4.18 It is however proposed that in advance of the 2015-16 budget process, the schemes that are the subject of grant conditions are developed to planning stage in order to reduce the possibility of not achieving grant milestone deadlines. This would necessitate the appointment of various specialist consultants as set out in paragraphs 3.16 and 3.17. These services will form part of the total capital estimate sought, but in order to proceed with these pre-contract works it is proposed that an initial capital estimate of £1.91 million is adopted, funded from the uncommitted resources of £2 million that were set aside as a provision to fund new housing supply as part of the approved 2014-15 budget. This initial capital estimate of £1.91 million will be superseded by the total £40.317 million capital estimate if the resources are subsequently approved to let the development contract as part of the budget process.
- 4.19 It must be stressed that although funding is in place to finance this preliminary element of the scheme costs, if funding for the project is not ultimately approved, or if the scheme does not proceed for any other reason, these costs will be abortive, and would have to be charged to revenue (i.e. the

Housing Revenue Account). In these circumstances the Council will have procured preliminary work which ultimately would be of limited value.

- 4.20 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.
- 4.21 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.

5. LEGAL COMMENTS

- 5.1. The Council is a local housing authority within the meaning of the Housing Act 1985 and is specifically empowered to provide housing accommodation on land acquired by it for the purposes of Part 2 of the Act. The report does not provide details regarding title and this will need to be explored in order to ensure that the Council may proceed with the projects.
- 5.2. The value of two of the projects is such that full compliance with the Public Contracts Regulations 2006 will be required when procuring the works. In respect of the third project the Council will still need to comply with the principles of fairness, openness and transparency in the Regulations. The Council will need to follow its own procurement procedures (such as the tollgate procedure) in respect of each project.
- 5.3. It is understood that procurement is to be carried out by means of frameworks procured by other public authorities. This may be permissible under the Public Contracts Regulations and the Council's procurement procedures, provided that –
- There is a term remaining on the framework agreement to cover most, if not all, of the term of the call-off;
 - The procurement and award of the framework agreement was conducted in a manner compliant with the Regulations (including Regulation 19), where applicable;
 - The scope of the works and/or services is within those covered by the framework agreement;
 - The Council is named on the notice published in the Official Journal of the European Union (OJEU), or fits within a class of contracting authorities named in the notice from which it is immediately identifiable;
 - The procedure for awarding a call-off under the framework agreement, usually by mini-competition, is complied with;

- The terms of the framework agreement and any prescribed terms of the call-off do not place undue restrictions or liabilities upon the Council; and
 - The value stated on the OJEU notice has not been exceeded to the extent that it could be considered a material change to the framework agreement.
- 5.4. The appointment of the consultants must also occur in accordance with the Council's Procurement Procedures and where the value is greater than £170,000 in accordance with the Public Contracts Regulations 2006
- 5.5. Prior to the commencement of works it is usual for a number of consultants to be engaged. However, consideration must be given to the methodology of contracting such low value consultants as quite often later phases of the schemes rely on the information determine by these consultants. Therefore, advice should be sought at the beginning as to the variety of construction methods that may be used and the consultants contracts tailored accordingly. For example collateral warranties may be included and other legal mechanisms to allow a construction contractor to rely on information produced ostensibly for the Council
- 5.6. The Council is a best value authority within the meaning of section 3 of the Local Government Act 1999. As such the Council is required 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. Compliance by the Council with its own procurement procedures and the requirements of the Public Contracts Regulations 2006 should help to meet these requirements, but ultimately the Council must be satisfied that the projects and the engagement of any contractors will also provide best value.
- 5.7. A significant part of the funding for the projects is to be provided by prudential borrowing. The Council is permitted by section 2 of the Local Government Act 2003 to borrow money for any purpose relevant to its statutory functions or for the prudent management of its financial affairs. The Council must stay within its determined borrowing limit.
- 5.8. The loan costs are to be met from the Council's housing revenue account (HRA). The Council is subject to an obligation under Part VI of the Local Government and Housing Act 1989 to maintain the HRA. The Council is required to prepare proposals in January and February each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be based on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to the impact of the funding proposal on the HRA balances and the Council must be satisfied that positive balances may be maintained if the project proceeds, whilst continuing to deliver its housing functions.

- 5.9. The report identifies the need for approval for capital estimates for the projects. In compliance with section 151 of the Local Government Act 1972, the Council has in place Financial Regulations and Financial Procedures. The Financial Regulations set a threshold of £250,000, above which Executive approval is required for a capital estimate. The Financial Procedures supplement this requirement. Before agreeing the estimate, the Executive should be satisfied that the project is capable of being carried out within the Council's statutory powers.
- 5.10. Whilst approval is sought for capital estimates, the construction work is currently unfunded, as no budget has been agreed. In the circumstances, the Council's Financial Procedures prevent officers from proceeding with the projects. There are good reasons for this restriction, to prevent the Council from being exposed to financial loss and legal action in the event that anticipated funding is not forthcoming. Approval is sought to proceed with preliminary work to the value of £1,907,850, for which it is said there is a budget. Before agreeing such work, the Mayor should have regard to the advice of the Council's section 151 officer. It must be understood that if budgets are not ultimately allocated by full Council in February 2015, then the Council may waste some or all of the proposed expenditure on preliminary work.
- 5.11. When deciding whether or not to proceed with the projects, 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 don't (the public sector equality duty). Some form of equality analysis will be required which is proportionate to the proposed projects and their potential impacts.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1. 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.
- 6.2. The benefits of the house building programme are extensive and need to be seen to fit within a context of local economic regeneration as well as new affordable homes. The Local Growth Fund programme is strongly linked to local economic growth and is endorsed by the Local Enterprise Partnership.
- 6.3. The contracts will deliver opportunities for work placements for job seekers and work experience for students. The value of the contracts 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.

- 6.4. The homes will be rented at affordable rents and will be at the same rents charged by Housing Associations in the borough.
- 6.5. The supply of 190 additional affordable homes for rent 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 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.

Equalities Assessment

- 6.6. LBTH has a comprehensive policy pertaining to equalities in development. It is embodied in the Statement of Community Involvement and Managing Development DPD Statement of Engagement.
 - 6.6.1. In terms of the evidence base, the case for more affordable housing in the borough is borne by the data that underpins the Managing Development DPD. Extensive consultation with relevant interest groups, other public bodies, voluntary organisations, community groups, trade unions, focus groups and other groups including surveys and questionnaires was undertaken on the Managing Development DPD.
 - 6.6.2. There are known barriers to participation for the various equality target groups in terms of communication and access. These barriers were taken into account when designing the communication and engagement for the Managing Development DPD (reference the Statement of Community Involvement and MD DPD Statement of Engagement). It will shape the consultation material and design consultation for the specific development sites.
 - 6.6.3. The target group of users are local residents seeking affordable housing and in particular family homes. The locations where the benefits of the project will be most felt have high concentrations of ethnically diverse communities, as well as business owned or operated by members of those communities – who will therefore be primary beneficiaries of the project. The user profile will reflect the local population/relevant target group for Affordable Rented housing.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 7.1 The proposals offer the possibility of adopting a zero carbon strategy ahead of the 2016 regulations, making a head start in achieving the new standards. All the schemes will be required to have an energy strategy and a strategy to build green infrastructure into the development such as green roofs.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1. The Council is required to meet funding conditions in the delivery of the schemes, including the time-table of delivery. Failure to do so would run the risk of the grant allocation being removed.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 9.1 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. EFFICIENCY STATEMENT

- 10.1 The proposed expenditure relates to capital budgets and does not impact on the efficiency savings. The schemes bring additional funding into the borough through grant and additional borrowing allocations.

Linked Reports, Appendices and Background Documents

Linked Report

NONE

Appendices

NONE

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

NONE

Officer contact details for documents:

N/A