

Cabinet 27 July 2017	 TOWER HAMLETS
Report of: Corporate Director – Place	Classification: Part Exempt (Appendix 1 Exempt)
Housing Capital Projects: Pipeline schemes	

Lead Member	Cllr Rachel Blake, Cabinet Member for Strategic Development Cllr Sirajul Islam, Cabinet Member for Housing Cllr David Edgar, Cabinet Member for Resources
Originating Officer(s)	John Coker, Acting Divisional Manager Strategic Housing Jane Abraham, Interim Project Manager, Capital Delivery
Wards affected	All Wards
Community Plan Theme	One Tower Hamlets
Key Decision?	Yes

Executive Summary

The Housing Capital Pipeline Programme is expected to deliver in the region of 1,000 new high quality homes by building new homes on estates and making the best use of the Council's land assets to meet the objectives set by the Council.

This report informs Members of the emerging programme of Housing Capital Pipeline Projects, including mixed-use schemes where a variety of community uses will be provided in addition to new housing. The report seeks Mayoral approval for the adoption of a budget allocation for pre-development costs, up to the submission of planning applications for pipeline schemes across the borough.

This report also informs Members of the approach to community consultation for all pipeline schemes.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the approach to community consultation for schemes in the pipeline;
2. Approve the allocation of a capital budget of £3.30 million for feasibility and preliminary works for the schemes listed in the Housing Capital Pipeline Programme;
3. Authorise the Corporate Director (Place), after consultation with the Corporate Director (Governance), to agree to proceed to award contracts and enter into any agreements required to implement recommendation 2 if so required, subject to tenders being within the approved capital budgets and progress the Housing Capital Pipeline Programme.

1. REASONS FOR THE DECISIONS

- 1.1 The delivery of the Housing Capital Pipeline Programme is essential to contribute towards delivering the Mayoral priority of 1,000 additional Council homes for local people.
- 1.2 In order to progress the Housing Capital Pipeline Programme, the Council is required to appoint design teams to complete design and feasibility works to RIBA (Royal Institute of British Architects) Stage 3, including the submission of planning applications for each viable scheme. Without an approved budget allocation, the Council will not be able to deliver the pipeline programme.
- 1.3 The design teams will be procured through a framework approach in order to expedite the process.

2. ALTERNATIVE OPTIONS

- 2.1 There are a number of options that the Mayor can consider in relation to the Housing Capital Pipeline Programme.
- 2.2 The first option is to take no action. This will result in the failure to contribute to the Mayoral priority or provide any additional new homes and does not make the best use of the Council's land assets.
- 2.3 The second option is to progress with vacant and infill sites only where no existing residents will be displaced, although they will be impacted by development activity in the vicinity of their homes and the possible loss of garages or other amenities. This option fails to maximise the contribution that the Council could be making to addressing high levels of housing need in the borough.

- 2.4 The third option is to delay the decision to progress with the pipeline programme. This will mean that homeless households currently living in temporary accommodation will have to stay in this type of accommodation than longer than necessary before they are able to move into a permanent affordable home and residents will not get the opportunity to live in good quality energy efficient homes.
- 2.5 The added consequence of any of these alternative options is that the Council will be unable to spend its 'one-for-one' RTB receipts within the prescribed period and will be expected to repay these to the Treasury with interest, impacting on the Council's reputation and its ability to meet the Mayoral priority of additional Council housing within the borough.

3. BACKGROUND

- 3.1 The Housing Capital Pipeline Programme is expected to deliver in the region of 1,000 new high quality homes by building new homes on estates and making the best use of the Council's land assets to meet the objectives set by the Council.
- 3.2 A budget allocation for pre-development and evaluation costs leading to the submission of planning applications for projects in the Housing Capital Pipeline Programme, including the former health centre in St Pauls Way, Southern Grove and other council-owned sites suitable for the development of additional homes for rent
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- 3.3 In July 2016, the Mayor agreed that new affordable homes delivered through the pipeline programme on infill sites should be split 50% social rent and 50% LB Tower Hamlets Living Rent. This remains the starting point for site appraisals on council-owned sites, however, where a scheme requires a community facility to be provided or includes leaseholder buy-backs, a mixed tenure approach may be required to make the scheme viable.
- 3.4 The programme will be funded from a variety of sources, including use of one-for-one RTB receipts, HRA capital reserves and borrowing, other capital reserves, external grant funding and cross-subsidy generated by the wholly-owned company or community benefit society.

4. PROGRESS TO DATE

- 4.1 Over the past few years, the Council has commissioned a number of stock condition and estate capacity surveys to establish a Housing Capital Programme.
- 4.2 In May 2016, Cabinet considered the recommendations of the Affordability Commission. The Commission recommended that a full capacity study be of

council-owned land be carried out to make the best use of the Council's assets, to identify opportunities and funding options. A key delivery theme of the Tower Hamlets 2016-20 Housing Strategy is for more affordable housing, economic growth and regeneration and includes the completion of a capacity study as an action within the strategy.

- 4.3 The estate capacity study completed in November 2016, assessed each of the Council's estates and potential infill sites, within the HRA, and scored them against a list of agreed criteria, prioritising stock condition. The resulting pipeline schemes have been established from the priority sites assessed through this process.
- 4.4 In addition, the Council has sought to maximise its delivery programme by purchasing development sites on the open market and making use of other assets in its ownership to increase the supply of housing and provide other community uses.
- 4.5 The key objectives of the Housing Capital Pipeline Programme are to:
- Provide a mix of good quality well-designed sustainable new homes that are economical to run
 - Deliver schemes of the highest design and architectural quality that contribute to improved public realm
 - Deliver value for money within the capital programme, through the most appropriate delivery route
 - Actively involve local residents in the place making process

5. CONSULTATION PROCESS

- 5.1 The Council is committed to consulting residents and other local stakeholders as part of the design development process for the Housing Capital Pipeline Programme. Consultation will take place in accordance with the following principles:
- Residents will be invited to a minimum of 2 consultation events organised by the Council
 - Consultation will take place at the start of the design process and prior to a planning application being submitted
 - A single point of contact will be provided
 - Information about the consultation process will be available on the Council's website and the Council will work in partnership to encourage residents to engage in the process
- 5.2 The objectives of this approach to consultation are to give residents and local stakeholders affected by the new build proposals the opportunity to:
- See and understand the Council's aspirations for the site

- Contribute to shaping the proposals
- Understand the impact of the proposed scheme on their own household
- Benefit from the opportunities that new development will bring

5.3 Taking into account the lessons learnt from previous Council-led new build housing developments, measures to mitigate the impact of development and improve the overall estate will be set out ahead of the consultation process.

5.4 The key stages of the consultation process are:

Stages		
Stage 1	Initial concept stage	Opportunity to share the broad objectives of the scheme, the site outline, the likely number of new homes and the density and massing
Stage 2	Design development stage	Gather more detailed feedback from residents on materials, landscaping etc.
Stage 3	Planning submission stage	Brief residents before submission and keep them informed of the process
Stage 4	Construction (on-site) stage	Keep residents informed through regular newsletters, Meet the Contractor events etc.

6. PROCUREMENT

6.1 The cost of architectural design services to RIBA Stage 3 for the estate based schemes will exceed the OJEU threshold for services, which means that the procurement process is more prescriptive and can take several months to complete.

6.2 To enable the process to be progressed as quickly as possible, these services will be procured through a framework approach. The Council has made use of frameworks, such as the GLA Framework and the Hyde Framework, for much of its development activity to date. For the pipeline programme, the Council is intending to pilot the use of the Bloom Procurement Framework, which differs from other frameworks in that it is an open framework, allowing competent suppliers can join at any time.

6.3 In addition to making the process time efficient, it also ensures the compliance with the Council's procurement rules when using the same supplier for more than one commission across the authority.

7. BUDGET ALLOCATION

- 7.1 The Housing Revenue Account contains a revenue budget of £500,000 to fund feasibility appraisals for housing capital projects. Initial feasibility studies, including supporting surveys, for housing-led development at St Paul's Way, one of the estate based schemes and a number of the infill sites are currently being funded from this budget allocation, enabling these schemes to progress towards the community consultation stage in the autumn.
- 7.2 In order to progress all of the schemes listed above to RIBA Stage 3, the stage at which a planning application can be submitted, approval is required for scheme-specific budget allocations for pre-development costs.
- 7.3 As the delivery route for each scheme will inform the capital costs, and this has yet to be agreed, further approval will be required for capital estimates to progress these schemes beyond planning.

8. DELIVERY TIMETABLE

- 8.1 The proposed delivery timetable for the submission of planning applications for schemes in the pipeline programme is shown below:

Date	Task
June/July 2017	Tenders issued for procurement of Architectural Design Services to RIBA Stage 3
July 2017	Appointment of architects
End July – End Sept	Initial surveys to inform design
Sept/Oct 2017	Completion of initial feasibility studies for pipeline schemes to establish capacity and viability options ahead of community engagement
Sept/Oct 2017	Planning engagement ahead of formal pre-application advice
Oct 2017 – Dec 2017	First community engagement events to consult on initial concepts and inform design development
Nov 2017 – Jan 2018	Formal pre-application advice
Dec 2017 – March 2018	Completion of surveys and reports required to support planning application
Feb 2018 – March 2018	Further community consultation events ahead of planning submission
Feb 2018 – April 2018	Refinement of designs in response to consultation and survey outcomes
April 2018	Submission of planning applications

9. COMMENTS OF THE CHIEF FINANCE OFFICER

- 9.1 The report proposes that a capital estimate of £3.30 million be adopted to enable the procurement of professional services, including technical advisors, architects, employer's agents and surveys, in order to allow the schemes shown in paragraph 3.2 to be developed up to RIBA stage 3.
- 9.2 The Council is currently holding substantial levels of Right to Buy receipts (approximately £84 million as at 31st March 2017) which must be used for the supply of new housing. Tight time constraints apply to the use of these resources (they must be spent within three years of receipt) and if they are not utilised they must be paid to the Government with significant interest penalties falling on the Council. In line with Mayoral priorities and the updated Capital Strategy, the proposed pipeline programme is one of the key elements of the overall new supply programme so it is important that the scheme progresses in order to ensure that these resources are not lost to the Council.
- 9.3 Once the schemes are at RIBA stage 3, further Cabinet approval will be sought for formal capital estimates to be adopted, and the schemes to be incorporated into the capital programme. At this stage a detailed financial appraisal of the costs and likely resourcing of the scheme will be undertaken. This will need to consider the tenure of the properties and rent levels.
- 9.4 The HRA capital programme includes an uncommitted budget of £26.392 million over the period from 2017-18 to 20-21 to finance new supply utilising 'one for one' receipts. The use of these resources is flexible between financial years, and the £3.30 million capital estimate sought to progress the schemes to RIBA stage 3 will initially be met from this budget. If any of the schemes are subsequently developed within the General Fund or via one of the Council's new delivery vehicles, the funding arrangements will be reviewed and changes incorporated into the Council's Medium Term Financial Strategy as necessary.
- 9.5 If any of the schemes do not proceed following development to RIBA stage 3, these costs will be abortive and therefore must be charged to revenue. If so, the costs will be financed from HRA or General Fund resources as appropriate, using revenue funding that is earmarked to finance Revenue Contributions to Capital Expenditure.
- 9.6 Retained right to buy 'one for one' receipts can only be used to part-fund social housing that is available for rent. It is currently assumed that all the Council's new build schemes would comprise 100% rented units, in which case it would be permitted to use 'one for one' receipts to fund up to 30% of all the costs. However, as outlined in paragraph 3.3, the tenure mix on these sites is yet to be determined, therefore it is not currently possible to calculate the exact amount of one for one receipts that will be used.

10. LEGAL COMMENTS

- 10.1 The Council is a local housing authority within the meaning of the Housing Act 1985 and is specifically empowered to provide housing accommodation, either by erecting houses, or converting buildings into houses on land acquired by it for the purposes of Part 2 of the Housing Act 1985, or by acquiring houses.
- 10.2 By virtue of section 111 of the Local Government Act 1972, the Council has power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. This may involve expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights. This incidental power may support any of the proposed arrangements which require the giving of a grant, provided that the Council abides by its constitution. Section 1 of the Localism Act 2011 gives the Council a general power of competence to do anything that individuals generally may do, subject to specified restrictions and limitations imposed by other statutes which could be utilised to make such grants.
- 10.3 Right to buy receipts are capital receipts within the meaning of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and those Regulations generally require the Council to pay the amounts received to the Secretary of State on a quarterly basis. However, pursuant to section 11(6) of the Local Government Act 2003, the Council may enter into an agreement with the Secretary of State to retain the whole or part of a capital receipt. Such an agreement was entered into in 2012 (and amended on the 17th July 2013) which specifies circumstances in which the Council is not required to pay specified capital receipts to the Secretary of State. This primarily covers a percentage of right to buy receipts received on or after 1 July 2012, subject to conditions. However, the Council must ensure that either a new agreement has been entered into or that the original agreement reflects the use of any such retained receipts as referred to in the body of this report
- 10.4 The Council has an obligation under section 3 of the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty). One principal way that the Council seeks to fulfil this duty generally is by subjecting spend to competition and choosing the winning bidder by applying pre-advertised evaluation criteria to ensure that the winning bid shows the best and appropriate mix of price and quality.
- 10.5 Therefore, the nature and value of each proposed contract will need to be understood before proceeding with the procurement. Should the value exceed the European threshold, as set down by the Public Contracts Regulations 2015, then the competitive exercise must comply in all respects with the requirements of the Public Contracts Regulations and with European Law. It is notable that further approval will not need to be obtained following approval of the recommendations in this report beyond that which is required as part of the Procurement Procedures.
- 10.6 Any decision to refurbish or redevelop blocks will amount to a matter of housing management under requiring consultation under S,105 of the

Housing Act 1985. Such consultation must comply with the following common law criteria:

- (a) it should be at a time when proposals are still at a formative stage;
- (b) the Council must give sufficient reasons for any proposal to permit intelligent consideration and response;
- (c) adequate time must be given for consideration and response; and
- (d) the product of consultation must be conscientiously taken into account when a decision is taken

10.7 When exercising its functions the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). In particular, the Council is legally required to take appropriate steps such as undertaking an equality assessment and if necessary consultation in order to properly understand the needs of individuals affected by these schemes and to consider these needs in its decision making process..

11. ONE TOWER HAMLETS CONSIDERATIONS

11.1 This project is expected to provide in the region of 1,000 new homes in the Borough.

12. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

13. RISK MANAGEMENT IMPLICATIONS

13.1 The following risk and mitigation measures have been identified:

Risk Summary	Mitigation
Failure to secure a budget allocation will delay the delivery programme	Agree report recommendations to enable the pipeline programme to be progressed
Cost of keeping homeless households in temporary accommodation	Move forward with developing sites for new affordable homes within the pipeline programme

14. CRIME AND DISORDER REDUCTION IMPLICATIONS

14.1 The pipeline schemes will provide homes that are of a better design in terms of orientation to maximise passive supervision of common and external areas, with safe pedestrian routes to and from the homes.

15. EFFICIENCY STATEMENT

15.1 The new buildings will be built to sustainable design standards, therefore reducing the financial impact for residents and users. The procurement process will identify the most efficient means of delivering this key Mayoral priority.

Linked Reports, Appendices and Background Documents

Appendix 1 – Capital Costs (Exempt Appendix)

Officer contact details for documents:

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