
REPORT FOR: CABINET

Date of Meeting:	21 February 2019
Subject:	Homes for Harrow: Council House Building Programme
Key Decision:	Yes - involves capital expenditure significantly over £1m
Responsible Officer:	Nick Powell, Divisional Director of Housing Services
Portfolio Holder:	Councillor Phillip O'Dell, Portfolio Holder for Housing
Exempt:	Part Open, Part Exempt. Appendices 1-2 are exempt due to information relating to the financial or business affairs of any particular person (including the authority holding that information)
Decision subject to Call-in:	Yes
Wards affected:	Harrow on the Hill and potentially all wards in Harrow
Enclosures:	<u>Exempt</u> appendices –Appendix 1: Homes for Harrow programme, Appendix 2: Chichester Court contract award report Appendix 3 – Grange Farm Phase 1 CPO Plan

Section 1 – Summary and Recommendations

This report sets out proposals for Cabinet's approval to the new Homes for Harrow council house building programme.

Recommendations:

Cabinet is requested to:

1. Approve the Council House Building Programme attached at Appendix 1 and the required capital budgets that will deliver 639 new genuinely affordable council homes, which, combined with homes already completed and on site, will provide a total of 659 homes.
2. Approve the budget for the construction of 26 new council homes at Chichester Court, as part of recommendation 1, and the award of the Chichester Court contract with Bugler Developments Ltd. as set out in para 3.4.
3. Delegate authority to the Corporate Director Community following consultation with the Portfolio Holder for Housing, together with the Director of Finance and Director of Legal and Governance to enter into the Chichester Court contract to Bugler Developments Ltd. and to accept tenders and enter into contracts, submit grant applications and bids for additional resources and enter into any related legal agreements for any matters referred to in this report and which may contribute towards the Council House Building Programme and housing regeneration initiatives, including but not limited to the Grant Agreements referred to in paragraph 3.3.
4. Delegate authority to the Corporate Director Community following consultation with the Portfolio Holder for Housing to appoint the necessary technical consultants and commission supporting technical information to enable the delivery of the Council House Building Programme subject to these costs being within the approved capital budgets and allowances.
5. Delegate authority to the Corporate Director Community following consultation with the Portfolio Holder for Housing to substitute sites within the Homes for Harrow programme as necessary to ensure take-up of grant within specified timescales.
6. Delegate authority to the Corporate Director – Community following consultation with the Portfolio Holder for Housing to dispose of properties identified within the Council House Building Programme for shared ownership in accordance with the Council's priorities for shared ownership sale and the approved Shared Ownership Allocation and Affordability Policy.
7. Delegate authority to the Director of Legal and Governance Services to extend the Compulsory Purchase Order boundary for the Grange Farm Regeneration project Phase 1 to include the area surrounding 0-18 Osmond Close in accordance with the plan attached at Appendix 3

Reason: To ensure delivery of the overall Homes for Harrow council house building programme.

Section 2 – Report

1. Introductory paragraph

It is a key council priority to deliver 500 new council homes, making a difference in Harrow by increasing the supply of affordable housing to meet the needs of vulnerable households and families who cannot afford market housing.

Cabinet received a report in December 2018 about a successful bid to the GLA for additional funding to enable an ambitious council house building programme to be taken forward. This report provides further details setting out how the programme will be delivered.

2. Options considered

The council has considered options to increase the supply of affordable housing in Harrow and decided to progress a new council house building programme now that additional funding is available.

3. Current situation

3.1 As reported to Cabinet in December 2018, the council initiated a council house building programme building new homes on underused infill development sites on existing Housing Revenue Account (HRA) land such as garage sites. To date ten new family homes have been completed for rent and two for outright sale, with a further thirteen homes currently under construction – eight for rent and five for sale on a shared ownership basis.

3.2 Planning permission has also been received for a further 38 new homes for rent. These have not been progressed due to lack of funding but with the successful bid to the GLA Building Council Homes for Londoners (BCHfL) programme these are now able to be progressed.

3.3 Appendix 1 sets out the new Homes for Harrow programme, for which the council has been allocated £32m grant funding from the BCHfL programme. This, together with other council resources including HRA borrowing following the abolition of the borrowing cap, enables the development of 639 new council homes including the council homes for rent on Phase 1 and 2 of the Grange Farm regeneration project. Combined with new homes already completed or nearing completion, this will provide a total of 659 additional homes. The programme is funded from a number of sources as well as GLA grant such as ring fenced Right to Buy receipts, 141 receipts retained by the council, other HRA capital resources such as capital receipts and HRA borrowing. Where GLA grant is applied, this is at the rate of £100,000 per unit for council rent homes and either £38,000 or £28,000 for shared ownership. The total cost of the programme is £171.163m of which £152.205m remains to be spent from 2019-20.

3.4 The programme enables the sites already granted planning permission to proceed. Chichester Court has already been tendered so a contractor is ready

to be appointed subject to approval of the budget. Appendix 2 sets out details of the procurement process for the scheme and the contract award recommendation following a competitive process using a Framework. Cabinet is asked to approve the recommendation to award the contract to Bugler Developments Ltd. Cabinet is also asked to approve the full life budget for Chichester Court as follows:

Costs	Full Life Budget
Design and Build contract	£6,572,230
Fees and contingencies	£212,140
Total	£6,784,370

3.5 The rest of the programme utilises remaining vacant infill HRA land as well as opportunities for roof top extensions on existing 3 storey council flat blocks. However these opportunities are now more difficult to find due to the constrained nature of our housing land and in order to deliver the increased level of council house building, it is also proposed to use opportunities on general fund land such as that within the regeneration programme or other small council general fund sites. The programme identifies sites that could accommodate the proposed programme. However it may be necessary to substitute sites as the programme is developed.

3.6 The cost of the programme has been assessed and incorporated into the Housing Revenue Account (HRA) Business plan and is affordable based on the spending profile assumptions, in particular on the estimated borrowing profile. Full details of this will be found in the HRA Budget report also on this Cabinet agenda. The Homes for Harrow programme will be closely monitored on a monthly basis and regular reports brought to Cabinet detailing progress against key milestones, spend against targets, whether key assumptions around for example build costs are being achieved and impacts on the overall HRA business plan.

3.7 Expanding the Homes for Harrow programme requires the council to expand its capacity in the direct delivery area. At the moment there are 7 FTE's working on affordable housing delivery, some posts covered by interims. Under a wider Housing Service restructure, the Housing Regeneration team is proposed to be reshaped to focus on the delivery of affordable housing and the strategic housing function and additional roles created to support programme delivery. The proposals include an increase in staff to 11 FTE's, including senior staff, delivering affordable housing. Much of this cost can be capitalised against the cost of schemes or is included within the HRA revenue budget.

3.8 Due to the large amount of affordable housing development activity in London and the country with council's once more building new council homes, the market for housing development professionals is highly competitive and there is a risk the council will find it difficult to recruit to new posts. The GLA has also launched a Homebuilding Capacity Fund and part of the bid includes a request for funding under Priority 1 Delivering a new generation of council homes to support an in-house training and skills development programme across the Housing Regeneration, corporate Regeneration and Planning

teams so that we can “grow our own” staff as well as seeking to recruit experienced staff from elsewhere.

- 3.9 External technical consultancy support has also been used to support the direct delivery programme. We originally appointed Architects and an Employers Agent from a Framework. Going forward we need to reappoint and increase the number of architects and Employers Agents we can use. This will be done via a competitive procurement process either using Frameworks or open market tenders. The cost of these services is included in the programme cost details set out in the appendix.
- 3.10 A separate report on the Grange Farm regeneration project will be reported to Cabinet. In Feb 2018, Cabinet gave authority to the Director of Legal and Governance Service to commence the Compulsory Purchase Order (CPO) for Phase 1. Land referencers were commissioned to begin the process of confirming the land to be included within the CPO and have recommended the boundary for phase 1 is extended to include the area around 10-18 Osmond Close as per the plan attached at Appendix 3. As it is important the CPO process progresses to enable the delivery timescales to be met approval is now required for the amended plan.

Consultation and Engagement

There is extensive consultation with local residents on any sites where we are proposing to build new council homes with residents having an opportunity to input their views and for amendments to be made before plans are finalised and submitted as planning applications.

Performance Issues

The delivery of the Homes for Harrow programme contributes to meeting the council’s target to deliver at least 500 new council homes as well as the overall affordable housing targets set out for Harrow in the London Plan.

Environmental Implications

All new homes have to meet high standards of energy efficiency to reduce CO2 emissions as well as reduce fuel poverty. Larger schemes such as the Grange Farm regeneration project will also provide a Combined Heat and Power plants (CHP) in accordance with London Plan requirements.

Other environmental improvements often included in new housing developments include: provision of green roofs, solar thermal hot water systems to meet the target for use of renewable resources and resulting reduction in CO2 emissions, improved biodiversity as a result of increased tree planting and landscaped communal open spaces, provision of Sustainable Urban Drainage Systems, and green travel plans to encourage use of public transport and walking. Where possible, we will endeavour to recycle demolition material recognising this may be limited due to the construction type of some properties.

Data Protection Implications

There are no GDPR implications to this report

Risk Management Implications

Risk included on Directorate risk register? Yes

Separate risk register in place? Yes

The key risks are as follows:

1. The risk to the HRA of undertaking this scale of new council housing development has been modelled and in particular the ability to borrow and repay debt. The HRA can only afford to fund the proposed scale of programme if the agreed revenue savings of £1.9m are achieved. Failure to achieve these savings would result in the council house building programme being unaffordable. Mitigation: A plan is in place to achieve the £1.9m savings and we are on target to achieve this. The HRA and Homes for Harrow programme are regularly monitored to ensure actual costs and borrowing is affordable.
2. Development risk such as planning delays or schemes not being granted permission, land conditions and abnormal costs higher than estimates, disputes with contractors, increases in build and material costs particularly as a result of Brexit. Mitigation: The programme will be regularly monitored against estimated costs. Additional schemes will be worked up as contingencies. The impact of Brexit will be monitored. By using Design and Build contracts the risk of costs increasing after contract award are minimised.
3. Market risks relating to Brexit. A significant property price fall would impact where the programme relies on cross subsidy from market sales (Grange Farm) or shared ownership. Mitigation: This risk has already been mitigated by offering minimum shares of 25% on shared ownership which makes them more affordable for the size of property than other shared ownership opportunities in Harrow. Market sales are not proposed until Phase 2 Grange Farm by which time the impacts of Brexit will have had time to work through the market. Alternatives would be to switch sales to private rent.
4. Delivery and take up of funding in accordance with agreed targets dates. Delays in the programme could lead to penalties, loss of grant funding and reputational damage. Mitigation: Delivery plan which will include an element of over programming and monitored on a monthly basis.
5. Ability to recruit and retain the necessary experience and skills to deliver the programme. Mitigation: New posts should be attractive to external candidates. Bids being made for funding to run training and mentoring programmes to grow our own by upskilling existing staff.

Procurement Implications

The procurement of the contract for Chichester Court has been undertaken with support of the Procurement team.

There will be a significant amount of procurement for both technical consultants and contractors to deliver the Homes for Harrow programme which will all follow the council procurement procedures.

Legal Implications

The Council has statutory powers to deliver the Council House Building Programme, to undertake the related procurement activity, and to enter into Grant Funding Agreements with the GLA, under the general power of competence under section 1 of the Localism Act 2011, section 9 of the Housing Act 1985, section 111 of The Local Government Act 1972, and all other enabling powers.

The GLA has a number of powers under which it can provide grant funding for affordable housing including s19 (3) of the Housing and Regeneration Act 2008. The council will be required to enter into a grant agreement for the funding provided by the GLA under the BCHfL programme and with the government for the HIF funding (the Grant Funding Agreements) and will need to comply with the terms of the Grant Funding Agreements.

All procurement must be undertaken in compliance with The Public Contracts Regulations 2015 and the Council's Contract Procedure Rules.

Separate legal comments relating to the award of the Chichester Court contract are included as a confidential appendix to the Chichester Court contract award report attached at Appendix 2.

The shared ownership lease is based on the Homes England standard shared ownership lease and which is acceptable to mortgage companies.

Section 32 of Housing Act 1985 allows local authorities to dispose of land held for Housing purposes with the prior consent of Secretary of State. The Secretary of State via the General Housing Consents 2013 has given consent to the disposal of Housing land where that disposal is made at market value.

Cabinet has already authorised the making of a Compulsory Purchase Order for Phase 1 Grange Farm and the process can proceed with the amended boundary plan annexed to this report.

Financial Implications

The Homes for Harrow programme, including Grange Farm, has been subject to rigorous sensitivity testing to ensure it is affordable taking into account the allocated grant funding, RTB receipts and ring fenced RTB receipts and other

available council funding including the cost of HRA borrowing. The details of how this will operate in the HRA is included for approval by Cabinet on this agenda as part of the final HRA budget 2019-20 and MTFs 2020-21 to 2021-22.

Specific capital budgets for Chichester Court are set out for approval as well as the overall Homes for Harrow programme.

The programme makes many assumptions about costs (build costs, fees, borrowing costs) and revenues from shared ownership and market sales which will change over time. Therefore it will be strictly monitored on a monthly basis with regular reports to the relevant internal Boards and regular updates to Cabinet.

The financial risks the Council will be exposed to as a result of the new build programme are set out in the HRA Budget report along with mitigations, the main being the phasing of schemes to ensure the risk is compartmentalised as far as possible thereby preventing Council from over extending financial resources.

Equalities implications / Public Sector Equality Duty

The Housing Strategy EQIA completed in 2013, informed the development and adoption of the Homes for Harrow programme. The provision of additional affordable housing has an overall positive impact on a number of protected characteristics. The Housing Strategies are being refreshed in 2019 and a new EQIA will be completed. The development of additional affordable housing, however, will continue to have an overall positive impact.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow.

The Council's strategy to deliver its vision is set out in the Harrow Ambition Plan 2020 under three themes. Under the theme Build a Better Harrow the Homes for Harrow Programme will contribute positively to the Council's vision, Ambition Plan and priorities in the following ways:

- Making a difference for the vulnerable – building a range of new genuinely affordable homes including homes for those who are most in need.
- Making a difference for communities – we are involving and engaging residents on the Grange Farm estate and from the wider community in the development of new homes, the replacement of poor housing, the re-provision of community facilities and improvements to the external environment.
- Making a difference for families – replacing the worst social housing in Harrow and building homes to meet family needs. Other benefits flowing from

the regeneration programme include the creation of apprenticeships, jobs and training opportunities to help those most in need, especially the young.

Section 3 - Statutory Officer Clearance

Name: ...Tasleem Kazmi...	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: ...11/2/19..		
Name: Stephen Dorrian/Matthew Dineen	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: ...22/1/19 and 8/2/19		

Section 3 - Procurement Officer Clearance

Name:Jessica Covey	<input checked="" type="checkbox"/>	on behalf of the Head of Procurement
Date: ...22/1/19.		

Ward Councillors notified:	NO, as it potentially impacts on all Wards
EqIA carried out:	NO
EqIA cleared by:	An EqIA undertaken for the Housing Strategy is relied on which confirmed that developing additional affordable housing has a positive impact in terms of equality by providing housing options for the most vulnerable who are unable to access market housing. This will be updated when the Housing Strategy review is completed in 2019.

Section 4 - Contact Details and Background Papers

Contact: Alison Pegg, Head of Housing Regeneration, 020824 1933 alison.pegg@harrow.gov.uk

Background Papers:

<http://www.harrow.gov.uk/www2/documents/g64380/Public%20reports%20pack%20Thursday%2006-Dec-2018%2018.30%20Cabinet.pdf?T=10>

**Call-In Waived by the
Chair of Overview and
Scrutiny Committee**

NO – CALL IN APPLIES