

Report for: Cabinet

Date of Meeting:	18 th November 2021
Subject:	Milton Road Development – Commission to Harrow Strategic Development Partnership
Key Decision:	Yes - the value of works to be carried out will exceed £1 million.
Responsible Officer:	Sean Harriss (Chief Executive); Dipti Patel (Corporate Director, Community)
Portfolio Holder:	Councillor Graham Henson - Leader of the Council and Portfolio Holder for Strategy, Regeneration, Partnerships and Devolution Councillor Philip O'Dell - Portfolio Holder for Housing
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	Marlborough, Greenhill.
Enclosures:	Appendix A – Milton Road Development Site Plan

Section 1 – Summary and Recommendations

This report recommends the commissioning of the works to the housing development site at Milton Road (formerly known as plot S) into the Harrow Strategic Development Partnership (HSDP)

Recommendations:

Cabinet is requested to:

- i. Agree that the current Pre-Contract Services Agreement (PCSA) between the Council and Wates be extended to allow for Royal Institute of British Architects (RIBA) stage 4 design and preparation for the demolition of Civic 9.
- ii. Delegate authority to the Corporate Director Community, following consultation with the Portfolio Holder for Strategy, Regeneration, Partnerships and Devolution and Portfolio Holder for Housing, to agree the terms of the extension to the existing Pre-Contract Service Agreement and to enter into all appropriate legal documentation.
- iii. Agree that the Harrow Strategic Development Partnership (HSDP) be commissioned to carry out the demolition and redevelopment of the site at Milton Road under a Community Works Agreement as provided for in the founding documents of the HSDP.
- iv. Delegate authority to the Chief Executive following consultation with the Corporate Director Community, the Leader of the Council and Portfolio Holder for Strategy, Regeneration, Partnerships and Devolution and the Portfolio Holder for Housing to agree the terms of and formally enter into the Community Works Agreement.

Reason: (for recommendations) To enable the development of housing on the Milton Road site and, obtaining the benefit of funding granted under the Building Council Homes for Londoners programme

Section 2 – Report

Introductory paragraph

This report takes forward the redevelopment of Milton Road and facilitates the redevelopment of Poets Corner and will enable the provision of much needed affordable housing to meet the needs of the Council's residents.

The report sets out the contractual approach to delivering the Milton Road development, together with the details of the scheme and the financial

implications. It is proposed that this site should be developed by the Harrow Strategic Development Partnership

Options considered

It would be feasible to launch a new procurement to find a construction partner and separately procure design and supervision services. This would necessitate a procurement period of some months which would preclude a start on site in January. In addition, a separate design team from this point would negate the benefits of having this site developed by the long-term developers and design team for the larger neighbouring site.

The commissioning of this work to the HSDP will result in some savings to staff time in any event as the HSDP is Development Manager of the scheme.

Background

The Council has developed plans for building new affordable housing on the site at Milton Road adjacent to the current Civic Centre. This site is shown on the attached plan as Appendix 1 and includes Civic 9 and the car park behind.

The Council obtained grant from the GLA from the Building Council Homes for Londoners (BCHfL) programme in the sum of £32m, with a grant rate of £100k per affordable rent home and £28k per shared ownership home. This project will be funded within the BCHfL programme budget (which is funded from the external grant and Council borrowing) but in order to satisfy the terms of the grant funding a meaningful start on site has to be made by 31st March 2022.

Because of this time imperative, together with the immediate availability of the necessary resources and because of the critical nature of this site being immediately adjacent to the forthcoming HSDP development at Poets Corner, it was agreed that Wates Construction Ltd would be appointed under a Pre Contract Services Agreement to take the scheme to planning permission. This enabled the use of the HSDP design team, particularly the architects Shepherd Robson.

As at the time of Wates' appointment in July 2021, the HSDP had not been established legally, this appointment was made through the Notting Hill Housing Trust (NHHT) – Contractors Framework., although Wates agreed to use the rates tendered in the bid for the HSDP which were more advantageous than those offered on the framework.

Wates, together with their design team have prepared cost plans and designs overseen by the council's client team who submitted the application for planning permission on October 21st following a period of consultation with local residents and stakeholders, and subsequent design amendments.

The application for prior approval to demolish Civic 9 will be submitted to Planning in mid-November 2021.

Current situation

Given the need for a start on site prior to the end of March 2022 it is important to continue moving forward at this point.

The immediate tasks are to continue the design to RIBA Stage 4 and preparation for demolition, and the procurement of a demolition contract. Market testing of demolition and construction contracts to develop the housing is also required.

The current proposal

Following a comprehensive informal consultation process and design amendments to take account of feedback received, a planning application has been submitted for a 100% affordable housing scheme of 39 homes. 12 homes comprising 10 family houses and 2 flats suitable for wheelchair users are for affordable rent, and 27 flats in a mix of 1 and 2 bedrooms are for shared ownership. The proposal will therefore benefit households in priority housing need for council housing and those who are unable to afford to buy on the open market but want to remain living locally. The scheme also includes a non-residential community use unit on the ground floor of the flatted block accessed from the High Street. It has a high quality design to match the aspirations for the Poets Corner site which sits opposite the Milton Road site.

The scheme has been costed and independently reviewed and is financially viable based on the current estimates.

Wates proposal

Wates have already been procured by the Council to take the scheme to planning permission under the PCSA referred to above, consequently, they have been involved in the development and design of the scheme to this point. As noted above they have produced costings and proposals to deliver the scheme. It remains the case that this is an important site adjacent to the 'core site' at Poets Corner and there is considerable logic to the HSDP partner developing this site.

Wates has provided an early estimated total scheme cost of £14.9m with a build cost of £13m for the proposed scheme. The final contract sum is subject to further market testing and once agreed, the rates for Development Management, construction overheads and profit are those tendered in the bid to be the Council's partner in the HSDP. This will then be done on identical terms and conditions.

The HSDP

As discussed elsewhere on your agenda, Members will recall that at its meeting of 30th May 2019 Cabinet resolved that a Strategic Development Partnership, established with a private sector partner was the preferred delivery approach for the development of Poets Corner, Peel Road and Byron Quarter Phase 1 (the Core Sites) in the Regeneration Programme. Cabinet

approved the commencement of a procurement process under the Public Contracts Regulations 2015 and agreed a proposition to be put to the market as part of the procurement process.

Following that procurement process Wates Construction Ltd were appointed as preferred bidder and subsequent to contractual finalisation the HSDP was established on 9th August 2021.

The core sites and the addition of Milton Road

It is set out in the report to Cabinet in May 21 that the HSDP has three core sites at Peel Road, Byron Quarter and Poets Corner. Peel Road is the proposed site of the new Harrow Civic Centre, together with private rented housing and a block of 46 affordable units that it is intended, subject to final due diligence will be owned by the Council. Poets Corner is intended to be the site of approximately 1,000 homes; a mixture of market and affordable. Byron Quarter phase 1 which is likely to be the first site delivered by the HSDP has a similar mix of around 350 market and affordable homes. All three core sites were considered in the HSDP's initial overall Business Plan and are now subject to detailed design and the drafting of detailed phase Business Plans. It was always contemplated in the procurement process that further sites could be added to the partnership.

If members agree the addition of Grange Farm Phases two and three to this partnership set out in another report to this Cabinet meeting, this will effectively add a fourth core site. The addition of Milton Road should rather be viewed as a minor extension to the Poets Corner site

The process set out in Schedule 6 of the Member's Agreement for the addition of future opportunities requires that:

- The HSDP brings forward a development proposal:
- The Council accepts the proposal and asks the HSDP to progress the proposal in further detail i.e. produce a business plan. This triggers an exclusivity period during which the site cannot be otherwise disposed of.
- The HSDP will prepare a full detailed phase Business Plan which will then be brought back to Cabinet for final approval of the necessary legal documentation

In this instance the level of design and preparation work carried out by Wates in advance of the conclusion of the HSDP process, together with the financial proposals exceeds that of a business plan and it is proposed that in this instance Cabinet waives the process and asks the Board of the HSDP to do the same and accept the commission of the works at Milton Road site by the HSDP.

Legal Documentation

As with the new Harrow Civic (HNC) and the proposed affordable housing at Peel Road the Milton Road site would be developed under a Community Works Agreement. This is an agreed form of document for which provision is made in the Members Agreement of the HSDP. The Community Works Agreement is the 'Development Agreement' for works commissioned and directly paid for by the Council. A Community Works Agreement is largely ready for Milton Road on the same terms and conditions as the originally proposed Community Facilities.

To ensure that the further required design advice and preparation is provided, it is proposed that the existing PCSA will be extended to cover this.

Procurement advice

Pinsent Masons have advised the Council on the procurement issues relating to the HSDP from the outset. Close liaison with them has been maintained by officers during the consideration of the options for Milton Road.

The proposed commissioning of the HSDP in the manner proposed accords with the mechanisms contained in the HSDP legal documentation.

S123 Best Consideration

No disposal of land is taking place here and therefore the s123 best consideration issue does not apply.

Subsidy Control

There are no subsidy control issues here. The Council is commissioning and paying for the development management and the construction works. These are either already tendered in the market; will be exposed to the market before contracts are let or in the case of direct works carried out by Wates Construction Ltd will be benchmarked on an open book basis as required by the constitution of the HSDP.

Ward Councillors' comments

Ward Councillors have been fully briefed on the scheme itself and are aware of the proposal to commission this scheme to the HSDP. They are supportive of the scheme and of the approach taken. They have been consulted on the detail of this report.

Risk Management Implications

Risk included on Directorate risk register? No
Separate risk register in place? Yes

The relevant risks contained in the register are attached/summarised below.
Yes

The following key risks should be taken into account when agreeing the recommendations in this report:

Key Risks

Risk Description	Mitigations	RAG Status
Increase in build costs due to shortages of building materials and labour across the construction industry compounded by Brexit and the pandemic, and on overall project costs	The open book approach to procurement offered by the HSDP will ensure that the Council benefit from Wates economies of scale helping to achieve better value for money and the best possible quality. A contingency has been included in the overall project costs.	Amber
Loss of grant funding under the Building Council Homes for Londoners programme if we are unable to start on site during the 2021/2022 financial year.	Design and preparation for start on site will continue whilst the planning application is being determined. This will ensure that the project is in a good position to start on site as quickly and as safely as possible.	Green
BCHfL programme cost targets are not met resulting in reduced number of homes delivered	Higher cost schemes are balanced by lower cost schemes to achieve the target average cost.	Amber
Challenge to the procurement route to commission the HSDP to carry out the demolition and redevelopment of this site	Legal advice obtained. The proposed commissioning of the HSDP in the manner proposed accords with the mechanisms contained in the HSDP legal documentation.	Green
Health and Safety construction risks due to the site location on a very busy corner with frequent high-volume vehicle and pedestrian traffic	As the Council's delivery partner, Wates will have responsibility for site safety, and this will be monitored by the Council. Wates will prepare and deliver a clear health and safety management plan and this will be reviewed and reported on frequently.	Green

Procurement Implications

The Director of Procurement has been consulted and fully involved in all discussions and is satisfied this is the correct procurement approach and complies with the Council's Contract Procedure rules and Public Contract regulations.

Legal Implications

Pinsent Masons have been retained to advise the Council throughout the entirety of the HSDP project. Close liaison with them has been maintained by officers during the consideration of the options for Milton Road. The proposed commissioning of the HSDP in the manner proposed accords with the mechanisms contained in the HSDP legal documentation.

The PCSA can lawfully be extended under the Public Contracts Regulations to include the RIBA stage 4 design and preparation for the demolition of Civic 9.

Financial Implications

This is the redevelopment of a site to provide approximately 39 affordable housing units, all delivered as affordable housing, with a range of typology including flats, houses, and townhouses. The total development cost is £14.9m which includes £0.500m for the reprovision of a non-residential community use unit.

The redevelopment of the whole scheme (affordable housing units and the non-residential unit) will be funded from budgets held with the Building Council Homes for Londoners Programme (BCHfL). This programme is being funded from GLA grant (£32m) and Council borrowing of £121m which is provided for within the Council's approved Capital Programme.

The affordable housing units will be held by the Council (Housing Revenue Account) and this has been tested for affordability within the HRA Business Plan. This is based on the servicing of interest only. The non-residential unit is subject to further discussions and if this was to be transferred within the Council to the General Fund, this would be subject to Cabinet approval.

The original BCHfL programme was approved by Cabinet 27th February 2019 to proceed with the programme of building 659 new units to be held within the Council (HRA) subject to affordability as the programme progresses. Since agreeing the original programme, estimated build costs have increased and the approved Housing Revenue Account Budget 2020/21 and Medium Term Financial Strategy 2021/22 to 2023/24 included an increase in the BCHfL programme to take account of this increase in estimated build costs -averaging at £325k per unit. The current estimated cost per unit for Milton road is at £345k. This increased cost can be contained within the overall Council (HRA) BCHfL Programme budget as not all units have yet been allocated to the Programme. However, in order to still meet the original target new build programme of 659 units there will need to be schemes that come in at lower cost than £325k per unit for this to be achieved.

The development of the Milton Road Site will be undertaken under a Community Works Agreement. This will not impact on the financial arrangements for the joint developments by the HSDP LLP which are carried out on a 50/50 basis.

Equalities implications / Public Sector Equality Duty

The Harrow Strategic Development Partnership has been formed to deliver the Council's regeneration ambitions on the three core sites. These objectives, particularly in terms of the acceleration of the pace of housing delivery are specifically targeted at creating benefit for all of Harrow's diverse communities. The addition of 39 units to the HSDP is likely therefore to further increase benefit for members of the protected groups.

A detailed Equalities Impact Assessment (EqIA) was carried out when the decision was taken to establish the HSDP and full EqIA will be carried out in respect of every site specific business plan. The Poets Corner Business Plan, together with those of the other core sites is intended to be brought to Cabinet in February of 2022 and the Milton Road scheme will be included in the detailed consideration of the implications of that site.

Council Priorities

By delivering an additional 39 units of affordable housing the scheme helps address each of the Council's priorities.

1. Improving the environment and addressing climate change

The development of the Milton Road Site will provide high quality and energy efficient properties which will help to meet climate change reduction targets. It will also include a small pocket part to support improved biodiversity It will be a car free scheme given its excellent proximity to public transport.

2. Tackling poverty and inequality

It will provide genuinely affordable housing which is of high quality, enable good jobs being created through construction work, including apprenticeships for local people

3. Building homes and infrastructure

The scheme will deliver additional new housing

4. Addressing health and social care inequality

The scheme includes 2 x wheelchair accessible affordable flats for rent.

5. Thriving economy

It will contribute to this priority by offering opportunities for work, and enable income from those living in the additional new homes to be spent in the local

Harrow economy, thus generating more jobs and supporting the circular economy.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 10/11/21

Statutory Officer: Matthew Dineen

Signed on behalf of the Monitoring Officer

Date: 10/11/21

Statutory Officer: Nimesh Mehta

Signed by the Head of Procurement

Date: 10/11/21

Statutory Officer: Dipti Patel

Signed by the Corporate Director

Date: 10/11/21

Statutory Officer: Susan Dixon

Signed by the Head of Internal Audit

Date: 8/11/21

Mandatory Checks

Ward Councillors notified: YES

EqIA carried out: NO

See Equalities Implications section. A full EqIA will be completed with the Poets Corner Business Plan and is intended to be brought to Cabinet in February 2022 and the Milton Road scheme will be included in the detailed consideration of the implications of that site.

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Julian Wain, Interim Commercial Director, tel. 02087366149, julian.wain@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee

NO