

**Report of: Executive Member for Housing and Communities**

Meeting of	Date	Agenda Item	Ward(s)
Executive	13 September 2007	D1	All

Delete as appropriate		Non-exempt
-----------------------	--	------------

**Subject: NEW BUILD COUNCIL HOUSING**

## 1. Synopsis

- 1.1 This report describes the Council's proposals to deliver a pilot scheme of new build Council housing in Islington. It sets out the overall aims and targets of the project, in terms of the standards to be achieved, the housing mix, and sites. It discusses project management and resourcing, and sets out timescale and targets. This proposal fulfils the One Islington vision by increasing the availability of modern, high standard Council housing to residents in need of decent homes, and supports the Council's ambition to be regarded as excellent by its residents. The Executive is asked to agree the recommendations to allow the project to proceed on this basis.

## 2. Recommendations

- 2.1 To note the proposed pilot scheme for new build Council housing in Islington, and adopt the policy to proceed with the pilot new build housing project.
- 2.2 To recommend that Council approves an additional capital allocation of up to £1m in the current financial year to undertake these works.
- 2.3 To restore the capital contingency sum of up to £250,000 proposed for use under paragraph 2.5 and 3.27 below.
- 2.4 To waive the requirement in the Procurement Code for the competitive tendering of the pilot new build schemes listed in paragraph 3.11 for the reasons set out in paragraphs 3.17 and 3.18.
- 2.5 In respect of the pilot new build schemes listed in paragraph 3.11, to authorise the Director of Housing and Adult Social Services to engage in a competitive process with the Council's existing framework contractors, including Kier Islington.

- 2.6 To approve an allocation from the capital contingency of a maximum of £250,000 for demolition and securing of the Boleyn Road former area housing office, for the reasons set out in paragraph 3.27.

### **3. Background**

- 3.1 The Executive meeting of 17<sup>th</sup> April 2007 agreed to a pilot new build scheme in partnership with HFI.
- 3.2 Through the establishment of Homes for Islington, the delivery of the PFI contracts, and a series of targeted stock transfers, the Council has established routes for the delivery of decent homes for its existing stock. The opportunity has now arisen for the Council to begin to develop new housing again.
- 3.3 The importance of pursuing this proposal is that housing developed in this way will remain fully available to nominations by the Council to house residents from the transfer and waiting lists. Only a percentage of housing association stock developed in the Borough can be used by the Council in this way.
- 3.4 In addition, the proposed pilot will allow the Council to explore the practicalities of this approach, and develop skills and experience that will place Islington in a good position for bidding for future grant funding for further development in the future.
- 3.5 New build social housing in the Borough in the last 20-25 years has solely been the role of Housing Associations, either on their own privately bought sites, on sites disposed to them at a discount by the Council, or through S106 agreements with private developers. However, announcements made by ministers over the last year suggest a likely opportunity for government funding for house building by councils in the near future, following initial expansion of social housing funding beyond just housing associations in the last two years.
- 3.6 **Project Aims**
- 3.7 **Standards** - Housing Associations developing in the Borough do so to the Housing Corporation's Scheme Development Standards (SDS). Developing new Council housing to the Corporation's standards will mean that all new affordable housing in the Borough will be comparable. This is being taken as the standard for the pilot programme.
- 3.8 As a council, ambitious to promote sustainability, the new housing will meet the Council's sustainability standards, as set out in planning policy and guidance. In addition it is intended that at least one of the pilot programme sites will exceed these standards, and provide homes with a still further reduced carbon footprint.
- 3.9 The pilot programme will seek to prioritise larger family-sized units, with gardens where possible. These are unit sizes that are often difficult for housing associations to fund and develop, as they are more expensive to build and require more grant per unit, and fewer units can be developed per site. Building larger units will allow the pilot to assist in tackling over-crowding. Where sites are located on existing housing estates, priority will be given to local lettings to relieve housing need in the immediate area.

- 3.10 **Sites** – It is proposed to focus on the development of Council owned sites, whether on existing housing estates, or on other Council land. A process of site identification is underway to find appropriate locations likely to receive planning consent for housing.
- 3.11 The following pilot sites have been identified and subjected to initial feasibility studies with planning (see Appendix 1 for site plans). Feasibility studies have so far estimated the following potential unit numbers and bed-space mixes, which will be subject to further design development prior to a planning application:-
1. **65–79 Boleyn Road, former area housing office** - providing either a 4 storey block with 4 X 1-bed flats, and 2 X 3 storey blocks with a total of 5 X 4-bed houses, or 4 X 4 bed houses and 8 X 2 bed flats.
  2. **Mora Street Car Park** – providing either a 3 storey block with 2 X 4 bed houses, and a 2 storey 3 bed house, or a block of 4 X 4 Bed Maisonettes
  3. **Land adjacent to 99 Graham Street** – providing either 3 X 3-bed maisonettes, or 3 X 1-bed flats and 1 X 4-bed maisonette.
  4. **Armour Close Garage site** – providing either a 2-storey block of 3 X 3 bed houses, or 5 X 4 bed maisonettes

These development estimates will be subject to appropriate planning consents, with the Boleyn Road site likely to be the first for development.

- 3.12 **Consultation** – Consultation with residents where developments are proposed on existing housing estates will form part of the development process. Statutory planning consultation will also take place.
- 3.13 **Project management** - HFI are managing the pilot through a project team chaired by their Director of Property Services. Appropriate Specialist housing development input is being sought through approaches to the Borough's RSL partners, or alternatively by procuring consultancy support and the Council is maintaining a key interest in and appropriate oversight of the scheme.
- 3.14 It is intended that new build housing would be developed using a contractor, to be the subject of a procurement process set out below. A programme of development following on from this is likely to require a more permanent arrangement.
- 3.15 **Targets and timescales** - The notional outline programme indicates a period of 45 weeks from site selection to the start of works. HFI will be able to carry out consultation with all stakeholders and residents during this period. This programme is based on a scheme funded through capital receipts.
- 3.16 The timeframe to delivery on each site will largely depend on the complexity of the development, site-specific variables, planning issues, submitting applications for funding and consultation at area, HFI board and Member level. Experience of new build RSL development within the Borough shows that timescales for development can vary between 18 to 30 months in delivery to letting stage from receiving Executive approval to proceed. This assumes that any unusual site-specific issues do not delay the process.
- 3.17 **Procurement** - A full procurement exercise for the pilot new build project will take approximately 6 – 9 months. It is considered important the pilot project is undertaken as soon as possible so that the Council and HFI are in a better position to bid for Government funding for future new build housing when such funding is made available in the near

future, by being in a position to demonstrate the ability to manage a new build housing project.

- 3.18 Along with other inner London Boroughs, Islington has a shortage of affordable housing, exacerbated by high values in the borough in the private sector rental and ownership markets. This has resulted in a slowing in the availability of homes for transfers, so that households have increasingly found difficulty in finding accommodation suited to their needs. This has resulted in growing levels of overcrowding for larger families. The early availability of more affordable housing units, particularly the larger units proposed in the pilot scheme mean that a swift start to the project is essential.
- 3.19 It is proposed that a short competitive process be undertaken with the Council's existing framework contractors, including Kier Islington, who currently carry out decent homes works to the Council's housing stock. Under the Procurement Code, a Director can agree in special cases to invite tenders from reputable contractors without the need to advertise the contract.
- 3.20 The benefits to this approach are that it may be shorter than a full procurement process, involving seeking expressions of interest from the wider market by advertisement, and running a full tender process. It will also provide a competitive element to ensure that value for money is achieved.
- 3.21 The risks to this approach are that:-
- a) the decision to invite tenders from the existing framework contractors could be challenged by another developer.
  - b) the price and quality of the bids may not be as competitive as an open market procurement process.
- 3.22 The project management role of HFI includes identification of the likelihood and severity of any potential risks associated with this proposal, and how these risks may be managed and minimised for the council.
- 3.23 **Funding and Value For Money** – Funding for the new build pilot project will substantially be drawn from capital receipts from the commercial portfolio disposal, due to be completed in the autumn. The sum of £10m has been provisionally earmarked for the pilot sites identified, and for further sites under investigation, which can be drawn down over 3-years from the financial year 2008-09, once it has been approved. The potential exists for some draw down in 2007-08 to help forward fund the project management, site investigations, early development of designs, contract tendering, and planning application.
- 3.24 The Council proposes this form of funding for the housing pilot in order that the units produced will remain fully available into the future for lettings by the Council. Were the housing to be part-funded through the Housing Corporation, in the way that RSLs develop, then only a percentage of the new stock could be used by the Council in this way. This provides a longer term value-for-money approach.
- 3.25 The pilot programme will seek to prioritise larger family-sized units, with gardens where possible. These are unit sizes that are often difficult for housing associations to fund and develop, as they are more expensive to build and require more grant per unit, and fewer units can be developed per site. Building larger units will allow the pilot to assist in tackling over-crowding.

- 3.26 The proposal re-invests funds liberated from commercial units, and creates new capital assets for the Council. This adds to the Council's housing asset base for our long-term delivery of decent homes to our residents.
- 3.27 In respect of the former Boleyn Road Area Housing Office, there is a need to secure the building effectively, pending the Council's development proposals. Given that the building requires demolishing in order to develop the site, the best value for money solution is to bring forward the demolition phase to the earliest opportunity. In order to fund this an allocation from the capital contingency fund of a maximum of £250,000 has been sought. This sum will cover asbestos survey and removal, capping off of all services, a potentially slow demolition process given the site location and size limitation, and securing and hoarding until site works can begin.

## **4. Implications**

### **4.1 Financial Implications**

- 4.1.1 Funding for the pilot scheme for new build Council Housing in Islington is dependent upon the successful disposal of the housing commercial property portfolio, which is due to be completed in the autumn.
- 4.1.2 A sum of £10m has provisionally been identified for this pilot scheme and will be confirmed in the budget setting process. Allocation of a significant capital sum to the scheme in the current financial year will require agreement at full Council in October as a variation to the current budget and this is dealt with in the recommendation to this report.
- 4.1.3 The new build Council homes will reside in the HRA and will therefore be let on secure tenancies where the tenant will have a Right-to-Buy (RTB). If tenants exercise their Right-to-Buy, 75% of the capital receipt generated will be payable to CLG. However, as the purchase price under Right to Buy is based on an open market valuation, this option is likely to be out of the reach of many tenants. The rents charged will be subject to the guidelines under the rent-restructuring regime.
- 4.1.4 Due to the nature of the housing subsidy system the impact of this scheme on the Housing Revenue Account is negligible. The HRA would receive additional average rental income of £77.69 per week for each dwelling. However, this will largely be offset by management and maintenance costs and negative housing subsidy. The impact is estimated at an increase in income of approximately 24 pence per week per dwelling, pending individual property valuations.
- 4.1.5 The procurement process will need to demonstrate that value for money has been achieved; though the proposal does provide a level of competition in relation to price and evidence.

### **4.2 Legal Implications**

- 4.2.1 Under the provisions of the Housing Act 1985 the Council has the power to provide housing accommodation by building houses on land acquired for that purpose or by converting buildings into houses.

- 4.2.2** It will be necessary to investigate the Council's title to the proposed sites to ensure that there are no restrictions inhibiting the construction of housing on those sites.
- 4.2.3** The estimated value of the proposed pilot new build scheme is below the threshold for the application of the Public Contracts Regulation 2006. This means that the procurement of the pilot new build scheme does not have to be advertised in the Official Journal of the European Union. However the provisions of the Council's Procurement Code will apply. Normally this will involve a competitive tendering exercise with a minimum of four tenderers.

#### **4.2.4 Competitive tendering process with framework contractors**

Under the Procurement Code, works contracts below the threshold of £3,611,319 may be awarded using a selective tendering process. Normally this would involve the tender invitation list being selected from an approved list of contractors (established following an advertisement inviting applications for inclusion on that list) or following advertisement of the procurement in a trade or professional publication.

However, paragraph 7.6 of the code permits a director, in special cases, to decide that advertising is not appropriate and invite tenders from reputable contractors. The circumstances set out in paragraphs 3.16 and 3.17 could reasonably justify a tender invitation list comprising decent homes framework contractors. All those contractors were subject to a robust procurement process.

There is a risk of challenge by another contractor or other interested party to a decision to limit tenderers to the framework contractors. Further, before accepting a tender from a framework contractor, the Council will need to be satisfied that the tender represents value for money and that open competitive tendering would not produce a significantly more favourable outcome for the Council.

- 4.2.5** The proposals in this report may have other legal implications that will need to be addressed as the scheme proceeds.

### **4.3 Equalities Impact Assessment**

- 4.3.1** An Equalities Impact Assessment (EIA) has been carried out, which concluded that the pilot for the building of new council housing in the Borough should proceed. No negative impact has been identified.
- 4.3.2** The pilot for new build will be monitored by the project team to ensure that any unforeseen impacts are identified, before further development proceeds. If the project team identifies any gaps or unforeseen impacts, an improvement plan will be developed and implemented. Any comments received during the consultation process for the scheme will be addressed during the development of the pilot proposals.

### **Conclusion and reasons for recommendations**

Members are asked to note and approve the proposed Islington Council new build pilot proposals.

#### **Background papers:**

Equality Impact Assessment of New Build Project 2007

Final Report Clearance

**Signed by**

Executive Member for Housing and  
Communities

Date

**Received by**

Head of Democratic Services

Date

Report author: Gwen Ovshinsky, Director of Housing and Adult Social Services

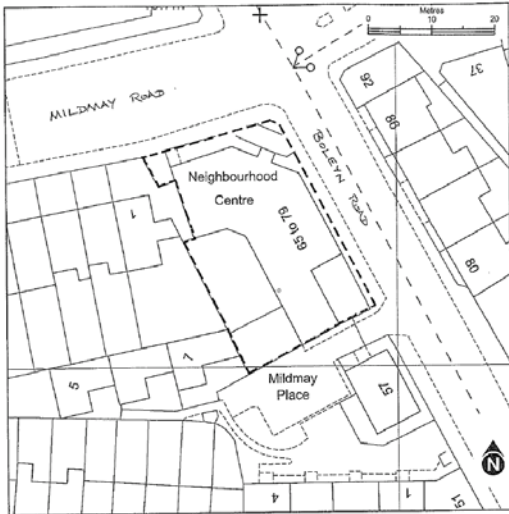
Tel: 020 7527 8910

Fax: 020 7527 8362

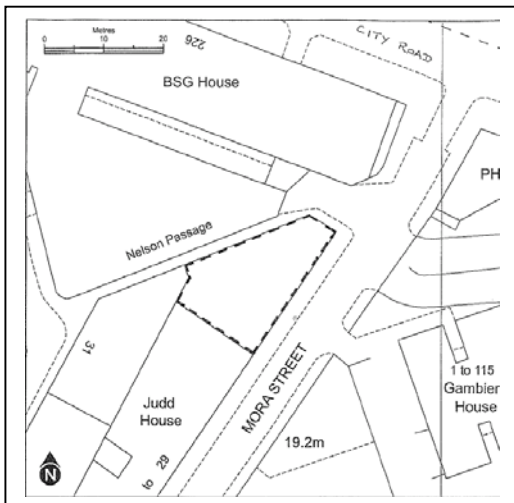
E-mail: [gwen.ovshinsky@islington.gov.uk](mailto:gwen.ovshinsky@islington.gov.uk)

## APPENDIX 1 - Proposed Development Sites

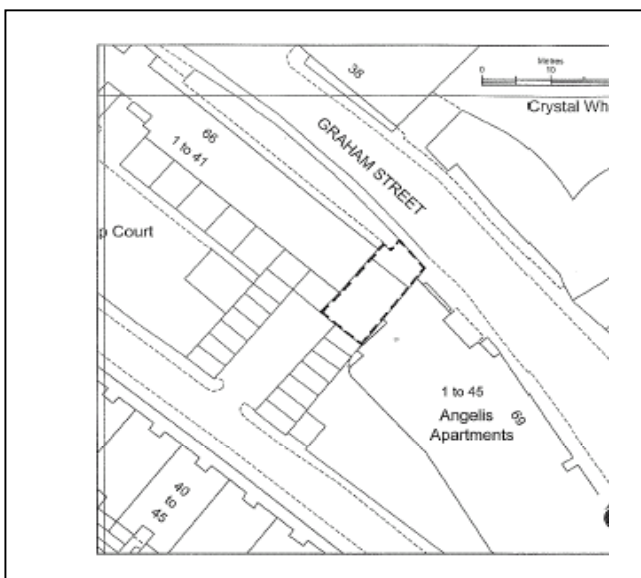
### 1. 65 – 79 Boleyn Road



### 2. Mora Street



### 3. Land adjacent to 99 Graham Street



#### 4. Armour Close Garage site

