



CABINET

12 OCTOBER 2016

Subject Heading:

Housing Accommodation Plan: Review of HRA New Build proposals.

Cabinet Member

**Councillor Damian White
Councillor Roger Ramsey**

SLT Lead:

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Policy context:

HRA Policy and budgets

Financial summary:

To receive an update on the HRA new build programme with associated financial impacts on the HRA Business Plan.

Is this a Key Decision?

Yes

Is this a Strategic Decision?

Yes

When should this matter be reviewed?

February 2017

Reviewing OSC

Towns and Communities

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	[X]
People will be safe, in their homes and in the community	[X]
Residents will be proud to live in Havering	[X]

SUMMARY

At the 15 June Cabinet meeting, it was agreed that officers would start consultation with local residents and initiate procurement of a preferred partner for the delivery of 12 key regeneration sites for the provision of affordable housing, including older persons' housing. This report provides an update on the progress since that decision.

RECOMMENDATIONS

That Cabinet:

1. **Note** the outcome of the consultations carried out.
2. **Note** the progress made regarding the procurement of preferred partners.
3. **Agree** the prioritisation of estates as identified in Section 5 below.
4. **Agree** that the Director of Housing has authority to arrange for the service of demolition notices at the appropriate time in relation to all affected properties on the estates and schemes in this programme.

REPORT DETAIL

1. BACKGROUND

- 1.1 The following information was included within the June Cabinet report and is repeated here by way of useful background:
- 1.2 As the main level of income to the HRA BP comes from rents, it is imperative that the number of rental properties is maximised. The current HRA BP expects to lose 80 properties per year through RTB. This reduces rental income by around £330k per year, assuming a full year loss of income per property.
- 1.3 As increased demand for properties continues and the number of families presenting as homeless rise, there is a trend for more families to be housed for longer in the hostels and also more use of B&B. This is a General Fund cost. More properties available in the HRA mean more properties available for permanent housing and therefore reduced spend on B&B in the GF.
- 1.4 The HRA BP resources can be used to fund new build and can be augmented by right-to-buy receipts as the Council has struck an agreement with the GLA to use 100% of the usable element of right-to-buy receipts on the building of new social housing within three years of their generation. Failure to use right-to-buy receipts in this way would see the Council having to pay the receipts over to the GLA with additional interest. Some council housing new build schemes have also attracted grant from the GLA.
- 1.5 The existing level of new build already approved by Cabinet of 535 units at a cost of £96M is included with the HRA BP.
- 1.6 The new HRA BP identifies a further £73m that is available for new build over a period of 10 years. This report therefore identifies a total of £169m (£96m + £73m) available within the HRA BP over the next 10 years that is available for investment in new units of affordable housing to help replenish losses of units through the right

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to buy and the expected high value sales regime. This report seeks approval to continue with the land and estates review already in progress and to authorise officers to use the available resources to maximise the number of units of new build provided by the HRA.

- 1.7 The focus of new build units will be to provide general needs rented properties, low cost home ownership and supported housing for Havering residents. This will be achieved by looking to build on unused or derelict land in the HRA, such as garage sites as well as looking to maximise the number of units on existing estates where there are opportunities for estate regeneration or in-fill developments. The additional resource will also be used to focus on out dated units, such as bedsit sheltered units and those estates where there is a negative or low value to the HRA.
- 1.8 There are also opportunities associated with being one of only eight London boroughs with two Housing Zones. Officers have reviewed HRA housing associated with the Rainham and Romford Housing Zones and are seeking opportunities to maximise the number of units on estates such as Napier and New Plymouth and the Waterloo Estate.
- 1.9 The key sites included within the Regeneration project are:

Estate/Scheme	Ward
Waterloo Estate	Romford Town
Maygreen (inc Park Lane Sheltered Scheme)	Hylands
Oldchurch	Brooklands
Napier and New Plymouth	South Hornchurch
Delta TMO (Elvet Ave)	Squirrels Heath
Farnham Hilldene and Chippenham Road	Gooshays
Royal Jubilee Court Sheltered Scheme	Pettits
Solar, Serena, Sunrise Sheltered Scheme	St Andrews
Brunswick Court Sheltered Scheme	Cranham
Dell Court Sheltered Scheme	St Andrews
Delderfield Sheltered Scheme	Pettits
Queen Street Sheltered Scheme (as part of the Waterloo Estate Regeneration)	Romford Town

- 1.10 In order to provide much needed affordable housing for local residents, the Council has an ambition to deliver at least 2000 units of affordable housing through this programme. 1000 of those will replace those already in situ, but 1000 will be new units adding to the stock of the HRA. In combination with the 535 units that had already been approved by the September Cabinet report, this means that current target for delivery of units is 2500 total with 1500 being new units of affordable housing.
- 1.11 The precise numbers and split of the new units between rented and low cost home ownership will be dependent on the final financial viability assessments carried out as part of the procurement exercise of the preferred partner. However, the minimum number of new rented units has been set at a target level to re-provide the number of units on the 12 estates that may have been sold under the Right to Buy scheme. That number currently stands at a minimum of 112.

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1.12 These current proposals will continue to be informed as consultation continues and schemes are subject to further work regarding technical requirements and financial viability.

2.0 Update on consultation outcomes.

2.1 The consultation process for each site consisted of:

- An initial meeting where the proposals and rationale were explained followed by a question and answer session. Ward councillors were invited to this meeting.
- A newsletter was sent out generally within two weeks of that session to all residents providing details of the proposals along with FAQs and answers.
- After the initial meeting, staff offered and arranged one to one sessions with residents:
 - To ensure the proposals and implications were understood and answer any further questions,
 - To carry out a review of needs and also establish individuals preferences should a decant be necessary in the future.
 - To provide support and reassurance for residents.
 - To seek individual opinions on the proposals for the estates and schemes.
 - In the sheltered schemes, each resident was advised that any family member or friend could attend the meeting for support.
- Following the meetings and one to one sessions, all feedback and comments were considered against the original proposals and any changes to the proposals identified,
- In relation to the sheltered schemes, discussions were held with colleagues from Adult Social Care to ensure that all proposals meet their future plans for service delivery along with integration with Health Services, including the plans being developed around the Accountable Care Organisation (ACO).
- A second meeting was held at each estate/scheme, approximately one month after the first meeting, to identify the feedback received, the comments regarding each scheme and also to advise how that information had influenced the final proposals to be presented to Cabinet.
- A second newsletter was sent out to each scheme around two weeks after that meeting, detailing the feedback given.

2.2 Housing Regeneration Programme basic principles in the message used for the consultation were:

- Havering has lost more than 4,000 Council properties through Right to Buy.
- Large number of people in hostels and bed and breakfast which is not best provision for the people concerned, especially families, and is expensive for the Council.
- The programme aims to build at least 2,500 properties for local people.
- Will be modern units meeting high standards of energy efficiency, good quality etc.
- Land expected to remain in Council ownership except any freehold properties built for outright sale.
- This is an ambitious programme to provide as many affordable housing units as possible for local people.
- Where tenants wish to move back to a site, and there is suitable accommodation to meet their needs, they will be able to do so.(a right to return).

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- Residents will receive home-loss and disturbance payments as appropriate.
- Help will be provided through the decanting and move process.
- Full consultation throughout the process.

2.3 The detailed outcomes of the consultations carried out so far are provided within Appendix 1 to the *Housing Accommodation Plan: Review of Older Persons' Housing Needs* report. However, the key headline figures are:

- The informal consultation process will see a total of 60 group meetings in sheltered housing schemes and 21 group meetings on estates attended by 783 people, as well as more than 700 offers of individual meetings with tenants and leaseholders between July and October
- A total of 32 individual newsletters have been issued during July and August, each specific to a scheme
- New web page set up called: www.havering.gov.uk/ShelteredHousingDevelopments which includes examples of older persons' villages.
- New web page set up called: www.havering.gov.uk/HousingRegeneration giving details of the main estate proposals.
- Each site also has its own dedicated web page.
- Sheltered Times 10 – distributed 22.08.16 – contains three page feature on the regeneration programme
- At The Heart Autumn 2016 edition – due to be distributed 12.09.16 – contains six page feature on the regeneration programme
- Briefings being held for (a) Housing Services staff and (b) selected staff from Economic Development and Regulatory Services on 05.09.16
- Corporate Communications has used social media to promote the consultation meetings
- Press coverage in Romford Recorder and Havering Yellow Advertiser has been positive
- Some comments on Streetlife web site have been neutral and points answered by Corporate Communications
- Stand taken at Havering Show to explain the regeneration programme saw 87 per cent of people completing survey in support of the Housing Regeneration Programme
- Intensive support and reassurance provided to any resident and their families worried about the renewal program and potential decant process.
- Specific information provided for leaseholders.

2.3 Generally, there has been positive support for the council's regeneration plans for the estates and the sheltered schemes. Of course, some people are particularly concerned about the impact of moves on older persons from sheltered units and these are being handled very carefully and sensitively.

2.4 The decanting requirements for each scheme are also being carefully considered and will continue to evolve as further consultation occurs with affected residents.

3.0 Update on procurement of preferred partners.

3.1 Since the June Cabinet decision, a review has been completed of the procurement methods and delivery model options for the regeneration of the key estates and schemes. This has been informed by key senior staff from Havering and OneSource and an external specialist firm called Bevan Brittan. Those discussions have identified that the best procurement method for this project is to enter into a “Competitive Dialogue” process. The advantages and key stages of such an approach are:

- Ability to shortlist and limit the number of bidders to participate in the tender through a prequalification process evaluating their financial standing, technical ability and experience.
- The minimum number of candidates to be invited to participate in the competitive dialogue stage is three bidders.
- Competitive Dialogue is an iterative process, and can have multiple elimination stages to reduce the number of bidders/bids before calling for final tenders.
- Where there is an elimination stage, this involves a tender submission and an evaluation against pre-disclosed criteria and weightings.
- The competitive dialogue procedure permits the Council to negotiate with the bidders during the tender phases.
- Once the dialogue stage is concluded, the Council will call for final tenders from the two bidder finalists. Those tenders should "contain all the elements required and necessary for the performance of the project".
- Once the final tenders have been evaluated, there is a further opportunity to confirm commitments and finalise terms with the leading bidder (also called the preferred bidder) before the Council reaches a final award decision.

3.2 With regard to the delivery model, there tends to be two methods for delivering large projects of this nature. They are the recognised “Contractual Approach” where a development partner is appointed. A variation of this approach is the “Corporate Approach” where the authority would become a shareholder in a new Joint Venture company with the Developer Partner.

Contractual Approach

The key principles of a standard contractual approach with the appointment of a development partner are:

- Tried and trusted approach
- Development Agreement with phasing of sites
- Developer takes all developer risk
- Developer obtains planning and satisfies other conditions
- Development Agreement sets out Council requirements
- Possible future receipts through overage

Corporate Approach (Joint Venture Company)

The key principles of this approach are:

- Shareholders Agreement for the new Joint Venture Company in which the council and the development partner are shareholders.
- Council contributes sites
- Development Partner contributes cash and resources

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- Land Agreement for each site pursuant to Business Cases
- JV takes all developer risk and as the council is a shareholder it shares the risk and reward as a developer.
- JV obtains planning and satisfies other conditions
- Possible future receipts through dividends in its role as developer/investor, as opposed to future receipts through overage under the contractual approach (as set out above) where the Council's role is as the landowner.

The two approaches when compared mean that the following questions can be considered and balanced;

- Degree of developer interest
- Balancing risks and returns
- Tried and tested approach
- Suitability for single and multiple sites
- How quickly can a developer partner be signed up
- Ease of retaining a long term interest in managing the Estates
- Nature of long term revenue interest (dividend versus overage)

Following careful consideration it has been agreed that the option that provides the best fit with the requirements for Havering is the Corporate or JV Approach.

Consequently, the chosen procurement /delivery approach for this project that will now be pursued is the corporate approach and the establishment of a joint venture company procured via a competitive dialogue.

The table below identifies the new key milestones for that procurement:

	Key Milestones	From	To
1	Appointment of external Multidisciplinary Consultant Team (MDC Team)	Sep-16	Oct-16
2	Appointment of external Legal Advisors	Sep-16	Oct-16
3	MDC Team Work Programme: (i.e. Scheme Validation, Due Diligence and Competitive Dialogue Procurement Preparation)	Nov-16	Dec-16
4	Commence procurement of a JV Development Partner through Competitive Dialogue	Dec-16	Jan-17
5	Complete a 8/9 month Competitive Dialogue process for a JV Development Partner	Jan-17	Sep-17
6	Secure Council approvals (inc ED & Cabinet approval) to appoint preferred JV Development Partner	Oct-17	Nov-17
7	Formal appointment of preferred JV Development Partner	Nov-17	Nov-17

4.0 Update on the serving of demolition notices

The Cabinet decision in June, gave authority for officers to serve the necessary demolition notices that are an essential part of any regeneration scheme. It is a significant legal step that signifies the intentions of the Local Authority with respect to the land. It also enables various activities such as decanting of existing tenants, site assembly activity leading to potential CPO action and it enables the council to stop future right to buy activity.

As we move forward with proposals to regenerate a number of estates and locations within the Borough it is important that the Council action some key elements in synergy with on-going resident consultation and the progression of a Local Letting Plan.

Officers have consulted with residents on each of the 12 identified regeneration locations. Part of this consultation was to communicate our commitment to facilitate the early relocation of those tenants that wished to move before the start of a more formal process and in advance of procuring a development partner.

We have offered our tenants this option to move now should they so wish.

In addition to this we have also spoken with many leaseholders within these locations and extended the offer to acquire their properties by negotiation.

As we progress with these actions and to further advance the impetus of managing each regeneration location the use and issuing of demolition notices is required.

The notices are required to inform residents of our continued commitment for regeneration and to legally prevent the facilitation of any further and future Right to Buy on these locations. These notices are not intended to cause distress but we are aware that some residents may be concerned to receive one.

The issuing of these notices need to be managed and co-ordinated carefully. Suitably trained individuals will issue each notice personally to every household and property within each of the regeneration locations.

Evidence that each notice has been served appropriately will be controlled, collated and managed. Should a resident wish to contact us and discuss the notice, a named person within the Council will respond.

Before the issuing of these notices it is vital that Council / Ward Members are briefed fully as to when this is to take place and why.

5.0 Prioritisation of estates and schemes

There are 12 estates/schemes identified within this overall programme. There is a need to prioritise these as part of the dialogue process with those tendering in the preferred partner process as it would not be practicable to start work on all sites simultaneously. It is therefore proposed that the following sites will be prioritised:

- Waterloo Estate,
- Queens Street Sheltered Scheme,
- Napier & New Plymouth,
- Maygreen Estate,
- Park Lane Sheltered Scheme,
- Oldchurch Gardens,
- Farnham, Hilldene and Chippenham Road
- Solar, Serena and Sunrise Sheltered Scheme.

REASONS AND OPTIONS

Reasons for the Decision:

These actions are necessary in order to achieve the agreed recommendations from the June Cabinet paper. The outcomes from these actions will lead to an increase in the number of affordable homes available for local residents and thus help to mitigate the increased pressure on housing in Havering. Increased housing supply therefore increases the options for local people to access safe, affordable housing, reduces homelessness and potential pressures on the General Fund. In addition, the creation of new homes within the HRA enables increased rent, to offset losses from properties lost through the right to buy and enables RTB receipts to be used for the benefit of Havering rather than handed back to Government.

Other Options Considered:

The options relating to the preferred methods of procurement and delivery model are detailed within the report.

IMPLICATIONS AND RISKS

Financial implications and risks:

This report provides an update on the HRA new build programme and outlines what the financial impact is within the HRA Business Plan.

Legal implications and risks:

The HRA new build Programme and the recommendations detailed in this report are actions that the Council can undertake and are authorised by Section 1 of the Localism Act 2011, which gives the Council a general power of competence.

The report confirms that the Council has adopted the Competitive Dialogue process to procure the developer. Under Public Contract Regulations 2015, regulation 26 (4) the Council is entitled to choose the Competitive Dialogue procedure if specific circumstances apply, including in situations where the Council cannot award a contract without prior negotiation because of specific circumstances relating to the nature, the complexity or the legal and financial make-up or because of risks attaching to them or where design or innovative solutions are required.

The use of the Competitive Dialogue ("CD") procedure is allowable under the Public Contracts Regulations 2015 ("PCR 2015"). PCR 2015, regulation 30 sets out the procedure required for a CD, which is broadly similar to regulation 18 of the Public Contracts Regulations 2006. A CD process can only be used when other types of

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procedures under the Regulations are not suitable for the procurement or commissioning exercise. CD aims to increase best value for the local authorities by encouraging innovation and maintaining competitive pressure on bidders throughout the process.

The disposal of any land associated with the Regeneration Programme must be for best consideration reasonably obtainable and in accordance with the Housing Act 1985, section 32, 34 and the General Housing Consent 2012.

The necessary planning applications should be compliant with prevailing local and national planning policies together with material considerations in order to be granted consent

The HRA new build programme entails the demolition of various properties. To ensure that the programme is implemented taking into account best value principles, tenants' ability to exercise may need to be taken into account. The Council can serve an "initial demolition notice", specifying the demolition date, which should prevent a RTB claim arising. The Housing Act 1985, sections 138A, B, C and Schedules 5 & 5A of the Act prescribes the requirements and compensation provisions.

The buy back of leaseholder interests is permitted under the Local Government Act 1972, section 120. The section enables the Council to acquire by agreement any land for the purposes of any of the Council's functions or the benefit, improvement or development of its area.

In approving this report and in subsequent decision making relating to this project the Public Sector Equality Duty created by the Equality Act 2010 (PSED) should be considered at each stage and a full Equalities Impact Assessment carried out. In carrying out its functions the council and officers must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Having due regard involves:

- Removing or minimising disadvantages suffered by people due to their protected Characteristics. Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The Equality Duty must be complied with before and at the time that a particular policy is under consideration or decision is taken - that is, in the development of policy options, and in making a final decision. A public body cannot satisfy the Equality Duty by justifying a decision after it has been taken.

Human Resources implications and risks:

None specific to this report.

Equalities implications and risks:

These are contained within the Legal implications and risks detailed above.

BACKGROUND PAPERS

There are none.