

Finance & Partnerships Committee

27 June 2019

Affordable Housing Programme - Associated Sites

Report by the Director of Growth

Relevant Portfolio Holder: Finance & Contracts

Purpose

This report recommends a variation to the appointment of Countryside Properties (UK) Ltd to include delivery of the Affordable Housing Programme Phase 1 - Associated Sites.

Recommendations -

To resolve that -

1. Countryside Properties (UK) Ltd be appointed to deliver new homes on infill decant sites associated with the Cambridge Road Estate with the appointment to be made as a contract modification to the Countryside Contract Award;
2. the Completion Agreement with Countryside Properties (UK) Ltd be amended to include for additional development management services worth up to £40 million over a period of 5 years (being approximately 5% of increase on the original contract value); and
3. the Council declares this intention by issuing a Voluntary Transparency Notice

Benefits to the Community:

The proposals will help to deliver significant numbers of additional affordable homes and utilise £9.5 million of GLA grant funding investment into the Housing Revenue Account ("HRA").

Key Points

- A. Countryside Properties (UK) Ltd were awarded a contract to become Kingston's Joint Venture (JV) Partner for redevelopment of the Cambridge Road Estate (CRE) following an extensive public procurement process and the decision by the Council in April 2019.
- B. The Council OJEU Notice flagged the requirement for the JV Partner to further deliver "*any **associated sites** linked to the delivery of Cambridge Road*".
- C. Subsequently, in October 2018 Kingston successfully bid for £9.5 million of grant from the GLA "*Building Council Homes for Londoners*" Fund. This followed work to identify and assess a number of Council owned sites which could provide capacity for up to 160 additional affordable homes in the first phase. This work is being progressed by Kingston as the **Affordable Housing Programme**.
- D. Homes constructed in the programme will be used, in the first instance, to provide decant accommodation to residents affected by the proposed first phase of the wider Cambridge Road Estate redevelopment (subject to the autumn ballot outcome).

- E. This report recommends the appointment of Countryside in a Development Management Team (“DMT”) role to progress the design and delivery of the new homes. The appointment will be made as a modification of the Contract Award and will be formalised by amending the Completion Agreement to include more detail about the proposed associated Decant Sites. This change is allowed for in the Public Contract Regulations 2015 and will be advertised using a published Voluntary Transparency Notice (VTN).
- F. Following early design and consultation work, a subsequent decision approving planning applications for individual proposed sites will be reviewed by the Council’s Strategic Housing and Planning Committee.

Background and Context

1. The new Corporate Plan 2019 - 2023 focuses on three strategic outcomes which set out what the Council wants to achieve for the Borough.

Corporate Plan Priority Outcome 1 -

A sustainable approach to new homes, development and infrastructure which benefits our communities, in a well maintained borough.

- Make effective use of council-owned land to deliver as many truly affordable homes as possible across the borough
- Make best use of our Housing Revenue Account assets and resources, maximise our income and spend wisely, to provide modern, high quality services and support for our tenants and leaseholders and enable us to develop new council homes.

Key Deliverable:

To deliver a programme of new council homes supported by GLA grant funding, working in partnership with both the public and private sector.

Planning context and housing delivery

2. Local planning authorities are now required to be more proactive in increasing the speed and quantity of housing supply to meet the identified housing needs of their local area. The Housing Delivery Test (“HDT”) is a percentage measurement of the number of net homes delivered against the number of homes required, over a rolling three year period. In November 2018 the Government published the first HDT results. Kingston’s delivery rate was identified as 75% meaning that a tilted balance is applied in favour of new housing developments in the borough to make up for the shortfall. This reduces the Council’s ability to resist inappropriate development across the borough.
3. The Council is responding to the HDT shortfall by producing an action plan to accelerate the delivery of new housing including through its emerging new strategic planning documents (in particular the new Local Plan). The Affordable Housing Programme will help to provide more truly affordable homes in the borough.

Affordable Housing Programme

4. The Affordable Housing Programme has been initiated by Kingston to support these Corporate Plan outcomes and make best use of otherwise under-utilised land. The programme will be part funded through the GLA “Building Council Homes for Londoners” fund with additional funding from Kingston’s Housing Revenue Account Capital Programme. This will deliver an ambitious programme of newly built homes at genuinely affordable rent levels. In the first phase, up to 160 new homes will be constructed across a range of council owned sites including vacant buildings, cleared land and garage sites.
5. Homes built under the programme will be some of the first that the borough has directly commissioned within the last 25 years and will remain in the council’s ownership as part of the general housing stock within the Housing Revenue Account.
6. Development of sites associated with Cambridge Road was flagged in the original CRE OJEU Notice, further feasibility work has subsequently been undertaken leading to the identification of an initial programme. This has been supported by a successful £9.5 million pound grant bid to the GLA “Building Council Homes for Londoners” fund. Additional funding up to £16.9 million is allocated from the HRA Capital Fund over the period to 2023, providing a total £26.4 million programme funding which allows for the viable delivery of decant sites. The GLA funding is time-limited and requires a challenging start on site date by January 2021.
7. Programme objectives include;
 - Delivery of new affordable housing (primarily social rented and London Affordable rented housing) on under-utilised council sites.
 - Minimising the disposal of council land and assets.
 - Deliver high quality homes which reflect Kingston’s aspiration for new housing whilst being affordable to build, maintain and live in.
 - Provide decant accommodation options for residents affected by the first phase of regeneration on Cambridge Road Estate.

Proposal and Options

8. The proposed delivery approach for the Affordable Housing Programme (associated sites) is to appoint a single, experienced lead consultant to act as the Council’s multi-disciplinary delivery partner.
9. This delivery partner will fulfil the role of a Development Management Team to be responsible for all of the project management, planning and design work for proposed new homes. The DMT will appoint a sub-consultant team including architects, engineers, commercial advisors, engagement consultants and planning consultants. Following a successful planning consent they could proceed with further developing the designs and engaging and managing works subcontractors using a construction management approach.
10. This enables the Council to reduce risk by having a single main point of responsibility.

11. These services are the same as those required for the wider CRE programme. The approach differs slightly:
- The DMT will contract directly with Kingston using template Project Management (PM) and Construction Management (CM) agreements that formed part of CRE tender;
 - Kingston will be funding works without the requirement for a finance partner;
 - The DMT will be issued a short term development license for each site covering the development period only. The license will expire on the completion of works with completed homes handed over as new council assets;
 - The DMT appointment will be structured to allow for break clauses at key stages;
 - Following an approved planning consent for sites the DMT will deliver works as a Construction Manager (CM) or Main Contractor subject to a best value assessment by the Council.
 - Fees for these services will be comparable to rates tendered for the CRE regeneration and will not alter the economic balance of the contract.
 - The DMT will be contracted to provide services and works; there is no intention to transfer the ownership of sites to a third party developer or development company vehicle.
12. The proposed delivery route enables the Council to meet challenging start on site and completion dates required by both the GLA and the CRE decant programme. By doing so it allows for substantial investment into the HRA and the provision of high quality new affordable homes. It also utilises the existing procurement with Countryside which was subject to a rigorous tender evaluation process.
13. Countryside have a shared incentive to deliver the Associated Sites within the required timescale and are familiar with this enabling approach and have completed similar smaller developments at early stages of other regeneration programmes (for example at Acton Gardens, Ealing).

Decant Properties

14. A key objective of the programme is to help provide local decant accommodation options to residents affected by regeneration proposals on CRE. For some residents, including those affected by the first phase of proposed demolition work, it may not be possible to move directly into newly built homes on the CRE. Homes built under the Affordable Housing Programme will provide **choice** to affected CRE residents with a range of locations in the borough and a high standard of new accommodation.

Timescale

15. The intended timeline for delivery is:

Activity	Timeline
Finance and Partnerships Committee	27th June
Decision call in expiry	5th July
Issue VTN	5th July
Completion Agreement modified (minimum 10 days from issue of VTN)	16th July
DMT "Gearing up" and sub-appointments	July
Commence resident engagement process	September
Strategic Housing and Planning Committee	Dec 2019 / Jan 2020

Resource Implications

16. The Council has secured £9.5 million through a grant bid to the GLA "Building Council Homes for Londoners" Fund. Additional funding up to £16.9 million is allocated from the HRA Capital Fund over the period to 2023, providing a total £26.4 million programme funding which allows for the delivery of at least 100 affordable homes. Further viability analysis will be undertaken prior to planning to establish tenure mix and funding across the programme to allow for any additional homes.

Legal Implications

17. The amendment to the Completion Agreement is permitted under Regulation 72(1)(e) as the modifications are not substantial.

Risk Assessment

18. The assessed risks are as follows:

Risk	Description	Mitigation
Programme Delay	Loss of GLA funding (c. £9.5m) - programme is unable to proceed or proceeds with reduced affordable housing Delay to main CRE programme due to lack of decant properties	Proposed early appointment of a DMT using existing procurement; exploring options for speeding up design and construction.
Shared vision	Lack of a clear vision for the project; risk that project does not secure political support or that benefits are not maximised	Member engagement and communications plan; Programme Design Guide; Early engagement with planning team; iterative resident engagement on all sites

Decision making and governance	Risk that spread of sites creates political risk (“cherry-picking”); Risk that programme suffers delivery inertia; Governance difficulties and officer capacity across multi-site programme.	Finance and Partnerships Committee Decision to proceed with initial work and consultation; Later Strategic Housing and Planning Committee Decision prior to planning application submission Growth Directorate Management Team to steer project; Client Professional Advisor appointment to assist with commercial decision making and project controls
Local Opposition	Opposition to infill development generates negative publicity or planning objections	Structured approach to design and resident engagement; communications plan to highlight the positives of development including existing uses and affordable homes provision
CRE Ballot no vote	Delays or uncertainty to the CRE programme could affect the HRA Business Plan and approach/ commitment of Countryside Properties	Break clause at planning to allow for change of approach; Viability Consultancy allows for financial changes to be modelled.
Design risk and design responsibility	Clear decision making in signing off designs needed to prevent; Design cost escalation; Commercial risks in the event of future defects; Lack of clarity over ownership of design information Health and Safety liabilities	Professional Advisor to provide commercial advice ensure that a design responsibility matrix and correct documentation are in place; Best practice contract management approach
Procurement	Risk of challenge	Reducing the risk of legal challenge by seeking appropriate legal advice
Planning risk	One or more sites in the programme fail to achieve planning approval	Thorough engagement with planners and residents prior to application; programme approach means site risk can be assessed and mitigated without unduly affecting overall programme.

Equalities Analysis

19. Three previous Equality Impact Assessments have been undertaken covering regeneration activities on the Cambridge Road Estate; an assessment in covering early regeneration proposals was presented to Growth Committee in March 2017; an assessment accompanying the Decant Policy in August 2017 and an assessment covering ballot proposals was presented to Strategic Housing and Planning Committee in March 2019.

20. Provision of any short term decant accommodation to residents at CRE will be made on the basis that residents have a “right to return” to the estate once the first phase of new homes has been constructed. Accommodation will be provided working closely with affected residents to understand their individual needs.
21. Initial screening has been undertaken to support this project and further equalities impact assessment will be undertaken as necessary when sites are identified to ensure that we meet our public sector equality duties.

Affordable Housing Programme

22. The recommendations in this report cover a procurement activity which will not be detrimental to any groups with protected characteristics. New affordable housing will be designed to meet an identified local need and in accordance with design criteria for accessibility detailed in the Building Regulations Approved Document M. Proposals will not involve the displacement of any existing secure tenants or leaseholders and will enable further detailed engagement activity with local groups and individuals.
23. Proposals will be subject to further scrutiny and consideration of equalities issues on a site by site and programme basis at Strategic Housing and Planning Committee. Proposals support work to provide new affordable housing on under-utilised sites and will have a positive benefit for new residents.

Health Implications

24. The Marmot review, published in 2010, emphasised the strong and persistent link between social inequalities and disparities in health outcomes. Good quality housing can play a major role in people’s health, including mental health. 9.4% of households in Kingston experience fuel poverty. Being unable to afford to sufficiently heat a home can lead to cardiovascular or respiratory illness, and sometimes to excess deaths in winter that should be preventable. Overcrowded housing can lead to poorer health.

Road Network Implications

25. Any road network implications of new housing would be considered at the planning application stage. Proposals are for smaller infill development sites providing between one and thirty new homes. No major development is proposed.

Environmental & Air Quality Implications

26. Development activity can have significant environmental implications during both the construction phase and throughout the buildings lifecycle. The planning process includes a number of safeguards and the requirement to submit detailed technical reports covering energy and sustainability; trees; ecology; drainage; air quality assessment and a Construction Management Plan. Consideration will be given to local concerns and we will work to assess and mitigate any detrimental air quality from construction or demolition work.
27. Newly built homes offer the opportunity to significantly improve energy efficiency and reduce carbon emissions compared to older housing stock. Homes built by Kingston under the Affordable Housing Programme will follow best practice from the London Plan Energy Hierarchy.

Background papers held by the author of this report - Huw Jones, Strategic Housing Delivery Manager, email: huw.jones@kingston.gov.uk, telephone:0208 547 6055

Legal advice provided by Shoosmiths, June 2019 (Exempt)