



THE LONDON BOROUGH  
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DATE: 29 April 2019

To: Members of the  
**RENEWAL, RECREATION AND HOUSING POLICY DEVELOPMENT AND  
SCRUTINY COMMITTEE**

Councillor Michael Rutherford (Chairman)  
Councillor Suraj Sharma (Vice-Chairman)  
Councillors Yvonne Bear, Julian Benington, Aisha Cuthbert, Christine Harris,  
Josh King, Angela Page and Gary Stevens

Non-Voting Co-opted Members  
Sheldon Allen, Bromley Youth Council

A meeting of the Renewal, Recreation and Housing Policy Development and  
Scrutiny Committee will be held at Bromley Civic Centre on **TUESDAY 7 MAY 2019**  
**AT 7.00 PM**

MARK BOWEN  
Director of Corporate Services

*Copies of the documents referred to below can be obtained from*  
<http://cds.bromley.gov.uk/>

## **PART 1 AGENDA**

**Note for Members:** Members are reminded that Officer contact details are shown on each report and Members are welcome to raise questions in advance of the meeting.

### **STANDARD ITEMS**

- 1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**
- 2 DECLARATIONS OF INTEREST**
- 3 QUESTIONS FROM COUNCILLORS AND MEMBERS OF THE PUBLIC  
ATTENDING THE MEETING**

In accordance with the Council's Constitution, questions that are not specific to reports on the agenda must have been received in writing 10 working days before the date of the meeting.

Questions specifically relating to reports on the agenda should be received within two working days of the normal publication date of the agenda. Please ensure that questions specifically relating to reports on the agenda are received by the Democratic Services Team by **5 pm on Tuesday 30 April 2019**.

**As this is a Special meeting of the Renewal, Recreation and Housing PDS Committee, only questions specifically relating to reports on the agenda will be considered on this occasion.**

**3a QUESTIONS FOR THE RENEWAL, RECREATION AND HOUSING PORTFOLIO HOLDER**

**3b QUESTIONS FOR THE CHAIRMAN OF RENEWAL, RECREATION AND HOUSING PDS COMMITTEE**

**EXECUTIVE REPORTS FOR PRE-DECISION SCRUTINY**

- 4 HOUSING TRANSFORMATION BOARD: INCREASING AFFORDABLE HOUSING SUPPLY (Pages 3 - 14)**
- 5 GATEWAY REPORT: PROVISION OF HOUSING SUPPLY IN ANERLEY AND CHISLEHURST (Pages 15 - 28)**
- 6 WEST WICKHAM LEISURE AND LIBRARY REDEVELOPMENT**  
*(Report to follow)*

**PART 2 (CLOSED) AGENDA**

- 7 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006, AND THE FREEDOM OF INFORMATION ACT 2000**

The Chairman to move that the Press and public be excluded during consideration of the item of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

**Items of Business**

**Schedule 12A Description**

- |   |   |
|---|---|
| <b>8 GATEWAY REPORT: PROVISION OF HOUSING SUPPLY IN ANERLEY AND CHISLEHURST (Pages 29 - 44)</b> | Information relating to the financial or business affairs of any particular person (including the authority holding that information) |
|---|---|

Report No.

## London Borough of Bromley PART ONE – PUBLIC

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**Decision Maker:** EXECUTIVE

**For pre decision scrutiny by the Renewal, Recreation and Housing Policy, Development and Scrutiny Committee on 7<sup>th</sup> May 2019**

**Date:** EXECUTIVE – 21<sup>st</sup> May 2019

**Decision Type:** Non-Urgent                      Executive                      Non-Key

**Title:** HOUSING TRANSFORMATION BOARD: INCREASING AFFORDABLE HOUSING SUPPLY

**Contact Officer:** Sara Bowrey, Director: Housing  
Tel: 020 8313 4013    E-mail: sara.bowrey@bromley.gov.uk

**Chief Officer:** Gillian Palmer; Interim Executive Director (ECHS)

**Ward:** (All Wards);

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1. Reason for report

- 1.1 The supply of social/affordable housing cannot keep pace with demand. The risk of insufficient housing and associated cost of temporary accommodation provision is one of the Council's major risks. Whilst the Council is engaged in a number of workstreams to tackle homelessness at source the principle mitigation is to increase housing delivery.
- 1.2 This report provides an update on the progress of the Housing Transformation Board in respect of the key workstream areas focusing on options to increase supply and speed up the rate of delivery of cost effective temporary accommodation and affordable housing supply as a direct alternative to the current reliance on use of nightly rate temporary accommodation.
- 1.3 It must be noted that these workstreams run alongside and compliment the wider range of activities enshrined on the Council's Homelessness Strategy and forthcoming Housing Strategy which seeks to ensure that homelessness is prevented or relieved wherever possible and that planning, regeneration and housing policies are aligned to support and promote wider development of housing across the Borough.
- 1.4 The accompanying report titled Gateway Report: Provision of Housing Supply in Anerley and Chislehurst further provides an update on the feasibility work undertaken in respect of Anerley Town Hall overflow car park and Banbury House, Bushell way setting out the business case and next steps for the tender for a contract for the design and build of affordable housing accommodation.

## **2. RECOMMENDATION(S)**

- 2.1 RR&H PDS Committee is asked to note and comment on the contents of this report and support the work streams being progressed by the transformation board and timescales for future reports
- 2.2 The Council's Executive are requested to:
- (i) Note the contents of this report
  - (ii) Agree that officers appoint specialist advisors to help complete the business case for a local housing company.
  - iii) Agree that the estimated cost of £100k for the necessary specialist advice and business case production to enable full consideration of setting up a local housing company is funded from the Growth Fund.
  - iv) Agree to proceed to formal tender for a partner for a second phase of property acquisition.

### Impact on Vulnerable Adults and Children

1. Summary of Impact: The initiatives set out in this report seek to ensure the provision of affordable housing to support vulnerable adults and young people into settled accommodation suitable for their needs.
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### Corporate Policy

1. Policy Status: Existing Policy:
  2. BBB Priority: Quality Environment Supporting Independence:
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### Financial

1. Cost of proposal: £100k
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Operational Housing
  4. Total current budget for this head: £6,241K (net controllable budget)
  5. Source of funding: Growth Fund. Operational Housing approved revenue budget. Contingency set aside for homelessness and welfare reform pressure, and the Homeless Reduction Act.
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### Personnel

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours: N/A
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### Legal

1. Legal Requirement: Statutory Requirement: Further Details
  2. Call-in: Applicable Not Applicable: Further Details
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### Procurement

1. Summary of Procurement Implications: There are no direct procurement implications arising from this report.
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): There is an increasing housing need in the Borough for affordable housing with approximately 3,500 households on the housing waiting list and approximately 1,600 households in temporary accommodation. Around 300 households approach each month in housing need. The current average net cost to the Council for households placed into temporary nightly paid accommodation is £6,490 per household per annum.
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillor's comments: Full consultation would be undertaken with Ward Councillors in respect of all proposed housing developments.

### 3. COMMENTARY

- 3.1 The significant cost pressures in relation to homelessness and temporary accommodation provision are well rehearsed. Bromley is experiencing severe housing pressures across all tenures with a significant lack of supply of new homes driving up prices and increasing the affordability gap
- 3.2 In recent year's immense change has taken place including welfare reform and national housing and homelessness policies which cumulatively are placing a significant upward pressure on temporary accommodation costs. Additional increases are likely to further increase demands on frontline services in future years which in turn are predicted to place and additional £7m budget pressure on temporary accommodation and homelessness services by 2023.
- 3.3 With the marked decline in housing association lettings and a reduction in the supply of private rented sector accommodation that is affordable to families on mid to low incomes, the net inflow into temporary accommodation is far greater than the move on opportunities available resulting in a silting up of temporary accommodation provision and increased reliance on costly forms of nightly paid accommodation.
- 3.4 A number of measures have been put in place in recent years which have assisted in slowing the rate of increase, particularly in relation to nightly paid placements. This has achieved estimated savings in excess of £11m per year against the average cost of nightly paid accommodation. These measures include increased homeless prevention and relief, increasing temporary accommodation provision through leasing schemes, enhancing the offer to private landlords to increase access for mid to low income households, refurbishment of vacant units, property purchase and working with housing association partners to develop new affordable housing.
- 3.5 Overall during the past 5 years the number of households in temporary accommodation has risen by more than 90% from 824 in 2014 to 1,556 households in April 2019. Despite the variety of measures the number in temporary accommodation is still rising.
- 3.6 Whilst these mitigation actions remain critical in helping to stem the rate of increased use in nightly paid TA, they are not in themselves sufficient to reduce the current pressures and cannot keep pace with the level of housing need.
- 3.7 The level of new-build affordable housing developments has significantly reduced in recent years. The majority of new affordable supply currently being delivered in Bromley is linked to open housing market-led developments where a proportion of new housing is required to be provided on site as affordable units under (s106) planning obligations. These s106 affordable homes are generally transferred by private developers to the Council's Registered Provider (RP – housing association) partners once built and the Council then nominates households in housing need from its housing register to these new affordable homes.
- 3.8 Registered Providers have therefore been the Council's main historical source of new affordable housing supply. However, RPs are unable to compete with the private sector in Bromley for development site opportunities due to the high cost of land. Also, RPs operating in Bromley have limited development capacity within their own estates to deliver new affordable housing supply. In addition a high proportion of new developments, based upon independent financial viability assessments are unable to sustain developments which achieve the compliance rate of 35% affordable housing. Whilst the Council remains committed to working with private developers and RPs to develop new affordable housing, it must be noted the existing arrangements provide very limited control over new homes that are built including the use and level of supply.

- 3.9 As such the Council has committed to exploring additional options to increase the pace and level of affordable housing supply for Bromley residents ensuring that this not only seeks to address current housing needs but also to ensure services and housing provision are aligned to meet the growing demand that is being experienced and projected for future years.
- 3.10 The Council's Executive agreed in November 2018 in principle to the establishment of a Council affordable development programme, the identification of council-owned sites to facilitate this development programme and for officers to explore options in respect of a delivery vehicle for this development programme and to secure ongoing nomination rights. This work is the key focus of the Housing Transformation Board which was set up towards the end of 2018.
- 3.11 Within this context the Housing Transformation Board has developed the following key work streams in relation to the Council's direct involvement in facilitating affordable housing and temporary accommodation supply as a viable alternative to the current reliance on use of nightly rate temporary accommodation. It must be noted these work streams run alongside and compliment a wider range of activities enshrined in the Councils Homelessness Strategy and forthcoming Housing strategy which seek to ensure that homelessness is prevented or relieved wherever possible and that planning, regeneration and housing policies are aligned to support and promote the wider development of housing across the borough:
- Increasing the supply of new cost effective temporary accommodation – Up to 250 units over the next 2 years
  - Property acquisition through purchase and repair – up to 400 over the next 3 years
  - Use of Bromley owned or acquired sites to establish a development programme for new affordable housing supply – initially up to 600 units over the next 3 years
    - a) Identification of sufficient sites to facilitate this development programme
    - b) establishing a delivery, ownership and management vehicle to enable delivery of this programme.

#### **1. Increasing the supply of cost effective temporary accommodation:**

- 3.12 This work stream seeks to utilise small sites for the development of up to 250 temporary accommodation units as a direct cost effective alternative to the use of nightly paid accommodation. Officers have explored a variety of models to assess development options are recommending the use of off-site manufacturing for units to secure speed of delivery, cost effectiveness and flexibility in design. Development times are considerably quicker averaging around 9 -10 months from inception to completion. Work is underway to identify a sufficient supply of sites and this is due to be reported back to Members in due course. In the meantime there are 2 key projects already underway:
- 3.13 **York Rise:** Members agreed to seek a full turnkey solution where a service provider will design, build, install and manage modular units on behalf of the Council to enable the Council to meet its statutory obligations. Procurement is subject to full OJEU tender process via the negotiated route.
- 3.14 The York Rise tender was the first of this kind in Bromley, with few established examples elsewhere to enable learning. It has been a complex process, which officers have been working hard to manage in order to obtain the best outcome for the Council. Any lessons learnt will help to inform future tender processes for this type of solution.



- 3.15 Work is progressing to the final stages of the evaluation process which should now be concluded to enable a report to Members for contract award in May 2019, with the aim of completing units towards the end of 2019/20, subject to successful planning permission.
- 3.16 This scheme, subject to planning permission, will produce a minimum of 30 self-contained good quality temporary accommodation units as a direct alternative to nightly paid temporary accommodation. Once a successful provider has been appointed extensive consultation will be undertaken with Ward Councillors and local residents to complete the design proposals and feed into planning considerations. The report detailing the outcome of the tender process will include the full financial business case for consideration and approval.
- 3.17 **Banbury House, Bushell Way and Anerley Town Hall overflow car park.** The Council's Executive in November 2018 agreed in principle for the use of these 2 sites for affordable/temporary housing provision subject to further feasibility work and planning permission.
- 3.18 Since this time officers have undertaken feasibility analysis to assess the sites to ensure their suitability for affordable accommodation, alongside market testing to assess the potential development options and procurement of a supplier. The accompany report titled Gateway Report: Provision of Housing Supply in Anerley and Chislehurst sets out the business case and proposed procurement route aimed to now progress these schemes for completion by the end of 2019/20. Overall it is anticipated that the sites will accommodate in excess of 57 units.

#### **Work stream two – Property Acquisitions:**

- 3.19 The Executive on 23<sup>rd</sup> March 2016 agreed to set up an SPV (special purpose vehicle) between Mears Group and the Council to acquire stock for temporary accommodation. More Homes Bromley SPV was therefore set up as a joint partnership between the Council and Mears to acquire 400 properties. This programme has now nearly completed with all 400 units due to be completed by early 2019/20.
- 3.20 The Executive agreed in November 2018 for officers to explore the options for a second property purchase scheme including soft market testing to help inform the proposals and procurement route. Approval was also given to exploring the feasibility of extending the current More Homes SPV to maintain the current momentum on supply.
- 3.21 Officers have explored the potential to extend the existing More Homes SPV to prevent any delay in the acquisition programme. However this would still need to demonstrate value for money compared to other potential suppliers/funders. This has confirmed that the current funders would not be able to extend beyond a further 100 units and would require a higher yield. Cheaper borrowing rates may be available. In addition options to set up a separate SPV and acquire a new funder would not be permitted within the existing contract terms.
- 3.22 To this end officers issued a Notice to start engagement with the market around setting up a similar property acquisition programme. This work has confirmed that there is interest in the market with potential for more preferable funding offers. The majority of models are predicated on a similar arrangement to the existing More Homes Bromley model in that they propose a purchase and repair scheme operating through an SPV. At this stage only high level proposals have been submitted which do not set out detailed funding arrangements or secure the cost of the funding.
- 3.23 Based upon the above it is not possible to confirm that an extension would secure the best value for money and also there would be risk should this require a separate SPV to be established. As such it is recommended that the Council proceed to tender for a partner for a new SPV for acquisition and management of up to a further 400 additional homes.

3.24 Capital funding will be required for the purchase and repair of properties required. The tender process would request options for securing funding from the market or for the utilisation of borrowing through the Council in order to ensure that the Council secures best value. Models would be expected to operate on the basis that the rental stream repays financing costs together with the total or majority of the costs associated with the management and maintenance of units thus providing a significant saving against the current costs of temporary accommodation provision.

3.25 The model would secure full nomination rights and flexibility for us for temporary and settled housing solutions to best meet the statutory housing requirements in the most effective way.

3.26 The table below sets out the proposed procurement timescale:

High Level Task	Indicative Date
Gateway Authorisation to Proceed to Procurement	May 2019
Draft the Specification Requirements and Procurement/Legal Documents	May 2019
OJEU Notice and Contracts Notice Published and Tender process starts	June 2019
SQ Stage 1 Procurement Process Starts	June 2019
SQ Stage 1 Procurement Process Ends	July 2019
Evaluation of SQ Stage 1 (Including clarification)	July 2019
Invite to Stage 2 of the Tender process - Notification of outcome of Stage 1	August 2019
Tender Stage 2 commences	August 2019
Tender Stage 2 Ends	October 2019
Verification that the Tender bids meet the Councils Minimum requirements	November 2019
Evaluation of Stage 2 (Including clarification)	November 2019
Invite to Negotiation	November/December 2019
Successive rounds of Negotiation and resubmissions as Required	December/January 2020
Identify proposed winning tenderer	February 2020
Financial Sensitivity analysis	March -June 2020
Proposed Award/Authorisation	June /July 2020
Standstill	June/July 2020
Mobilisation	July/August 2020
Finalise the Legal Documents	July/August 2020
Contract Start	September 2020

3.27 Tenders will be evaluated on a 60% Price and 40% quality basis with a minimum quality score. Quality will be assessed considering experience in this field, ability to mobilise and secure units quickly, effective proven track record on tenancy management, repairs and maintenance.

3.28 Consideration could be given to acquiring properties through a local housing Company as set out below. However as the formation of a local housing company is still in its feasibility stage timescales are uncertain and as such it is recommended that the tender for an SPV partner for property acquisition progresses alongside this work to prevent delays in the overall programme to increase housing supply.

### **Work stream 3 - Use of Bromley owned or acquired sites to establish a development programme for new affordable housing supply**

#### **a) Identification of sufficient sites to facilitate this development programme**

3.30 Critical to ensuring the success of a delivery programme is the identification of a sufficient supply of suitable sites. Work is currently underway to complete a long list of sites for consideration and approval. All sites identified will be subject to individual feasibility studies and business cases. Full consultation on proposals would also be undertaken prior to any planning application being submitted.

3.31 Individual sites will be brought forward as feasibility work is concluded with a full updated list of sites due to be presented to Members for consideration and approval in autumn 2019.

**b) Establishing a delivery, ownership and management vehicle to enable delivery of this programme.**

3.32 In order to progress the above delivery programme a delivery and management vehicle is required. The purpose of this is to increase supply and complement existing mechanisms such as provision of affordable housing secured through s106 agreements with partner housing associations. Analysis work has been undertaken of the various models with the option of a local housing company (LHC) structure emerging as the most beneficial option to provide speed of delivery, flexibility in funding, tenure and delivery together with the potential for an income stream. Appendix one of this report provides a high level analysis of the various options available.

3.33 A LHC is a generic name for a housing delivery vehicle which is usually a separate legal entity, either wholly or predominantly owned by the Council. In recent years local authorities have set up an increasing number of LHCs. There are currently around 150 local housing companies in England with numbers expected to exceed 200 by 2020.

3.34 A LHC Vehicle, unlike other models, is 100% controllable by the Council. As such, the model offers the most favourable option in terms of control, influence, freedom, and flexibility regarding funding and tenure.

3.35 LHCs are relatively easy to set up, scale up or down, or even wind down as required by the Council. They can run alongside other models and do not preclude the use of joint ventures or working with a housing association on specific schemes.

3.36 However, the set-up costs, requirements to pay corporation tax on any surpluses generated, as well as any additional overhead requirements will need to be fully considered against the wider benefits.

3.37 Based upon the above analysis officers request approval to procure specialist legal and financial advice to assist the Council to complete the full business case setting out the governance, structure and financial resources required for set up. This would then be presented for formal consideration and approval.

#### **4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

4.1 The provision of cost effective temporary accommodation and affordable housing supply will provide suitable, safe accommodation to meet housing need enabling the Council to meet its statutory housing obligations and to safeguard and protect those who are most vulnerable.

#### **5. POLICY IMPLICATIONS**

5.1 The Council has a published Homelessness Strategy which sets out the approved strategic policy in terms of homelessness. This includes temporary accommodation and settled housing provision to reduce the reliance on nightly paid accommodation. The Council already works with a range of providers in the provision of affordable housing.

## 6. FINANCIAL IMPLICATIONS

- 6.1 The current average net cost of nightly paid accommodation is around £6,500 per household per annum, as set out in the table below.

	Annual charge	Rent income	Net cost
	£	£	£
Single Room	9,656	8,471	1,185
Studio	12,493	8,288	4,204
Self Contained (1 Bed)	12,716	7,325	5,391
Self Contained (2 Bed)	15,669	8,808	6,861
Self Contained (3 Bed)	19,244	10,854	8,390
Self Contained (4 Bed)	23,643	16,148	7,495
Weighted average	15,718	9,228	6,490

- 6.2 The full financial appraisal of the proposed schemes referred to in the report, the resulting savings on the cost of temporary accommodation and any opportunities to obtain grant funding will be considered as part of the business case in subsequent reports.
- 6.3 The report requests that specialist advice be procured for the business case for a local housing company, and it is proposed that a sum of £100k be allocated from the Growth Fund for this purpose.

## 7. LEGAL IMPLICATIONS

### Recommendation 2.2 (ii): Setting up LHC

- 7.1 Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do subject to a number of limitation (this is referred to in the General Power). A local authority may exercise the General Power for its own purposes, and/or for the benefit of others. Section 95 of the Local Government Act 2003 provides an almost identical power to set up a company to trade in function related activities and the Council can rely on one of both of these powers to set up the LHC.
- 7.2 Although the intention is to set up a company to provide housing a detailed business case is yet to be formulated which will inform the type of housing to be provided and the financial model for a viable delivery structure. Section 4(2) of the Localism Act requires that where a local authority exercises /uses the general power for a commercial purpose, it must do this through a company. Section 2 of the Localism Act 2011 limits the exercise of the new general power where it overlaps with a power which predates it, such as Section 95 of the Local Government Act 2003. Whether the Council relies on the General power and/or the Section 95 of the Local Government Act, it is prudent for it to comply with the requirements and limitations to which S.95 is subject. These are set out in Regulation 2 of The Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (the Order) which requires a business case to be prepared and approved by the Council before a company Starts trading. Regulation 2(4) of the Order defines “business case” as a comprehensive statement of:-
- The objectives of the business;
  - The investment and other resources required to achieve those objectives;
  - Any risks the business might face and how significant these risks are; and
  - The expected financial result of the business, together with any other relevant outcomes that the business is expected to achieve.

- 7.3 Once the business case is formulated detailed legal advice will be required on setting up the company including on issues such as state aid, financial arrangements, governance and on drafting of appropriate commercial documents. It will be cost effective to use a combination of in-house resource and an external law firm to provide legal support. Dedicated funding is required to source expertise from external legal advisers as appropriate and to secure in-house legal resource to work on the project.

Recommendation 2.2 (iii): tender for SPV

- 7.3 Any procurement to set up an SPV with a chosen development partner will need to be carried out in full compliance with the Public Contracts Regulations 2015.

## **8. PROCUREMENT IMPLICATIONS**

- 8.1 This report seeks approval to proceed to procurement on setting up a Special Purpose Vehicle with a development partner. The anticipated contract duration is 40 years.
- 8.2 It is proposed that the competitive procedure with negotiation is used.
- 8.3 Due to the estimated contract value and the classification of the contract as a services contract, the procurement process shall comply with the Public Contract Regulations 2015 for an OJEU procurement process. These obligations include the following:
- i) The tender must be advertised in OJEU and Contracts Finder.
  - ii) The relevant contract award notices must subsequently be published.
  - iii) The procurement must comply with EU Treaty principles of transparency and equal treatment.
  - iv) The procurement must conform with the information provided in the OJEU advert regarding any conditions for participation; time limits for contacting/responding to the authority; and the award procedure to be applied.
  - v) Time limits imposed, such as for responding to adverts and tenders, must be reasonable and proportionate.
- 8.4 The Council's specific requirements for authorisation to proceed to procurement are covered in 1.3 of the Contract Procedure Rules with the need to obtain the formal Agreement of the Director of Commissioning, the Director of Corporate Services and the Director of Finance for a procurement of this value.
- 8.5 In compliance with the Council's Contract Procedure Rules (Rule 3.6.1), this procurement must be carried out using the Council's e-procurement system.
- 8.6 The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

<b>Non-Applicable Sections:</b>	PERSONNEL
Background Documents: (Access via Contact Officer)	Executive Part 2 – Increasing housing supply to meet housing need. 28 <sup>th</sup> November 2018. Executive – part 1- Contingency drawdown homelessness and temporary accommodation pressures – 27 <sup>th</sup> March 2019 London Borough of Bromley Homelessness Strategy 2018-2023

## Appendix 1: Developing new homes – Council owned/acquired sites, acquired: Housing Delivery and Management Models:

Vehicle Options	Description	Pros	Cons
In-house council owned and managed through housing revenue account.	Council ramps up its in-house delivery and management capacity. Subject to strict legislative framework including Housing revenue account and right to buy.	Quick to establish as no new company set up. However would need to recruit resources for sufficient delivery capacity/expertise requiring significant investment.	Any surpluses are ring-fenced for use within the Housing Revenue Account and not available for the General Fund Structure does not in itself bring in cash, skills or resources - met through council funds Restrictions on the type of tenure and lack of flexibility to change tenures/terms to respond to market changes.
Housing association (HA) as developer/stock owner	Land transferred to HA to develop .stock owned by HA. Subject to legislative framework and usually right to buy	Procurement of preferred provider relatively quick. Expertise of HA as developer and manager of stock. Access to GLA funding	No revenue streams. Lack of control over use and nomination levels. Lack of control over the tenure and mix of homes developed.
Single Local Housing Company for ownership	Limits company to holding/managing assets. Usually assets sold to/bought by the company on 'arms-length' basis through the Council or transferred under a development agreement. Outside HRA – flexibility rent/tenures	Revenue streams. Allows for commercial activity. Ability to lever in capacity/expertise and engages in supply market.	Relies on existing suppliers in market for pace and level of delivery. Does not in it create more units?
Single Local Housing Company for development	Company takes on development/delivery roles. Can design sites/programme/bring sites to the market more quickly.	Engage in local market supply as a developer thus increasing level /speed of delivery. Creation of capital receipts/ Allows for commercial activity.	Usually no revenue stream. Does not necessarily guarantee nomination or access rights to units.
<b>Local Housing Company with subsidiaries (development and ownership)</b>	<b>Carries out role of developer &amp; longer term ownership/management. Can structure as group/subsidiaries to ring-fence risk/increase flexibility. Can increase structure as required for specific site/tenures or combine with JV. Outside HRA flexibility rent and tenures</b>	<b>Ability to lever in development &amp; management capacity to engage and influence speed/level of delivery/range of housing supply. Creation capital receipts and revenue stream and new homes bonus Allows for commercial activity. Outside HRA so flexibility of rent and tenures.</b>	<b>Requires range of expertise which needs to be levered in. Set up costs will need to be incurred. Corporation tax will likely apply to any profits/surpluses generated</b>
Joint Venture	Engage with developer (private or housing association) for certain project/s where of sufficient size/value to justify this. Partnerships usually 50/50 – assumption Council's land/partner cash. Often preferred on complex sites	Allows risk and reward share. Access to skills and capacity via JV partner Can lever in additional funding streams New homes bonus Can be used in conjunction with a LHC where a partner could assist in bringing key skills or funding to enable the development.	Procurement and set up costs tend to be higher and longer lead in for procurement. Usually site based. Partner usually required exclusivity eg: on development/ownership/management which can limit flexibility.

Report No.  
DRR19/025

## London Borough of Bromley

### PART ONE – PUBLIC

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**Decision Maker:** EXECUTIVE COUNCIL

For pre decision scrutiny by the Renewal, Recreation and Housing Policy, Development and scrutiny Committee on 7 May 2019

**Date:** Executive - 21 May 2019 Council – 22 May 2019

**Decision Type:** Non Urgent Executive Key

**Title:** GATEWAY REPORT: PROVISION OF HOUSING SUPPLY IN ANERLEY AND CHISLEHURST

**Contact Officer:** Alicia Munday, Strategic Commissioning Manager  
Tel: 020 8313 4559 E-mail: Alicia.Munday@bromley.gov.uk

**Chief Officer:** Colin Brand, Director of Regeneration

**Ward:** Anerley and Penge, Chislehurst

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#### 1. Reason for report

- 1.1 This report sets out recommendations for the approval of a Capital Scheme for the design and construction of up to 60 homes across two sites, Bushell Way and Anerley Town Hall overflow car park for the provision of housing for the purposes of temporary accommodation.
- 1.2 In addition the report seeks approval to proceed to procurement for the provision of a design and build contract for the two sites.

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#### 2. RECOMMENDATION(S)

The Renewal, Recreation and Housing PDS Committee are asked to:

- 2.1 Note and comment on the content of this report:
- 2.2 Recommend that Executive request that Council approve the addition of £8.4m to the Capital Programme for the provision of up to 60 residential units for the provision of housing for the purposes of temporary accommodation on sites known as Bushell Way and Anerley Town Hall Overflow Car Park; with £7.5m funded from the Housing Investment Fund earmarked reserve, and £0.9m identified in the 2018/19 Provisional Final Outturn report being submitted to the Executive on 21<sup>st</sup> May 2019.
- 2.3 Recommend that Executive approve a mini competition tender using the LHC, NH1 Framework, for a design and build of housing at the identified sites, as set out in paragraph 4.5 of this report, and the approval process for contract award as set out paragraph 4.9.3.

- 2.4 Recommend that Executive approve the appropriation of land at sites known as Bushell Way and Anerley Town Hall overflow carpark from their current purpose to the purpose of housing land held under the general fund in accordance with section 122 of the Local Government Act 1972.



## Corporate Policy

1. Policy Status: Existing Policy: Further Details
  2. BBB Priority: Excellent Council Supporting Independence:
- 

## Financial

1. Cost of proposal: Estimated Cost: £8.4m
  2. Ongoing costs: Temporary accommodation management costs of £133k p.a.; net saving of £590k p.a. (based on 57 units)
  3. Budget head/performance centre: Capital Programme
  4. Total current budget for this head; N/A
  5. Source of funding: Housing Investment Fund earmarked reserve, and other funding to be identified on the 2018/19 Provisional Final Outturn report
- 

## Staff

1. Number of staff (current and additional):
  2. If from existing staff resources, number of staff hours:
- 

## Legal

1. Legal Requirement: Statutory Requirement:
  2. Call-in: Applicable:
- 

## Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
- 

## Ward Councillor Views

1. Have Ward Councillors been asked for comments?

Summary of Ward Councillor's comments: A meeting with Ward Councillors has been held in relation to these recommendations. Ward Members have requested that public engagement is conducted. It was confirmed with Ward Members that this is the start of the process, and should these recommendations be approved, this would enable a provider to be selected to propose more detailed plans which would then commence the public engagement process.

Statutory Public Consultation will take place if a planning submission is made.

### **3. BACKGROUND**

- 3.1. Like most London boroughs one of the most significant long term cost pressures is the impact of welfare reform and homelessness. This includes the new cost of implementing the increased responsibilities under the Homelessness Reduction Act 2017, which came into effect on 3 April 2018.
- 3.2. Current predictions show cost pressures rising to around an additional £7m per annum by 2022/23 compared to the 2018/19 budget to fulfil statutory duties in relation to homeless and the provision of temporary accommodation.
- 3.3. There are currently 1,570 households in Temporary Accommodation (TA), of which 994 are in secure costly forms of nightly paid TA. On average the current increase in TA numbers is around 15 per month; however, this is likely to increase as the Universal Credit roll out starts to impact. The level of housing need in Bromley is wider than just this too, as there is insufficient affordable housing to meet the current and emerging housing need.
- 3.4. Whilst there will always be a need to make use of Temporary Accommodation for those householders under assessment; with supply so limited this has resulted in the need to procure costly nightly paid accommodation to meet statutory rehousing duties. The current average costs for nightly paid placements for Temporary Accommodation are set out in section 11 below.
- 3.5. In November 2018, the Director of Housing presented a report to the Executive, outlining various options to increase housing supply, as well as mitigations to reduce the spend on expensive nightly paid Temporary Accommodation.
- 3.6. One of the options included in this report and approved was the consideration of 3 specific Council owned sites for housing development. Officers have now explored the use of 2 of these sites, Banbury House, Bushell Way in Chislehurst and Anerley Town Hall overflow car park (see Appendix 1 for site satellite images). These sites have been previously identified by the Council as being surplus to requirements. Banbury House site, Bushell Way, Chislehurst was also identified in the Local Plan for Housing. The third site, York Rise, Orpington, is subject to a separate tender process.
- 3.7. The Council does not currently have a Housing Revenue Account (HRA), so developing General Needs housing is not an option. The focus has therefore been on developing Temporary Housing supply that could, if of significant build quality become General Needs Housing in the future.
- 3.8. Market research has focussed on best value as well as speed of delivery. For this reason, Officers have directed research towards off-site modular construction options. This form of construction can significantly reduce the speed at which the residential units can be developed as ground works and offsite construction can happen simultaneously.

- 3.9 Members will also be mindful that a similar scheme is proposed at Orpington, York Rise. This was a more complex site for development and the procurement process has been protracted for various reasons.
- 3.10 Taking lessons from the tender process for modular units at York Rise, it is proposed to procure a specialist modular housing company to deliver the design and build element through a defined contract, with relevant break clauses at the 2 key phases. Phase 1 being the design element and cost build up for the modular units and necessary ground works for the proposed design. This would then be subject to a planning application and dependent on the outcome of this, phase 2 of the contract would be construction and delivery. Housing Management will be sourced either with a current housing management contract, or via a separate tender process – whichever is likely to secure best value for the Council.
- 3.11 Given the pace the Council is seeking for this development, Officers have focused on reviewing Frameworks for housing supply, and have undertaken market research with a broad range of off-site construction developers on the framework(s).
- 3.12 The market research focussed on the following areas:

**Design** – for speed and efficiency it is beneficial to utilise an existing design. Bespoke off-site construction will be significantly slower given the additional tooling required during the manufacturing process. In addition Officers have considered the space allocation of the designs available, and are seeking designs that meet London Housing Standards, or as close to the standards as possible. Further consideration has been given to the type of off-site construction; this varies from ‘shipping style’ containers, to more traditional looking builds. Appendix 1 includes images of the design of offsite construction that was explored throughout the market research.

**Value** – costs are significantly variable in the market, and without knowing the optimum number of residential units that can be secured on the sites, it is challenging to obtain indicative costs. Costs at this time have been benchmarked on a square metre basis as well as on unit prices. For the purpose of speed no initial site surveys have been conducted on these sites, and so it is also difficult to fully ascertain indicative costs for site works, although it is recognised that these sites are relatively accessible and flat, which make for amenable offsite construction works.

**Manufacturing Time** – off-site construction offers a shortened timescale for development and securing a window for manufacturing will be key to the programme timescale. Manufacturing will only commence once an order is placed.

**Risk** – in traditional construction, payments are made as the site is developed, but the results are clearly visible. Through the market research officers have explored how risk could be mitigated when the construction and effectively storage of the ‘new homes’ is happening offsite. Time and

resources will be required to visit the manufacturing of the units in order to mitigate risk.

**Finance Options** – officers reviewed the options of financing the development with developers, including, the Council purchasing the residential units, to the Council leasing the units. Leasing is only a viable option if the sites and the residential units are likely to be very short term and/or relocated. This is not the intention for these sites.

#### **4 RECOMMENDATION(S)**

- 4.1 Having concluded the market research, officers are recommending the use of the LHC, NH1 Framework (formerly known as the London Housing consortium), NH1 – New Homes framework to engage with a modular homes developer. Whilst there is no direct cost to utilising the framework, there is likely to be up to 3% included in the costs for the framework management. LHC is a subsidiary of the London Borough of Hillingdon.
- 4.2 The framework has a number of providers that officers have engaged with throughout the research period and could deliver the required housing solutions we are seeking.
- 4.3 There are some significant benefits to procuring through a framework:
  - Initial OJEU has been conducted, and this significantly reduces the procurement time, and therefore cost
  - The providers on the framework have already supplied initial costs, that have been scrutinised for best value as well as provider deliverability and quality.
  - The Council benefits from the scale of business put through the framework, which is countrywide, and beyond any scale the Council is likely to achieve alone.
- 4.4 The proposed development would secure a full turnkey solution, including site preparation, all construction and basic fit out of units (as determined by the specification). Therefore it is essential that the housing provider is also secured and ready to operate the residential units as soon as they are available.
- 4.5 A development that would ensure, as a minimum the following design principles:
  - A development in line with the Local Plan.
  - A modular development that is not utilising shipping containers.
  - An agreed design with the Council, i.e. facing options that are sympathetic to the local surroundings.

- Housing that meets the London Housing Standards, or as close to.
  - Housing that is both efficient in terms of build, but also in terms of long term stability for those living there.
  - A range of 1 and 2 bedroom apartments.
  - A development that offers suitable relevant levels of parking.
- 4.6 Officers have met with the providers available to use on the framework, as well as other providers that responded to initial enquiries. Appendix 1 shows some key headlines from the market research, given this information was given in confidence, this section of the report is given as Part 2.
- 4.7 In discussion, with Procurement and colleagues in Housing, Officers are recommending that the Council utilise the LHC (Formerly known as the London Housing consortium), NH1 – New Homes framework to engage with a modular homes developer. LHC is a subsidiary of the London Borough of Hillingdon.
- 4.8 Officers have met with the providers available to use on the framework, as well as other providers that responded to initial enquiries. Appendix 1 shows some key headlines from the market research, given this information was given in confidence, this section of the report is given as Part 2
- 4.9 Given the housing crisis, the increasing number of residents having to utilise temporary accommodation and the ongoing pressures on budgets, the recommendation in this report is to:
- 4.9.1 Agree the addition of £8.4m to the Capital Programme, with £7.5m funded from the Housing Investment Fund earmarked reserve, and £0.9m identified in the 2018/19 Provisional Final Outturn report being submitted to the Executive on 21<sup>st</sup> May 2019
- 4.9.2 Approve a mini competition tender, utilising the LHC, NH1 framework for the 2 identified sites, Bushell Way, and the Overflow Car Park at Anerley Town Hall, based on the design principles set out in para 4.5. Approve a separate tender for the housing management provider for the 2 identified sites.
- 4.9.3 Given the timescale, officers are mindful that should the tender be successful, a recommendation for a contract award is likely to be ready in August. Members are therefore asked to consider a preferred authority route, with the options set out below:
- A. Delegate authority for a Contract Award within the parameters set to the Chief Executive in conjunction with the Leader of the Council; or
  - B. Request special committees to scrutinise and consider any proposed contract award;

- C. Delay a contract award until September, which will impact on the timescale of the development. It is important to note that a delay of a month, is no likely to equate to a 4-6 month in the development given that modular construction requires time to be booked in a factory.

## **5. STAKEHOLDER ENGAGEMENT**

- 5.1 There has been market engagement with potential providers. Any agreed proposals would be subject to planning permission and a statutory period of public consultation. Ward Members have been briefed about the proposals.

## **6. PROCUREMENT AND PROJECT TIMESCALES AND GOVERNANCE ARRANGEMENTS**

- 6.1 Estimated Contract Value - £8m
- 6.2 Other Associated Costs – up to £400k for consultancy costs, including cost consultancy.
- 6.3 Proposed Contract Period – up to 2 years, for a full Design and Build programme
- 6.4 The indicative timescale for the procurement of the development and housing provider is as follows, this timetable assumes either Option A or B are taken in terms of a potential contract award:

<b>Indicative Timescale*</b>	
May 2019	Issue Mini Competition / Direct Award
July 2019	Evaluate tenders, and seek approval for Contract Award and report back to Members
August/September 2019	Seek Planning Permission
October 2019	Place order for development of the units
October 2019 - January 2020	Construction and Site Preparation
February/March 2020	On Site installation
April	Residential Units available for Housing

- 6.5 It is proposed to utilise the Council's standard 60% price and 40% quality ratio to evaluate the further competition submissions.

## **7. IMPACT ON VULNERABLE CHILDREN AND ADULTS**

- 7.1 The proposed recommendations support vulnerable people through the provision of housing supply.

## **8. POLICY CONSIDERATIONS**

- 8.1 The Council has a published Homelessness Strategy which sets out the approved strategic policy in terms of homelessness. This includes the increased provision of temporary accommodation and reducing the reliance on nightly paid accommodation.

## **9. PROCUREMENT RULES**

- 9.1 This report seeks to utilise the LHC, NH1 Framework (formerly known as the London Housing consortium), NH1 – New Homes framework. In accordance with Clause 3.5 of the Contract Procedure Rules, the Head of Procurement has been consulted regarding the use of the Framework.
- 9.2 The Council is able to make use of LHC, NH1 Framework has been properly included on the Contract Notice. A call off contract is permitted under the terms of the framework. For each requirement, an order form and template call off contract must be completed.
- 9.3 For the requirements set out above, the method of further competition can be used under the terms of the framework, and in compliance with Contract Procedure Rule 3.6.1, the further competition must be carried out using the Council's e-procurement system
- 9.4 In compliance with the Council's Contract Procedure Rule 7.4.2, the mini competition shall be carried out through LHC, using suppliers drawn from the NH1 Framework
- 9.5 Contract Procedure Rule 7.4.4 states that where a Framework Agreement is intended to be used for a Contract with an Estimated Value above the relevant EU thresholds, it must be operated as provided for in Part 2 / Section 4 / 344 of the Public Contract Regulations 2015.
- 9.6 As the contract value is over £25k, an award notice will need to be published on Contracts Finder.
- 9.7 The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

## **10. FINANCIAL CONSIDERATIONS**

- 10.1 The current average net cost of nightly paid accommodation is around £6,500 per annum, as set out in the table below.

	<b>Annual charge</b>	<b>Rent income</b>	<b>Net cost</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Single Room	9,656	8,471	1,185
Studio	12,493	8,288	4,204
Self Contained (1 Bed)	12,716	7,325	5,391
Self Contained (2 Bed)	15,669	8,808	6,861
Self Contained (3 Bed)	19,244	10,854	8,390
Self Contained (4 Bed)	23,643	16,148	7,495
Weighted average	15,718	9,228	6,490

- 10.2 The estimated full year savings that will be achieved from the proposed modular units is around £590k per annum as set out below (based on a total of 57 units).

	FY costs
	£'000
Management fee	133
Treasury management income foregone	140
	273
Rental income	Cr 482
Temporary accommodation savings	Cr 381
	Cr 863
Total net saving	Cr 590

- 10.3 The report requests the addition of £8.4m to the Capital Programme to deliver the proposals. £7.5m was set aside in the Housing Investment Fund earmarked reserve at the March Executive meeting, which was subsequently approved by Council. It is proposed that this be utilised to fund the scheme, and the balance of £0.9m will be identified in the 2018/19 Provisional Final Outturn report which will be submitted to the Executive on 21<sup>st</sup> May 2019.
- 10.4 The report also refers to the tender for modular housing at York Rise, and any funding requirements for that scheme will be addressed as part of the contract award report.

## 11 PERSONNEL CONSIDERATIONS

- 11.1 There are no LBB staff implications for the recommendations

## 12. LEGAL CONSIDERATIONS

- 12.1 The Housing Act 1996, Part 7 (as amended) sets out the Council's statutory homelessness duties, including the duty to provide temporary accommodation for certain classes of people and in certain circumstances.
- 12.2 The Council can rely on Part 7 of the Housing Act 1996 to provide temporary accommodation together with the general power of competence in section 1 Localism Act 2011. Accommodation made available under Part 7 of the



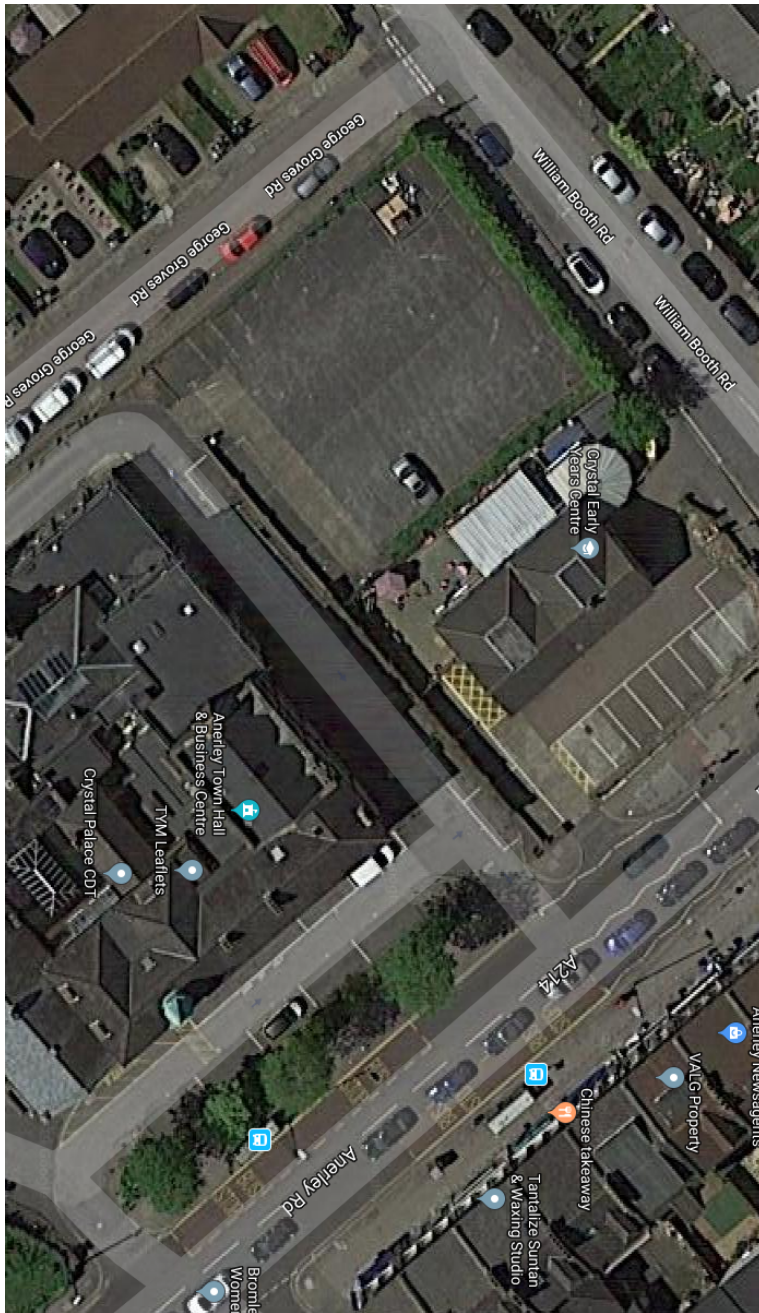
Housing Act 1996 strictly as provided by Schedule 1 of the Housing Act 1985, will not be a secure tenancy or license.

- 12.3 The demand for homeless accommodation has continued to increase following the implementation of the Homeless Reduction Act 2018, as the duties towards homeless households are expanded. The Council must make decisions in accordance with the law and also in accordance with its fiduciary duty to its tax payers in using Council resources. The report explains the benefits including the financial benefits that must be properly weighed up and considered before taking the decisions set out in the recommendations.
- 12.4 Officers have explained elsewhere in this report that the use of the 2 sites are no longer required as acquired and the new use will meet the Councils objectives in relation to the provision of temporary accommodation held under the general fund. The Recommendations therefore provide approval for the appropriation of land at sites known as Bushell Way and Anerley overflow carpark Bushell from their current purpose to the purpose of housing land held under the general fund in accordance with section 122 of the Local Government Act 1972.
- 12.5 Under the Public Contract Regulations 2015 (Regulations) the procurement of these works and services is a public contract within the meaning of the Regulations. As the value exceeds the relevant works threshold under the Regulations the Council would be required to carry out a fully compliant EU Procurement exercise. The Regulations however accept compliance where the Council call-off from an EU compliant framework which is expressed as being available to the Council and is used within the rules set up by the framework. The Council intend to procure from the LHC NH1Framework for the design and build of the houses identified in the report. The section in this report on Procurement Rules provides further detail on work undertaken to show the compliant use of the framework. The report also identifies the need to carry out the procurement for the management of the houses and in due course a further report will be required seeking authority to commence that procurement exercise under the Council's Contract procedure Rules.
- 12.6 The relevant authorisation process in relation to Contract Commissioning Strategy and Proceeding to Procurement under the Council's Contract Procedure Rules for values over £1M is by way of Executive authorisation in agreement with the Portfolio holder, Chief Officer, Director of Corporate Services and Director of Finance.

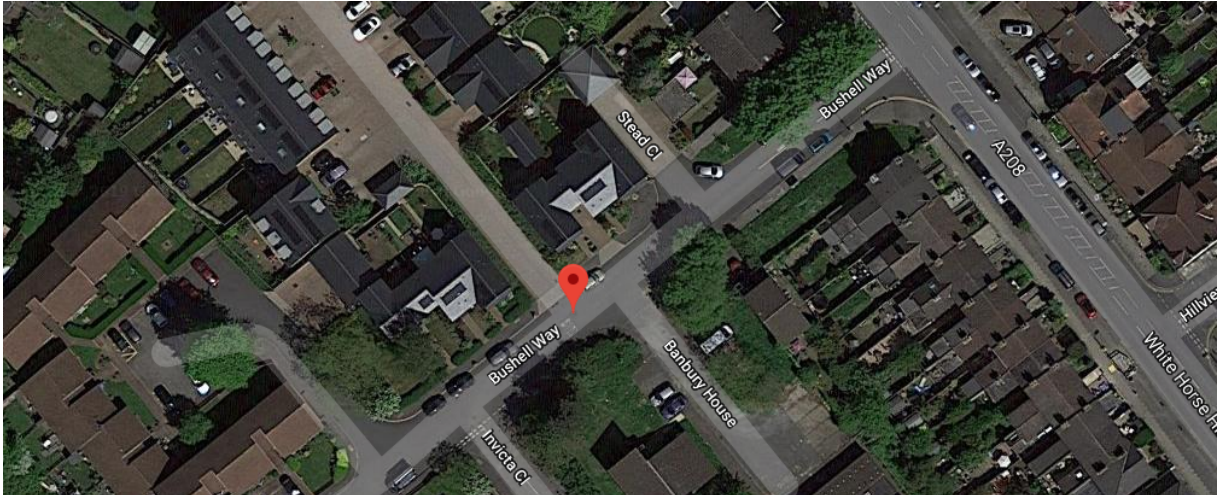
<b>Non-Applicable Sections:</b>	
Background Documents: (Access via Contact Officer)	Increasing Housing Supply to Meet Housing Need

## APPENDIX 1 – SITE INFORMATION

### Anerley Overflow Car Park Site



## Banbury House/Bushell Way Site



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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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