Report No.
DRR19/025

London Borough of Bromley

PART ONE – PUBLIC

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 21st 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

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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 the 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 21st 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:

Indicative Timescale*	
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.

	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

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 21st 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.

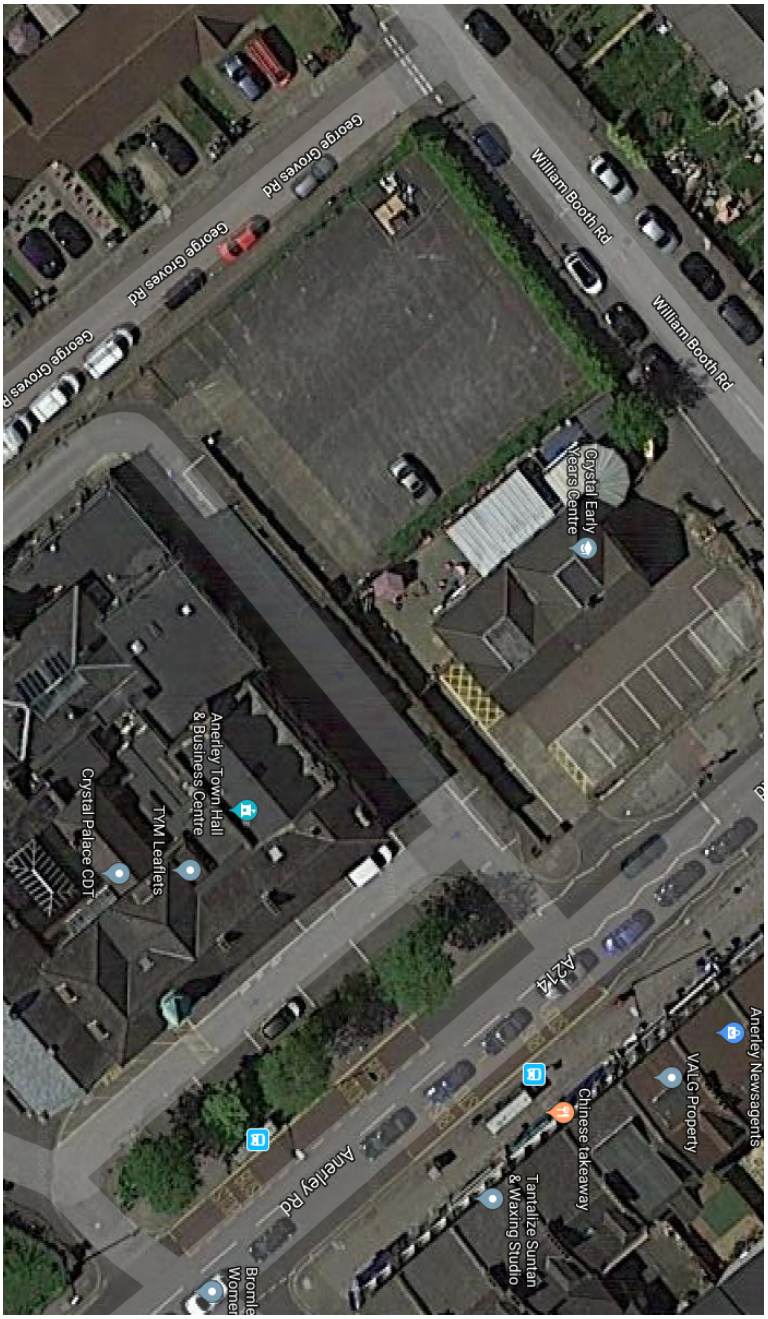
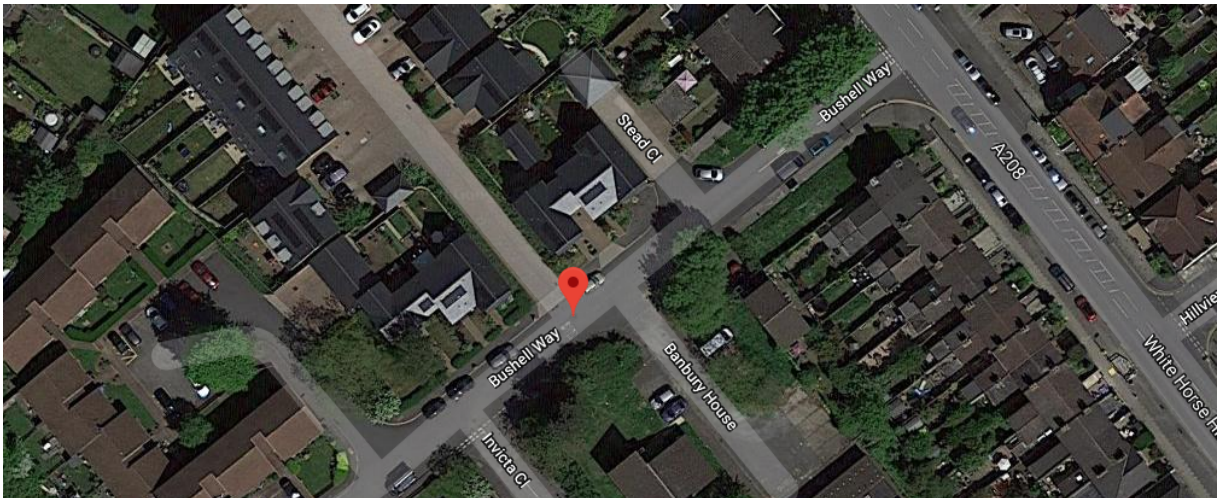
12.5 Under the Public Contract Regulations 2015 (Regulations) the procurement of these works and services is a public contract within the meaning of the Regulations. As the value exceeds the relevant works threshold under the Regulations the Council would be required to carry out a fully complaint EU 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.

Non-Applicable Sections:	
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