

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 04/01/2021

Subject: Hartopp Point & Lannoy Point Site – New Council Homes

Report of: Councillor Andrew Jones - Cabinet Member for the Economy

Responsible Director: Tony Clements - Strategic Director for The Economy

Summary

This report seeks approval to agree a project budget for the development of new council homes at the Hartopp Pont and Lannoy point site.

This budget will allow the development team to consult with local residents, progress design development activities up to and including the submission of the scheme to planning (RIBA Stages 2 & 3) and for the procurement of a construction contractor (RIBA stage 4).

Capacity studies have identified that the scheme could deliver 174 new homes, of which 64% (112) would be affordable, prioritised for local residents.

Recommendations

1. Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. To consider, this Stage 1 (Feasibility) Development Appraisal Report and approve progression to Stage 2 (Planning) and Stage 3 (Procurement), for Hartopp Point and Lannoy Point site, Dawes Road, Fulham SW6.
3. To approve a project development budget of £3,715,262 for progression and delivery up to and including LBHF's development stage 2 (i.e.: Planning or RIBA Stages 2 & 3) & stage 3 (i.e.: Procurement or RIBA Stage 4) to be funded from:
 - i. a previously approved budget of £250,000 for early feasibility work
 - ii. underspends of £198,062 and £500,000 from the previously approved CPO and acquisition budgets respectively for Hartopp Point and Lannoy Point
 - iii. a new budget of £2,767,200 from HRA borrowing.

4. To delegate authority to the Strategic Director for the Economy in consultation with the Cabinet Member for the Economy to extend appointments of the consultant teams beyond RIBA stage 1, in line with recommendation 1.2.

Wards Affected: Munster Ward

H&F Values

Our Values	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	<i>The proposals will lead to the delivery of much needed affordable housing in the borough. The development itself will use the Council's Social Value strategy to ensure that local businesses and residents benefit from the contracts that are procured.</i>
Creating a compassionate council	<i>All schemes will be subject to extensive engagement and have resident involvement built into the process for developing designs as schemes progress from initial feasibility to the development of more detailed designs.</i>
Doing things together with local residents, not to them	<i>Consultation on design and progress of the project will be delivered in line with draft defend council homes policy and co-production principles.</i>
Being highly financially efficient	<i>The schemes will deliver quality additions to the borough in terms housing provision. Homes will be designed to be robust and low maintenance and costs will be closely monitored throughout the design process to ensure schemes are delivered within budget.</i>
Taking pride in H&F	<i>The proposals will lead to the delivery of much needed affordable housing in the borough. The development itself will use the Council's Social Value strategy to ensure that local businesses and residents benefit from the contracts that are procured.</i>
Rising to the challenge of the climate and ecological emergency	<i>The schemes will meet the key environmental challenges in that it will be designed to a London Plan standard. We will encourage inclusion of carbon neutral design proposals and green initiatives where possible.</i>

FINANCIAL IMPLICATIONS

In September 2019, Cabinet approved the Compulsory Purchase Order (CPO) of properties in Hartopp Point and Lannoy Point, which were being demolished on health and safety grounds. In that decision, Cabinet approved a budget of £250,000 for the initial design work for the redevelopment of the site.

That report also agreed an increase in the property acquisition budget of £859,000 and an additional budget of up to £250,000 in relation to the CPO. Underspend against these budgets of £500,000 and £198,062 will be re-allocated. This budget of £948,062 will enable design work up to RIBA stage 1.

A total project development budget of £3,715,262 to progress this site through to RIBA stage 3 is required and will form part of the Council's Housing capital programme funded from borrowing. The full development cost will be funded from a combination of borrowing, GLA affordable housing grant and the proceeds of sales receipts. This is set out in the finance appendix and summarised in the table below.

Drawdowns of the total budget are delegated to Strategic Director for the Economy in consultation with the Director of Finance and the Cabinet Member for the Economy (on the advice of the Development Board) as the project progresses through LBHF development stages, including updated financial implications on the viability of the scheme. In addition to this it is recommended that as the scheme progresses through each RIBA stage refreshed, development appraisals are produced with the results presented to Development Board.

In the unlikely event the project proves unviable and not proceed, the capitalised expenditure incurred to that point will need to be written off and be charged to revenue budgets. Regular review of the schemes financial viability will ensure that should this risk crystallise, it will be identified at the earliest opportunity to allow for better management and mitigation of abortive costs.

Description	Amount
Pre-development Budget - 6% of total Works costs as per Development appraisal	£3,715,262
Less: Sep 19 cabinet approval for Planning & Design - funded by HRA Borrowings	-£250,000
Approval Request in this report	£3,465,262
Funded by:	
Re-allocation of underspend from Sep 19 cabinet approval of CPO Advice Budget - funded by HRA Borrowings	£198,062
Re-allocation of underspend from Sep 19 cabinet approval of CPO Acquisition Budget - funded by HRA Borrowings	£500,000
HRA Borrowings	£2,767,200
Total Funding	£3,465,262

Appraisal of the project

The initial appraisal along with a sensitivity analysis has been carried out on the proposed scheme and confirm financial viability and a strong financial return to the Housing Revenue Account from the development. This is detailed in Finance appendix 1. The appraisal will be required to be refreshed with the latest information as the project progresses through LBHF development stages and budgets are released and before the planning application is submitted and ahead of any decision to progress the full scheme by Council Members.

LEGAL IMPLICATIONS

Section 1(1) the Localism Act 2011 (The General Power of Competence) allows the Council to do anything which individuals generally do even if:

- It is unlike anything else the authority may do
- It is unlike anything that other public bodies may do
- It is carried out in any whatever, including:
 - anywhere in the UK or elsewhere;
 - for a commercial purpose or otherwise for a charge, or without charge; and
 - for, or otherwise that for, the benefit of the Authority, its area or persons resident or present in its area

Section 111 of the Local Government Act 1972 allows the Council to do anything (whether or not involving the expenditure, borrowing or lending money or the acquisition or disposal of any property rights) which is calculated to facilitate or which is conducive or incidental to the discharge of any of its functions. The Council has various housing law functions to discharge of which this proposed development can be considered conducive and incidental.

The Council has a commitment to fulfil under the CPO granted in December 2019 (under section 17 of the 1985 Housing Act) requiring the council to deliver a qualitative gain in housing stock on the CPO site within 10 years of the confirmation of the Order.

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Background Papers Used in Preparing This Report

Cabinet report Hartopp and Lannoy Points - 2 September 2019 - PUBLISHED

DETAILED ANALYSIS

Background

1. The Cabinet has approved clear strategies for the Council to provide new affordable housing to respond to the needs of the community, to benefit existing and future residents and the environment.
2. In June 2019, Cabinet approved entering into funding agreements with the Greater London Authority (GLA), namely:
 - **The Building Council Homes for Londoners (BCHfL) Grant Agreement** - equating to £15,308,000 of non-repayable capital grant to deliver genuinely affordable housing on identified sites throughout the Borough;
 - **The Homebuilding Capacity Fund (HBCF)** - £230,000 (revenue income to deliver assessment of delivering housing in small sites.
 - **Right to Buy Ring-fencing Agreement** - to secure the Council's use of retained Right to Buy (RtB) receipts for a longer period of time and to use it to help deliver genuinely affordable homes.
3. In July 2019, Cabinet also approved **the 'Building Homes and Communities Strategy'** which set out the principles of a self-funding programme of investment in homes and community assets.
4. Through the Building Homes and Communities Strategy, the Council is committed to using its assets to meet its strategic objective of delivering genuinely affordable homes.
5. The Council identified opportunities to deliver up to 1,800 homes over a period of up to ten years and generate long-term income to support the Council's financial challenges. The strategic business case in this strategy sets clear objectives to:
 - Build new, genuinely affordable housing which will help maintain the borough's vibrant social mix;
 - Supports the Council's Business Plan priority of 'Building Shared Prosperity';

- Renew key community assets, including schools and leisure centres; and
 - Generates income to reinvest in frontline services
6. This decision supported the 2018-2022 Business Plan objectives and aspirations and enabled the council to deliver much needed affordable housing at pace.
 7. The Hartopp and Lannoy site coming forward as part of this strategy to deliver much needed affordable housing.

Proposals and Options

8. The financial modelling of the scheme strongly points to a viable and deliverable scheme. The following is an overview of the site.

Hartopp and Lannoy site

9. The Hartopp and Lannoy site is located within the Munster Ward in Fulham and forms part of the Aintree Estate.
10. Following extensive structural surveys and resident consultation, in April 2019, Cabinet resolved to demolish Hartopp and Lannoy Points. These surveys identified serious structural defects with the 14-storey Large Panel System blocks, giving rise to significant Health and Safety issues.
11. The Council worked closely with residents and quickly rehoused all tenants within the borough. At the same time all leaseholder properties were acquired with the support of an uncontested Compulsory Purchase Order approved by Cabinet in September 2019. By February 2020 vacant possession of all 112 homes was secured.
12. In April 2020 CNC Group, a specialist demolition contractor, was appointed to safely demolish both blocks. This work started in May 2020 and is expected to conclude by February 2021. Following demolition, the site will be left hoarded and safe before follow-on redevelopment commences in Spring 2022.

The new Hartopp and Lannoy scheme

13. In November 2020 the Development Team concluded the procurement of an architect-led design team and control team (project management and cost advice) to work with the council and residents on the design of the replacement homes. The architects' team is led by BPTW architects who have extensive experience of similar resident development in London and are also working with the council on the school's development programme. The contracts for the consultant teams are to RIBA stage 1 and are contained within existing approved budgets. These contracts can be extended to take the design to planning and procurement subject to the approval of this report.
14. Last year, the Council commissioned a high-level capacity study of this area to understand the ability of the site to accommodate both the re-provision of lost

social housing and additional housing. The study identified capacity up to 174 new homes. The financial performance has been tested, is viable and could deliver the following mix:

- 112 (64%) affordable rented homes to be retained by the Council, of which
 - 67 homes (38.5%) would be genuinely affordable 'London Affordable Rent' homes (LAR), and,
 - 45 homes (26%) would be for Intermediate rented housing;
- 62 (36%) for private sale which will help offset the costs of the project.
- A minimum of 10% of all homes will be fully accessible.
- *NB: London Affordable Rent is a rent set by the GLA and is their lowest form rent, close to a social rent. Below are the benchmarks they publish every year:*

Size	Rents per week for 2020/21
<i>Bedsit and 1-bedroom</i>	<i>£159.32</i>
<i>2 bedrooms</i>	<i>£168.67</i>
<i>3 bedrooms</i>	<i>£178.05</i>
<i>4 bedrooms</i>	<i>£187.42</i>
<i>5 bedrooms</i>	<i>£196.78</i>
<i>6 or more bedrooms</i>	<i>£206.15</i>

15. The latest reconciliation of the scheme's financial appraisal identifies that an overall budget of £3,715,262 is required for all associated development 'on-costs' (i.e. professional fees, survey costs, statutory application fees) to progress this scheme to planning submission and contractor procurement stages of the development cycle.

16. A high-level timetable of key milestones is set out below:

Timetable

Milestone	Updated dates
Public engagement event – 1	January 2021
LBHF Gateway 2 Approval	
Dev Board	January 2021
RIBA 1 completion	January 2021
Stage 2: (Planning)	
RIBA Work Stages 2 & 3	February 2021 to August 2021
Public engagement event – 2	March 2021
Public engagement event – 3	May 2021
Planning Submission	August 2021
Planning decision issued	March 2022
Procurement strategy cabinet authority issued.	March 2022
Stage 3: (Procurement)	
Procurement tenders issued out	March 2022 to May 2022
Tender Return & Evaluation	June 2022
LBHF Gateway 3 Approval	
Preparation of tender report	July 2020
Development board	August 2022
Cabinet/Full Council	October 2022
Stage 4: (On Site)	
RIBA Work Stage 5	
Execute Build Contract & Site Possession	November 2022
Contractor Mobilisation & Detail Design	November 2022
Start on site – Main Construction Works	December 2022
Contractor completion (3-year indicative programme)	November 2025

17. The development board will continue to have strategic oversight over the project's deliverability, viability and design. This is in line with the council's gateway process for managing developments.
18. Subject to project viability, resident engagement and following planning submission, Cabinet approval (and Full Council as required) will be sought for construction budget and procurement strategy of a construction contractor in Spring of 2021.
19. The design team will be required to develop options for both traditional construction and off-site modular residential construction, as well as a

combination of the two. There are various potential benefits of off-site construction including speed of delivery, reduced construction cost, quality and sustainability and reducing impact of construction on the residents living close to the site. As part of the design process the consultants will advise the council on the procurement route and timetable for a manufacturer and contractor for an off-site, modular-based construction method. This may result in a Cabinet report to initiate procurement earlier in programme, should this type of construction prove to be deliverable and meet the strategic objectives for the project.

20. Further details are set out in Appendix 1 – exempt report.

Working with residents

21. Successful development projects put existing residents at the centre of the design process. In line with the council's strategic objectives to do things with residents, the development team will work with residents of the Aintree estate including Chasemore House and Donnelly Court and wider neighbourhood through the design process

22. In January 2021, Cabinet will consider the Defend Council Homes Policy which sets the framework and expectations for working with residents on new developments on housing land. This project will embed the new policy and officers are working with the DCHU to ensure the principles are taken forward.

23. In practice, this means the project team will work with residents of the Aintree Estate and the DCHU to, amongst other things, create a resident panel with an agreed Terms of Reference to shape design development. The will panel ensure that estate residents all have equal opportunity to contribute to the evolution of design.

24. An engagement strategy is being developed and the principles will be agreed with the residents' panel. This will embed DCHU policy and identify engagement and consultation opportunities throughout the design process.

25. The Council's co-production team will be involved from the start to ensure the project adheres to the principles of co-production adopted by the council and supports the project to deliver accessible design that meets the needs of existing and future residents.

26. The aim is for an outline concept design to be produced that is then presented to residents and tested by the Council for financial viability and deliverability before the design moves on to the detailed stage of design.

5. OPTIONS AND ANALYSIS OF OPTIONS

Option 1 – Do Nothing (not recommended)

27. The "do nothing" option would either mean (1) not proceeding with this decision or (2) not proceeding with the redevelopment project.

28. Not proceeding with this decision but proceeding with the redevelopment would result in further delay to commencement of design works beyond RIBA 1 resulting in a significant delay of commencement on site and ultimately the timely delivery of much needed affordable housing.
29. Not proceeding with the redevelopment would mean leaving a significant part of a council estate hoarded off following demolition of the existing buildings. This would also increase risks associated with a hoarded site in a council estate that could be subject to trespass and may require additional security costs. This would also not be in line with the Council's commitment to delivering the redevelopment and would result in no re-provision of much needed genuinely affordable housing in the Borough.
30. Not proceeding with the redevelopment would also mean that costs already incurred would need to be written off and additional abortive costs incurred, such long-term site security.

Option 2 – Approve the budget and proceed with design development (recommended)

31. This is the recommended option as it will enable this stage of the redevelopment to proceed. The budget approved will enable the continuation of the design work concurrently with the demolition and reduce the gap between the demolition and redevelopment's start on site.
32. This will also enable the council to involve local residents in the concept design and offer them real and measurable influence on the redevelopment as early in the process as possible.
33. Ultimately, approval of this budget will enable the redevelopment of the site for the delivery of much needed genuinely affordable housing. This would also fulfil council's commitments under the CPO justification. That CPO which was granted in December 2019 under section 17 of the 1985 Housing Act, required the council to commit to delivering a qualitative gain in housing stock on Order site within 10 years of the confirmation of the Order.

REASONS FOR DECISION

34. The decision is required to allow design work for the redevelopment of the Hartopp and Lannoy site to proceed to planning submission stage (i.e. up to RIBA stage 3) including work to facilitate procurement of a construction contractor).

EQUALITY IMPLICATIONS

36. There are no direct implications for groups with protected characteristics, under the equality Act 2010, associated with the budget approvals sought in this report.

Implications completed by: Fawad Bhatti, Policy & Strategy Officer, tel. 07500 103617

RISK MANAGEMENT IMPLICATIONS

37. The total additional budget requested is £3,465,262 an additional budget of £1,549,086 to fund the pre-construction design works which will be funded by external borrowing from the Housing Revenue Account (HRA). Governance on expenditure is outlined in the report with further drawdowns delegated to the strategic Director for the Economy in consultation with Cabinet Member for the Economy (on the advice of the Development Board) including the financial viability of the schemes.

38. Furthermore, risks to the financial performance of the development are outlined in the exempt. Working with residents, strong programme and financial management are key enablers to the successful delivery of the programme to timescales. The Hartopp and Lannoy site coming forward as part of this strategy will deliver much needed affordable housing.

Implications verified by Michael Sloniowski, telephone 020 8753 2587

CONSULTATION

37. External consultations will be undertaken as the project progresses.

List of Appendices:

- Appendix 1 – Financial Development Appraisal (Hartopp and Lannoy) - EXEMPT
- Appendix 2 – Location Plan

Appendix 2- Location Plan

