

Report for: Cabinet 16 June 2020

Title: Approval to execute our rights to progress housing delivery schemes for Harvey House and Finsbury Road including award of contract and appropriation of land.

Report authorised by: Mark Baigent, Interim Director of Housing, Regeneration and Planning

Lead Officer: Alan Benson, Interim Assistant Director for Housing

Ward(s) affected: Bounds Green and Hornsey

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1. This report seeks approval to appoint Cuttle Construction to undertake refurbishment works and convert vacant Council-owned shops into two Council rented homes, one at 43 Finsbury Road N22 and one at 27 Harvey House N8.
- 1.2. It also seeks approval to appropriate the land at 27 Harvey House from its current commercial use within the General Fund to the Housing Revenue Account (HRA) so that it can be used for housing purposes, that is to deliver Council homes at Council rents.
- 1.3. On approval, these developments will be the second and third schemes to move to a start on site, of the 58 schemes in the Council housing delivery programme that the Council intends to directly deliver itself. They will be the seventh and eighth schemes to move to a start on site in the overall programme.

2. Cabinet Member Introduction

- 2.1. I am delighted to recommend that Cabinet approves the conversion of two disused Council-owned shops into two new Council homes: a three-bedroom home in Bounds Green and a one-bedroom home in Hornsey. Both will be let on secure Council tenancies at Council rents.
- 2.2. Building a thousand Council homes - and then further thousands once we have achieved that - will be a marathon and not a sprint. These will be the second and third schemes to move to a start on site that the Council will be delivering itself directly. Many more sites will be coming to Cabinet over the coming months.
- 2.3. Building homes is never just about the bricks and mortar. These homes will demonstrate our commitment to building Council homes that are sustainable and designed to the highest standards. We all need a safe, affordable, decent home – now more than ever. COVID-19 has exposed sharply how deeply unequal our housing system is, and how much inadequate housing affects people’s lives. Most importantly, Cabinet’s decision today will provide two households in housing need with a new home of the quality that we would like to see all our tenants living in.

Recommendation

- 3.1. It is recommended that Cabinet:

- 3.1.1. Approves the appointment of Cuttle Construction to undertake refurbishment works to provide two Council rented homes at 27 Harvey House and 43 Finsbury Road for a total sum of £390,398.
- 3.1.2. Approves the property known as 27 Harvey House being appropriated from the General Fund to the Housing Revenue Account to enable the conversion into affordable housing to proceed.

4. Reasons for decision

- 4.1. The two shop conversion sites, 43 Finsbury Road and 27 Harvey House, were approved by Cabinet to be part of the Council housing delivery programme on 7 July 2019. These schemes have subsequently been granted planning consent and are ready to progress to construction. This report therefore marks the third, and final, Member-led decision to develop these two sites.
- 4.2. Following a competitive tender process, a contractor has been identified to undertake these works, which will help the Council make progress in delivering a new generation of Council homes at Council rents.
- 4.3. The property at 27 Harvey House, which is an entirely commercial space, currently sits within the General Fund, following the July 2017 Cabinet decision to appropriate it for General Fund purposes. The scheme has been granted planning consent to convert it into housing and is ready to progress to construction. This property needs to be appropriated back to the HRA as works to convert the premises to housing will be funded through the HRA and on completion the new home will be let at Council rent levels.
- 4.4. This decision is necessary at this time to support the Council's COVID-19 response, in as much as it will be part of a portfolio of schemes that are ready to go onsite as soon as the lockdown rules allow – supporting the recovery of the local and wider economy.

5. Alternative options considered

- 5.1. **Not to convert these properties for housing purposes.** This option was rejected as it would not support the Council's commitment to deliver a new generation of Council homes and these premises have no current use for commercial purposes.
- 5.2. **To use alternative procurement routes.** This option was rejected because there is no viable alternative procurement route for this opportunity: the value is too large to run a competitive tender via the Council HPCS portal, and too small to procure the works via the London Construction programme (LCP) Major Works 2019 Framework Agreement. This therefore leaves the Council's Dynamic Purchasing Scheme (DPS) as the only route to market.
- 5.3. **To retain the land at 27 Harvey House within the General Fund.** This option was rejected for two reasons. Firstly, because while a budget for this scheme has been made available within the HRA there is no appropriate budgets available in the General Fund to convert the premise. Secondly, Council homes let at Council rents cannot be held in the General Fund.

6. Background information

43 Finsbury Road & 27 Harvey House development sites

- 6.1. As shown on the plan of the site in Appendix 1, the site at 43 Finsbury Road is located in a residential street, within a conservation area in Bounds Green ward. It is a two-storey end of terrace, Victorian house that backs onto a public park and was historically used as a commercial retail outlet.
- 6.2. As shown on the plan of the site in Appendix 1, the site at 27 Harvey House is located on the Campsbourne Estate in Hornsey ward. It is a one-storey, purely commercial retail outlet on the ground floor of the residential block 1-27 Harvey House.

- 6.3. Both sites are Council owned with 43 Finsbury Road currently held in the HRA and 27 Harvey House in the General Fund.
- 6.4. On 9 July 2019, Cabinet approved the inclusion of 43 Finsbury Road and 27 Harvey House into the Council housing delivery programme in order to determine their feasibility and capacity for the delivery of new Council homes and then, if appropriate, their progression through to planning consent.
- 6.5. Designs have been developed that will deliver one three-bedroom and one one-bedroom Council home for Council rent over the two sites.
- 6.6. A Members' briefing was held for both schemes on 14 August 2019. The proposals were positively received by Members as the premises in their current vacant condition have been subject to anti-social behaviour. Since these are small-scale conversion schemes, local residents have been kept up to date with progress via newsletters to notify them about survey work, development of the scheme design prior to submission, and strip out works. The schemes were submitted to planning in December 2019 and as part of this process there was formal consultation with residents.
- 6.7. Planning approval of the scheme at 43 Finsbury Road was granted on 11 February 2020. Planning approval of the scheme at 27 Harvey House N8 was granted on 19 February 2020.

The Build Contract

- 6.8. This report seeks final approval of the construction contract to enable the fit-out works to commence. The housing schemes have been designed up to stage 4 of the Royal Institute of British Architects (RIBA) Plan of Works 2019. Since planning approval has been granted, a contractor is now needed to undertake the fit out works, which it is expected will be for a contract period of six months.
- 6.9. The project tender was a selective tendering process, offering a JCT 2016 Intermediate form of Contract, via the Council's Dynamic Purchasing System (DPS). Eight companies accepted the tender via the minor works lot in the DPS and four tender returns were submitted and evaluated. During the evaluation process, requests for post-tender clarification were sought, and the Council responded to these.
- 6.10. The tender was evaluated on 60% quality and 40% price. Full overall tender evaluation scores have been provided in Appendix 2 which is exempt from publication under the Local Government Act 1972 due to the commercially sensitive nature of this information.
- 6.11. The quality assessment was conducted by an evaluation panel. A pre-agreed list of questions was included in the tender as part of the Qualitative Delivery Proposals (QDP). Each question was offered a score between 0 (question not answered) and 5 (excellent) together with a weighted score. Following independent evaluation, a moderation meeting was mediated by a member of the Strategic Procurement team to agree final qualitative scores.
- 6.12. Cost was evaluated independently by the Project Team Employer's Agent. As the Preferred Bidder were the most competitive from a pricing perspective, with a fee of £390,398, they received a price score of 40%.
- 6.13. The outcome of the quality and price scores for the four bidders is are shown below:

	Quality (60%)	Price (40%)	Total
Cuttle Construction	48.00%	40.00%	88.00%
Tender 2	56.00%	31.90%	87.90%
Tender 3	42.00%	33.47%	75.47%
Tender 4	24.00%	35.01%	59.01%

- 6.14. The recommendation is therefore to award the contract to Cuttle Construction. Their bid was the most economically advantageous, compliant tender, it scored the highest combined marks for price and quality, and it is within the scheme budget. The recommended tender submission is considered to offer good value for money and the Employer's Agent for this project is satisfied with the pricing offered by the Preferred Bidder.
- 6.15. The contract is to be awarded on a fixed price basis. Tenders include fit out, site establishments, management costs, overheads and profits, and there is a defects and liability period of twelve months.
- 6.16. During this period of uncertainty due to COVID-19 it should be noted that there is a risk that the winning contractor may be reluctant to enter into a contract if they do not believe that they can deliver on all the conditions of the contract such as start on site date, or if they cannot obtain the material required for the works. Therefore, during this period, the project team is keeping this under review to ensure that both the Council and the Contractor are protected.
- 6.17. The Council was seeking to start construction works for the scheme in June 2020 with completion expected in November 2020. However, this programme will be dependent on COVID-19 developments, which are likely to push the programme back. It is estimated that these schemes may now start on site in August 2020 instead, with completion in February 2021.

Appropriation of 27 Harvey House to the HRA

- 6.18. This report seeks approval to appropriate 27 Harvey House from the General Fund back into the HRA.
- 6.19. As part of a series of actions to facilitate the establishment of the Haringey Development Vehicle (HDV), Cabinet approved the following recommendation on 3 July 2017:

“to declare that the Commercial Properties listed in Appendix 6c are no longer required for housing purposes, and to appropriate these properties for general fund purposes (subject to obtaining any necessary Secretary of State consent)”
- 6.20. The property 27 Harvey House was contained within Appendix 6c of that Cabinet report and was therefore moved into the General Fund.
- 6.21. The site at 27 Harvey House is due to be taken forward for conversion to housing following Cabinet's approval of the latest housing delivery programme on the 9 July 2019. To enable the scheme development works to continue, this report therefore seeks Cabinet approval to move this property back into the HRA prior to start on site.
- 6.22. In appropriating this property, an adjustment will need to be made between the HRA and the General Fund accounts, the HRA will re-reimburse the General Fund for the value, as set out in the financial comments below.

7. Contribution to strategic outcomes

- 7.1. The recommendations in this report will support the delivery of the Housing Priority in the Borough Plan 2019-2023, which sets out in its first outcome that *“We will work together to deliver the new homes Haringey needs, especially new affordable homes”*.
- 7.2. In particular, the recommendations in this report will contribute to the aim *“to deliver 1,000 new council homes at council rents by 2022”*. The proposals in this report contribute directly to the strategic outcomes on new housing supply that are at the core of the aims of the Council, as expressed in the Borough Plan.

8. Statutory comments

Legal

- 8.1. As stated in this report the Cabinet agreed on 3 July 2017 to appropriate 27 Harvey House to the General Fund. However, it needs to be appropriated and held for housing purposes as it will be converted for residential use and used as social housing by the Council.
- 8.2. 27 Harvey House can be appropriated from General Fund purposes to Housing purposes under section 19(1) of the Housing Act 1985. This section allows the Council as a local housing authority to appropriate for the purposes of providing housing accommodation any land for the time being vested in it or at its disposal. As stated in the report there will have to be an adjustment in the accounts to compensate the General Fund for the transfer of the asset.
- 8.3. The building contract referred to in the report has been procured in accordance with the Council's Contract Standing Orders.
- 8.4. The Assistant Director of Corporate Governance sees no legal reasons preventing Cabinet from approving the recommendations in the report.

Finance

- 8.5. 27 Harvey House was one of the shops transferred to the General fund in 2017 at market value of £50k. This report seeks to appropriate it back to the HRA to enable the delivery of Council homes for tenants.
- 8.6. The two sites, 27 Harvey House and 43 Finsbury Road are included in HRA business/Financial plan and there is a budget provision in the HRA for the development of these sites.
- 8.7. Both units are currently vacant. 27 Harvey House market valuation is £38,000 with an estimated rental return of £4,400 per annum.
- 8.8. The proposed appropriation will transfer the risks and returns (non as the unit is vacant) related to this shop from the GF to the HRA. Future cost of maintaining it and income after development will be accounted for in the HRA.
- 8.9. This will not alter the Council's total asset value as the asset remain in the ownership of the Council; it is purely the accounting treatment that is amended to maintain the ring-fencing of the HRA.
- 8.10. The General Fund Capital Financing Requirement (CFR) will be reduced by the amount of the valuation of this unit and the HRA CFR will be increased by the equivalent value.
- 8.11. This will result in an increase in the borrowing headroom of the GF should there be a requirement for additional borrowing in the GF in the future.
- 8.12. The total fit out cost for both units of £390,298 is within the provision made in the HRA new build budget.
- 8.13. The tender process was fair and in line with the policy. The preferred bidder was chosen following an evaluation based on quality and price 60/40.

Strategic Procurement

- 8.14. Strategic Procurement (SP) note that the London Construction Programme (LCP), Dynamic Purchasing System for Minor Works was used to tender for 43 Finsbury Road and 27 Harvey House. SP note that four bidders submitted compliant tenders for this Project.
- 8.15. SP also note that all four bids were evaluated independently by a panel on the quality element and separately for the pricing evaluations. The Preferred Bidder have scored the highest score with a combined total of 88.00%. This tender was evaluated against 60% quality and 40% price. SP note that this project will be funded through the HRA and offer VFM.

8.16. SP acknowledge that the total costs for contract to be awarded to the Preferred Bidder is £390,298 for both units. SP have no objections under Contract Standing Order (CSO) 9.01 and 9.04 to approve the recommendations within this report.

Equalities

8.17. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

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

8.18. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

8.19. This report seeks approval for the Council to appoint a contractor to commence work to deliver new Council rented homes. The groups that the decision is most likely to directly affect are Haringey residents living in temporary accommodation and Haringey residents who are at risk of homelessness. The decision will increase the supply of Council housing in Haringey and help to ensure that households living in temporary accommodation or at risk of homelessness can secure suitable accommodation. Data held by the Council suggests that women, young people, and BAME communities are over-represented among those living in temporary accommodation. It is notable that these groups are also among those most at risk of homelessness, alongside LGBTQ+ people. As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.

9. Use of Appendices

Appendix 1: Red line boundaries Harvey House and Finsbury Road

Appendix 2: Exempt data: Full Tender Information

Cabinet paper 3 July 2017, Item 10: Haringey Development Vehicle – Financial Close and Establishment

<https://www.minutes.haringey.gov.uk/mgChooseDocPack.aspx?ID=8288>

<https://www.minutes.haringey.gov.uk/documents/g8288/Public%20reports%20pack%2003rd-Jul-2017%2018.30%20Cabinet.pdf?T=10>

Cabinet paper 9 July 2019, Item 15: Update on the Council housing delivery programme

<https://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=9151&Ver=4>

<https://www.minutes.haringey.gov.uk/documents/g9151/Public%20reports%20pack%2009th-Jul-2019%2018.30%20Cabinet.pdf?T=10>

10. Local Government (Access to Information) Act 1985

10.1 This report contains exempt and non-exempt information. Exempt information is under the following category (identified in amended schedule 12A of the Local Government Act 1972) paragraph 3 information relating to financial or business affairs of any person (including the authority) holding that information.