

<b>MAYOR AND CABINET (CONTRACTS)</b>		
<b>Report Title</b>	Church Grove Community Led Housing Development	
<b>Key Decision</b>	Yes	Item No.
<b>Ward</b>	Lewisham Central	
<b>Contributors</b>	Executive Director of Customer Services, Executive Director for Resources and Regeneration, Head of Law	
<b>Class</b>	Part 1	Date: 30 September 2015

## **1 Summary**

- 1.1 In July 2012, the Council embarked on a programme of building new Council homes in response to the significant housing challenges in the borough, most notably the enduring under-supply of new affordable homes available to the Council to meet housing demand. The New Homes, Better Places programme will develop at least 500 new homes for rent by 2018 alongside an additional 125 homes which will be sold to subsidise the build costs of the affordable homes. As part of the programme, the Council is working with a wide range of partners to contribute to the delivery of the new homes in the borough.
- 1.2 One aspect of this is a focus on enabling groups of residents to come together and commission or build new homes themselves. To that end, on 24 October 2012, Mayor and Cabinet agreed that officers should explore the proposals for a community led self-build scheme on the site of the former Watergate School off Church Grove, and that officers should work with Lewisham Homes on the selection of a local organisation or community group to work on the proposal.
- 1.3 A report to Housing Select Committee on 03 February 2014 set out the issues for consideration and differing approaches for a self-build development scheme. As a result it was concluded that the procurement of a community-led consortium or organisation to act as 'enabling' developer would be the most appropriate way of balancing financial, delivery, and legal issues whilst creating the opportunity to achieve new affordable housing within an innovative and community-led project.
- 1.4 A report to Housing Select Committee on 11 November 2014 set out how, in principle, such a development could work, ahead of a final recommendation to Mayor and Cabinet. The Committee highlighted the importance of ensuring that new affordable housing remains affordable in the future.

- 1.5 On 4 March 2015, Mayor and Cabinet agreed to the initiation of an EU-compliant competitive dialogue process to select a not-for-profit community led organisation or consortium to act as the development partner to the Council for the site, whose role will be to bring together and organise residents to self-build a range of housing. This process allows the Council to balance the opportunity of an innovative community-led development whilst mitigating the potential risks to the Council by maintaining some form of control until completion of the project.
- 1.6 Part one of this report sets out the background to the project and the procurement process that has been undertaken. Part two of the report provides commercially sensitive information relating to Best and Final Offers (BAFO) received and the evaluation and recommendation for preferred bidder.

## **2 Recommendations**

Mayor and Cabinet (Contracts) is recommended to:

- 2.1 note the procurement process that has been undertaken for a community led self-build scheme on the Church Grove site as set out in this report;
- 2.2 agree that the information provided in the confidential part of the report be considered in conjunction with the information contained in the open part of the report;
- 2.3 approve the selection of The Rural Urban Synthesis Society Community Land Trust (RUSS) as the winning bidder for a community led self-build scheme on the Church Grove site;
- 2.4 agree to enter into a Development Agreement and Lease with RUSS on the basis of the key principles outlined in this report;
- 2.5 agree to the disposal and development of the Council's interest in the land within the Church Grove site shown by heavy outline on the attached plan in accordance with the Development Agreement; and
- 2.6 delegate authority to the Director of Regeneration and Asset Management, in consultation with the Executive Director for Customer Services and Head of Law, to finalise the terms of the Development Agreement and all other legal documentation with RUSS

## **3 Background to group self-build and the Church Grove project**

- 3.1 Lewisham has a history of supporting group self-build projects. In its broadest sense, self-build is a form of development that allows future residents to have a large degree of influence over the design and construction of their homes. Self-build and custom-build are being

advocated at a national level as a way to diversify the models of housing delivery and increase housing output. There are particular benefits to group self-build. Self-builders gain a sense of achievement and confidence whilst learning new skills. Self-build schemes may make savings by participants putting in their own time and effort or investing in higher quality and more sustainable homes that suit individual preferences. The self-build process helps build stronger communities and helps form cohesive neighbourhoods. Residents are also likely to have a stronger commitment to the local area and a greater sense of ownership.

- 3.2 In order to explore proposals for a community led self-build scheme on the Church Grove site, officers initiated resident engagement in May 2013. The social enterprise *Our London* acted as the facilitator at a discussion day in October 2013. Residents expressed overwhelming support for a self-build group made up of a mixture of backgrounds and financial circumstances. There was a commonly-held desire for ensuring a sense of 'ownership' and control of the design process by residents, and other parts of the development process where appropriate. Residents also wanted the ability to influence the long-term management of the completed scheme. Following from this, *Our London* assisted in assessing the various ways in which the scheme might be developed.
- 3.3 Officers presented a number of approaches to delivering a community self-build scheme to Housing Select Committee in February 2014 focusing on the need to balance the financial and delivery risk, legal issues, and the opportunity to achieve an innovative and genuinely community led approach to self-build development. The Committee wanted the ambition for a genuinely community-led project to be maintained. The Committee encouraged the use of a Community Land Trust or co-operative to own and manage the site and deliver the project, with the Council providing support as necessary.
- 3.4 In July 2014 officers commissioned a multi-disciplinary team led by architects *RCKa* to carry out a feasibility study to better understand the risks, constraints and planning context associated with the site. This technical study provided useful baseline information for any scheme taken forward on the site.
- 3.5 The study identified development constraints for the site, which included flood risk and ground contamination due to its former use as a metal foundry. The capacity studies were supported by a valuation of the site from an independent commercial property adviser to estimate residual land values for various development scenarios. Given the potential additional benefits that would accrue from a community led-development in March 2015 Mayor and Cabinet agreed that the community-led option should be pursued on this site, and initiated the procurement process.

## 4 Enabling developer procurement process

- 4.1 As described in the Mayor and Cabinet report of March 2015, an EU-compliant procurement was required because;
- a) there were a number of relevant community organisations that could act as development partner,
  - b) a development agreement (contract) was needed to ensure that the social benefits (eg self-build and affordable housing) were delivered for the land receipt, or the land returned to the Council if development was not delivered as agreed (i.e. the development partner is providing a service or carrying out works), and
  - c) the value of the project exceeded the European Union procurement thresholds.
- 4.2 The EU 'Competitive Dialogue' process was used to set a mixture of specific criteria and broad objectives, whilst remaining open to the exact manner in which these objectives are achieved. This gave the flexibility to consider a number of approaches to the project proposed by bidders, developing appropriate solutions in dialogue with bidders.
- 4.3 The broad objectives set out were to:
- address housing needs and challenges;
  - provide skills and training opportunities;
  - meet high sustainability standards; and
  - ensure a community-led project.
- 4.4 These objectives formed part of the evaluation criteria to assess proposals. To ensure a community-led project, the Expressions of Interest (Eoi) for the EU procurement specifically sought "non-profit community-led consortia or organisations", to act as development partner to enable the self-build project. The procurement process assessed each bidder's approach to financing and delivery, where credible approaches which manage risk effectively were scored highly. The criteria also assessed the level of financial receipt offered to the Council, the risk associated with that financial receipt and when it might be received.
- 4.5 The Council launched a formal procurement process to select a development partner on 20 March 2015. The key stages of the procurement process are summarised below:
- 20 March 2015: Contract Notice published in the Official Journal of the European Union (OJEU), and the National CLT Network, UK Cohousing Network, and National Self and Custom Build Association, and a number of local and London based community organisations were notified.
  - 27 April 2015: Pre-Qualification Questionnaires and 'Outline Solutions' received from two bidders: 'Rural Urban Synthesis Society' and 'Phoenix Community Housing'.

- May 2015: The evaluation panel was made up of officers from Housing Strategy, Legal, and Finance, and an independent specialist self-build facilitator (Our London). The panel evaluated both submissions and deemed they were of sufficient quality to be shortlisted and to proceed with a competitive dialogue process.
  - 26 May 2015: The Invitation to Participate in Competitive Dialogue was issued. There were a series of themed formal dialogue meetings with both shortlisted bidders, which covered the detail of their 'Outline Solutions', and allowed bidders to develop their proposals in dialogue with officers. The final meeting was held on 22 July 2015.
  - 14 August 2015: The dialogue period was closed and the formal Invitation to Submit Best and Final Offers (BAFO) issued.
  - 1 Sep 2015: Deadline to submit BAFO (Final Tenders)
- 4.6 As a basis for the legal and commercial discussions, the Council issued draft heads of terms, based on an acceptable form of development agreement. The terms require the development partner to take forward the proposal, as agreed with the Council. There will be regular review and updates to the Council's Project Steering Group during the design and implementation process. The Council's agreement will be required before the submission of any outline or detailed planning application.
- 4.7 On grant of a satisfactory planning permission and satisfaction of other agreed conditions precedent, the development partner will be responsible for delivering the development scheme within the agreed timescales. The development agreement will be linked to a 250 year lease. A draft Development Agreement and Lease were issued to bidders during the Dialogue period for comments and any proposed amendments to be considered.
- 4.8 Bidders' financial and commercial details are included in the Best and Final Offers and have been evaluated by an officer panel and external self-build facilitator in accordance with the evaluation criteria. Commercially sensitive information relating to the evaluation and recommendation of preferred bidder is provided in part 2 of this report.

## **5 Synopsis of the recommended bid**

- 5.1 The recommended proposal demonstrates a strong and community-focussed approach to self-build. The recommended bidder is constituted as a Community Land Trust (CLT) and is bound and governed by co-operative rules which prevent the exploitation of its assets for profit. It intends to support residents to self-build a range of housing tenures, all of which can be defined to be affordable housing, and all of which will remain affordable in perpetuity as a result of the CLT structure of the bidder.
- 5.2 The self-build process proposed by the recommended bidder is scalable according to the capabilities of individual self-builders, meaning that there is scope to be involved – and learn new skills – for anyone

involved in the project regardless of their skill level at the outset. Furthermore the organisation has a strong and credible support network, including locally based skills support organisations, and is capable of successfully carrying out this scheme and of delivering the required skills training.

5.3 The development proposal aims to provide a total of 33 new homes in a range of unit types and sizes, across four affordable tenure types to meet the needs of a variety of resident groups and broaden the range of people whom the homes could be made available to. All dwellings are targeted at local housing need and all of which would be financially viable and deliverable, whilst maintaining 100% affordability in perpetuity, in a model where affordability is linked to average local incomes, rather than the housing market.

5.4 The proposed tenure types are:

- Four one-bedroom flats for social rent that will target people currently under-occupying larger Council accommodation which would, in turn, release those larger homes back into the social rented housing supply.
- One four bedroom family house, also at social rent, aimed at housing families living in overcrowded social rented accommodation, and in turn freeing up their existing smaller social-rented homes.
- Two shared flats, each containing three rooms to be let at affordable rents aimed at young people who are unable to afford full market rents, designed to allow them access to good quality, independent housing by renting a room or studio apartment instead of sub-divided small homes in HMOs in the private rented sector.
- Fourteen one and two bedroom flats, all offered on a shared equity basis, and at a discount on open market rates. The CLT will retain a 20% stake, enabling it to control the subsequent resales. These properties will be aimed at people wishing to downsize or to own their first home.
- Twelve homes, made up of five three-bed and two four-bed homes, as well as one one-bed and four two-bed flats, all of which will be made available on a shared ownership model. In this variant, the purchasers will be able to buy a small share (typically 25%) and will also be able to “earn” up to a further 12% ownership to reflect the “sweat equity” they have put into constructing their homes.

5.5 The self build principles encourage homes that will be well-designed, allowing people to stay in their homes for longer and place less of a

burden on social and health care services by offering mutual support through neighbourliness.

- 5.6 Offering a genuinely sustainable neighbourhood, the development would support a mixed community with diverse social and economic backgrounds by means of a mix of younger and older people; of different household sizes including families, couples and singles; and of households with different income levels. The approach to affordability offers a wide range of access thresholds and consequently extends the offer of housing to a range of households who might not otherwise be able to access an appropriate home in the open market.
- 5.7 The bid outlined a selection process that is clear and transparent to all. The Equality and Diversity Policy seeks to ensure that no person or group of persons will be treated less favourably than any other because of their race, colour, ethnic or national origin, gender, religion, sexual orientation, physical disability, marital status or any other legally protected characteristic. Residents for the social rented dwellings would be nominated by the Council and drawn from the Council's housing list. Properties in other tenures would be advertised alongside the self-build opportunity and offer, which would also be extended to any self-builders who have registered their interest with Lewisham to date.
- 5.8 There are four aspects to the training for individuals to be involved in building their own home. These are centred around taking part in decision making and design, training for self building (physical), training and qualifications in building construction, and enabling residents to undertake the ongoing management and maintenance of their homes and neighbourhood. The proposal offers different levels of self-build varying from carrying out the majority of the work to doing nothing and leaving it all to the contractor. Those residents that choose the latter will still have the benefit of taking part in the development of the design and management of the project. RUSS have a number of credible partners that would support and facilitate the training offer for residents.
- 5.9 The proposal demonstrates a commitment to a very high standard of sustainability that encompasses social and economic as well as environmental dimensions, adaptability, participation and affordability. Sustainability is intended to be integrated into the design of every building, from the earliest concepts through design and into construction.
- 5.10 With a build specification to meet the international Passivhaus standards, the aspiration is to deliver radically low embodied and operational energy designs with minimal environmental impact. Passivhaus requires dwellings to achieve a thermal energy target of 15kWh/sqm/year, which is around 80% less than the energy requirement of a typical house under the UK building regulations.
- 5.11 The benefits include minimised energy consumption, reduction of building defects that can lead to mould growth, excellent standards of

thermal comfort, minimised energy bills, high standards of indoor air quality and optimised lifecycle costs, which ultimately leads to higher levels of satisfaction by the building user/owner. The wider plans for the site include measures to encourage sustainable lifestyles amongst residents, including car-pooling and shared facilities.

- 5.12 This is an aspirational, ambitious and affordable scheme from a passionate and principled group with a strong background in self-building and an excellent support network. Designed to very high standards, this could be an exemplar project for London and the UK and if it is successful in achieving its objectives and aspirations, it could be replicated London wide.

## **6 Next steps**

- 6.1 If Mayor and Cabinet agree the recommendation to select the winning bidder, and enter into a development agreement, officers would be in a position to finalise the development agreement and lease by January 2016.
- 6.2 The recommended bidder's proposal suggests works could start on site in early 2017, and complete by 2020. Updates will be provided to Mayor and Cabinet at key stages in the project.

## **7 Financial implications**

- 7.1 This report is intended to update Mayor & Cabinet on progress to date in respect of the EU-compliant competitive dialogue process to select a not-for-profit community led consortium or organisation to act as an enabling development partner.
- 7.2 There is an approved capital programme budget of £125k which will be sufficient to cover project costs associated with supporting the development to the next stage and finalising the development contract and lease.
- 7.3 Further financial implications are presented in part 2 of this report.

## **8 Legal Implications**

- 8.1 The Equality Act 2010 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 8.2 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.



- advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 8.3 The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.
- 8.4 The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>
- 8.5 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
1. The essential guide to the public sector equality duty
  2. Meeting the equality duty in policy and decision-making
  3. Engagement and the equality duty
  4. Equality objectives and the equality duty
  5. Equality information and the equality duty
- 8.6 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>
- 8.7 Other legal implications are contained in the Part 2 report.

## **9 Crime and Disorder Implications**

- 9.1 There are no specific crime and disorder implications arising from this report. However it should be noted that community-led group self-build schemes in Britain have been shown to have lower level levels of crime and fear of crime than their surrounding areas.

## **10 Equalities Implications**

- 10.1 Lewisham is a diverse borough made up of many different groups and individuals. There are many forms of discrimination affecting people's lives. Some groups of people generally experience more discrimination than others.
- 10.2 The provision of new homes will help the Council to address the general shortfall of housing in the borough. There are more than 8,000 households currently on the Council's waiting list for housing, and less than 1,500 become available each year. The "New Homes, Better Places" programme, which includes the Church Grove development helps to address the issue by directly adding to the Council's housing stock.
- 10.3 The emphasis on affordable housing in this project should addresses inequalities in access to housing. Officers will encourage nominations through the Council's Choice Based Lettings System, where the equalities criteria can be monitored through the Allocations Scheme. However there is a recognition that further criteria for involvement are proposed by enabling partners, related to the self-build nature of the project, which may demand a time input from residents, and take time to build. Although the opportunity to become a self-build resident should be widely advertised, it may not be well suited to for those in the most desperate housing need as the housing will not be immediately available.
- 10.4 Age, Disability: The physical aspect of self-build construction work may impact these groups. Officers expect enabling partners to consider these groups as part of their proposals for taking the project forward, how they can be included in the process, and what different roles they could play, as part of a self-build group.
- 10.5 Gender, Ethnicity, Religion, Sexual Orientation: It is not expected that the project will impact these groups disproportionately. The proposals from bidders provide clarification from bidders about the make-up and operation of their community membership, and equalities considerations in place within these organisations.
- 10.6 Bidders have commenced their own process of consultation with stakeholders, which will be expanded into a full programme of community consultation to be implemented by the preferred development partner. A full statement of community involvement will be prepared and submitted with the planning application.

## 11 Environmental Implications

- 11.1 There are no specific environmental implications arising from this report. However officers will encourage development partners to achieve high standards for energy efficiency and carbon reduction.
- 11.2 Any development would need to anticipate and respond to the potential impacts of climate change in relation to extreme weather events or flooding. Details of flood risk and flood mitigation measures are set out in the feasibility study.
- 11.3 The Church Grove site is currently contaminated due to former use as a metal foundry. Any development would need to address the ground contamination. This can be done with a selected development partner, as part of their development agreement.

## 12 Background documents and originator

12.1 The background papers supporting this decision are:

Title	Date	File Location	Contact Officer
Custom Build	24 October 2012	Available at this <a href="#">link</a>	Jeff Endean
Church Grove Self Build	03 February 2014	Available at this <a href="#">link</a>	Jeff Endean
Church Grove self-build – progress and next steps	11 November 2014	Available at this <a href="#">link</a>	Jeff Endean
Church Grove Community Led Housing Development	04 March 2015	Available at this <a href="#">link</a>	Jeff Endean

12.2 If you would like any further information on this report please contact Jeff Endean, Housing Strategy and Programmes Manager on 020 8314 6213.