



Mayor and Cabinet

Wellington Close, Somerville Estate: Appointment of contractor and allocation of funds for construction

Date: 9 December 2020

Key decision: Yes

Class: Part 1

Ward(s) affected: Telegraph Hill

Contributors: Karen Barke, Head of Strategic Development

Outline and recommendations

It is recommended that Mayor and Cabinet:

Approve the allocation of funding from the Housing Revenue Account for Lewisham Homes to appoint a contractor to deliver construction works for 23 new homes at Wellington Close, Somerville Estate.

Delegate authority to Executive Director for Housing, Regeneration and Public Realm to approve final accounts and cost variations following practical completion and the defects liability period.

Timeline of engagement and decision-making

Mayor and Cabinet, 12 November 2014 – The Council's Extra Care Service at Kenton Court and Somerville

Mayor and Cabinet, 11 July 2018 – New Homes Programme

Mayor and Cabinet, 15 January 2020 – Building for Lewisham Programme

Mayor and Cabinet, 9 July 2020 – Building for Lewisham Update

1. Summary

- 1.1. The Council's development agent, Lewisham Homes is looking to take the Wellington Close, Somerville development through construction to completion and handover for letting.
- 1.2. The development received planning permission in February 2018 for 23 social rent homes at Wellington Close on the Somerville Estate¹. The site is currently vacant and formerly comprised a sheltered housing block, houses and garages. The planning approval is for 20 flats and 3 houses as well as a small play area and communal garden.
- 1.3. The development will provide 100% social homes, two of which are provided as three bedroom wheelchair standard homes. The development is a mix of two and three bed flats and houses providing much needed family homes. All homes will be for residents on Lewisham's housing waiting list with lifetime tenancies offered in perpetuity. These homes form part of the Council's Building for Lewisham Programme.
- 1.4. The financial position of the scheme is now firmed up with full works costs received from the recommended contractor following the tender process carried out by Lewisham Homes. Lewisham Homes have followed a process resulting in the choice of the most economically advantageous bid based on the award and selection criteria.
- 1.5. The project will benefit from two GLA grants: the 'Building Council Homes' grant and 'Small Sites Small Builders' grant.
- 1.6. This report provides an update on progress tendering for the main works contract, contract award and requests funding to progress the project through to completion.

2. Recommendations

It is recommended that Mayor and Cabinet:

- 2.1. Approve the allocation of funding from the Housing Revenue Account for Lewisham Homes to appoint a contractor to deliver construction works for 23 new homes at Wellington Close, Somerville Estate.
- 2.2. Delegate authority to Executive Director for Housing, Regeneration and Public Realm to approve final accounts and cost variations following practical completion and the defects liability period.

3. Policy Context

- 3.1. The Council's Corporate Strategy (2018-2022)² outlines the Council's vision to deliver for residents over the next four years. Building on Lewisham's historic values of fairness, equality and putting our community at the heart of everything we do, the Council will create deliverable policies underpinned by a desire to promote vibrant communities, champion local diversity and promote social, economic and environmental sustainability. Delivering this strategy includes the following priority outcomes that relate to the provision of new affordable homes:

¹ Planning application reference: DC/17/104189

² <http://councilmeetings.lewisham.gov.uk/documents/s61022/Draft%20Corporate%20Strategy%202018-2022.pdf>

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- Tackling the Housing Crisis – Providing a decent and secure home for everyone.
 - Building an Inclusive Economy – Ensuring every resident can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
 - Building Safer Communities – Ensuring every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.
- 3.2. Homes for Lewisham, Lewisham’s Housing Strategy (2015-2020),³ includes the following priority outcomes that relate to the provision of new affordable homes:
- Key Objective 1 – Helping residents in times of severe and urgent housing need.
 - Key Objective 2 – Building the homes our residents need.
 - Key Objective 4 – Promoting health and wellbeing by improving our resident’s homes.

4. Background

- 4.1. London and Lewisham face distinct housing challenges in terms of demand, supply and affordability. To meet these challenges the Council continues to work with Lewisham Homes to deliver its housebuilding programme. This includes reviewing existing estates to ensure they meet resident’s needs and to assess their potential for infill development to provide further homes.
- 4.2. Lewisham Homes have been working on proposals for the Somerville Estate since 2016. Previous to this a review of Extra Care facilities in the borough highlighted the sheltered housing block on the Somerville Estate as a potential site to deliver increased housing. The block was considered to no longer meet modern standards for housing and care, and to be unfit for refurbishment. It was decided at Mayor and Cabinet in November 2014 to put this site forward for redevelopment.⁴ Acquisition of sites and buy backs were carried out up to October 2016 and planning permission obtained in February 2018.
- 4.3. Following this, the potential was explored for redevelopment of the wider estate and the community centre. Feedback from a masterplanning exercise and engagement with residents on the estate suggested infill development be considered rather than redevelopment of the whole estate. This identified Wellington Close, Somerville Estate as the first site on the estate to be brought forward.
- 4.4. Local residents have been kept up to date through regular updates at the Tenant and Resident Association (TRA) and given the opportunity to inform proposals brought forward to planning. Six public consultation events were held along with door knocking allowing the Lewisham Homes development team to discuss the project with 37 households. A letter and questionnaire was posted in the letterbox of those who were not home. Overall the community engagement was successful and feedback was predominately positive.

³ <https://lewisham.gov.uk/-/media/files/imported/housingstrategy2015.ashx>

⁴ Mayor and Cabinet, 12 November 2014 – The Council’s Extra Care Service at Kenton Court and Somerville

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- 4.5. The site comprises an existing sheltered housing block, two houses and garages. These are presently vacant ahead of construction commencing.
- 4.6. The table below sets out the proposed mix of housing, the tenure and total number of people to be housed by this development:

Description	Tenure	Number
2 Bedroom 3 Person Flat	LAR	5
2 Bedroom 4 Person Flat	LAR	9
2 Bedroom 4 Person W/C Flat	LAR	1
3 Bedroom 5 Person Flat	LAR	4
3 Bedroom 5 Person W/C Flat	LAR	1
3 Bedroom 5 Person House	LAR	3
Total		23
Total persons		95

5. Consultation

- 5.1. Local residents are aware of the project and have received a presentation at a Tenants and Residents Association meeting in the Barnes Wallis Centre. To date local residents have largely supported the project and highlighted the opportunities for wider estate improvements such as tree planting, improved cycle parking and improved refuse areas.
- 5.2. Going forward the following methods will be used to engage effectively with local residents and the wider community:
- Stakeholders Communications Plan: will address the range of resident needs including any newsletters, social media, coffee mornings, open days, consultations, evening meetings and school visits
 - The Plan will also include emergency contacts and escalation pathways for the management of various incidents which may arise when working in such proximity and address any translation needs
 - Contractor resident liaison team will remain the principal point of contact for neighbour and residents ensuring a swift and proactive response with a record kept of all queries, issues and responses.
 - Contact details of the Project Team will be made available so other avenues of communication are open to residents and the public
- 5.3. Lewisham Homes' Community Engagement manager will support the achievement of the contractual social value commitments, and resident liaison.

6. Programme

- 6.1. The following programme has been put forward by Lewisham Homes for the project.

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Milestones	Dates for M&C approval
Out to tender	29/10/2020
Contract award	23/12/2020
Start on-site	08/02/2021
Practical completion	01/09/2022

- 6.2. Any programme slippage will be monitored and reported by the Strategic Development Team as part of the governance and monitoring agreements with Lewisham Homes.

7. Procurement and tendering

- 7.1. The procurement was fully managed by the Lewisham Homes Procurement Team.
7.2. Further details are contained in Part 2 of this report.

8. Contract management arrangements

- 8.1. Lewisham Homes is a wholly owned subsidiary of Lewisham Council and operates as its housing development and management agent. The high level governance arrangements between the Council and Lewisham Homes are set out in the Management Agreement.
- 8.2. The intention is that Lewisham Homes enter into a JCT Design and Build 2016 contract with amendments for the construction of the 23 homes.
- 8.3. Lewisham Homes will put in place arrangements to ensure the delivery of the building contracts on time, within budget and to the required quality. The Council intend to monitor this via a new development governance process which is now in place.
- 8.4. The Lead Contract Officer for this contract will be the Head of Delivery at Lewisham Homes, with day to day management completed by the project manager for the scheme.
- 8.5. Lewisham Homes have appointed an Employer's Agent who will assist in the monitoring, reporting and management of the contract. A Clerk of Works will monitor the delivery of the quality of works on site.
- 8.6. The work of the Employer's Agent will include monitoring project progress, risk, cost, quality, time and safety, with oversight provided by the Lewisham Homes' development team.
- 8.7. They will also review and agree and certify all contractor applications for payment, which will then be passed to the Lewisham Homes development team for authorisation and payment. Payment will be made according to the amount of work that has been completed.
- 8.8. Regular site meetings and monthly progress meetings, with relevant stakeholders, will capture performance issues and achievements.
- 8.9. Oversight of these arrangements will be via the governance and monitoring agreements already in place. Further work is being done to strengthen these arrangements between the Council and Lewisham Homes through a Development

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Management Framework Agreement which is currently under final discussions. This process provides a structure which seeks to mitigate the Council's exposure to risk.

- 8.10. Progress reporting will form part of the Council's routine Building for Lewisham programme update to the Mayor and Cabinet.

9. Risks

- 9.1. Key risks to the construction as identified by Lewisham Homes are summarised here:
- 9.2. **Contractor performance and or insolvency.** Due diligence by Lewisham Homes has identified the recommended contractor is established and has completed a number of comparable schemes for Local Authorities, Housing Associations and as a developer.
- 9.3. **Statutory authorities.** Third parties such as utility providers present a consistent risk on all construction projects. We will expect that early engagement with all third parties to minimise risk. Consideration will be given to the use of specialist companies, particularly for new utilities connections to help mitigate this risk.
- 9.4. **Sequencing of external estate improvement works** and disturbance to existing residents/public. A stakeholder communication plan will be developed to ensure existing residents are fully aware of the construction logistics and traffic management plans. This will detail the sequencing of works and address vehicle movements, impacts on the local road network, safeguarding of vulnerable road users and access and egress arrangements to the construction site. Deliveries will be carefully planned to prevent build-up of construction traffic. All deliveries will be managed by a qualified Traffic Marshall/Banksman to ensure the safety and security for local residents and the project team
- 9.5. **Rights of light.** Lewisham Homes have a thorough ongoing assessment which is currently with LBL Insurance for broker advice.
- 9.6. Further details are set out in Part 2 of this report.

10. Final Accounts

- 10.1. Final accounts and cost variations following practical completion and the defects liability period are to be approved by the Executive Director for Housing, Regeneration and Public Realm. This will include approval of final accounts reconciliation including any cost variations within the approved budget recommended in this report.
- 10.2. These are to be approved in line with the governance and monitoring agreements already in place and any amendments made to these through the Development Management Framework Agreement.

11. Financial implications

- 11.1. Financial implications are contained in Part 2 of this report.

12. Legal implications

- 12.1. As set out in the report, Lewisham Homes are the Council's wholly owned subsidiary company. The role of Lewisham Homes is to be the Council's key housing delivery partner, housing manager, and new homes development partner as set out in the

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Agreement for Housing Management and Other Services 2017. That Agreement was entered into in compliance with the requirements set out in the Housing Act 1985 section 27. The proposed recommendations as mentioned at paragraph 2 are consistent with the Management Agreement, and accordingly no amendment to the Management Agreement will be needed.

- 12.2. This report sets out the current position on the Somerville project and seeks a decision on allocation of funding to be made available to the Council's development agent Lewisham Homes. The purpose of that allocation of funding is to allow Lewisham Homes to enter into a construction contract for the Somerville project. This report and the Part 2 report comment on the progress made and the various risks and issues arising. Full consideration should be given to the risks arising.
- 12.3. The Council has a wide general power of competence under Section 1 of the Localism Act 2011 to do anything that individuals generally may do. The existence of the general power is not limited by the existence of any other power of the Council which (to any extent) overlaps the general power. The Council can therefore rely on this power to carry out housing development, to act in an "enabling" manner with other housing partners and to provide financial assistance to housing partners for the provision of new affordable housing. If the Council invokes its powers under Section 1, if the Council is viewed as acting for a commercial purpose it must carry out that activity through a company in order to comply with Section 4 of the Localism Act 2011. That is not the case here.
- 12.4. The Council has a specific power under Section 9 of the Housing Act 1985 to provide housing accommodation by erecting houses (which includes flats) on land acquired (which includes appropriated) for the purposes of Part 2 (HRA land). The Council can therefore use this power for all schemes where, as here, housing is being built on HRA land. The Section 9 power also enables the Council to dispose of housing it has erected, subject to compliance with Section 32 of the Housing Act 1985 in relation to that disposal which requires Secretary of State's consent to any disposal of housing land (which may be express or under a general consent).
- 12.5. The report considers the achievement of social value. Lewisham Homes, who are to be the contracting party with the building contractor, are under obligation through the Public Services (Social Value) Act 2012; that requires consideration by Lewisham Homes of matters which could improve the social, economic and environmental wellbeing of the area in relation to certain procurements. The matters to be considered by Lewisham Homes must only be those relevant to the services to be procured and it must be proportionate in all the circumstances to take those matters into account. The report sets out the factors which are being considered.
- 12.6. The Council has a public sector equality duty (the equality duty or the duty - The Equality Act 2010, or the Act). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. 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.

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13. Equalities implications

- 13.1. Lewisham Homes have engaged all local residents and stakeholders with an interest in the development. Local residents have been kept up to date through regular updates at the TRA and six public consultation events. Door knocking allowed the Lewisham Homes development team to reach households unable to attend the events or who are not part of the TRA. A letter and questionnaire was posted in the letterbox of those who were not home. Overall this is considered comprehensive engagement.
- 13.2. The design will deliver all homes to accessible standards and two homes to full wheelchair accessible standards.

14. Climate change and environmental implications

- 14.1. Environmental issues are at the heart of the planning process. Due regard has been given to making sure that this development meets or exceeds all climate change and environmental policy requirements.
- 14.2. Information on the environmental impact is included in the Sustainability Statement as part of the planning application.
- 14.3. The development would provide alternative sustainable transport options and associated facilities including: cycle storage, electric vehicle charging points and there are a number of local amenities within walking distance of the site. The development would meet or exceed all requirements for ecology, habitats, play space and outdoor space. The new homes have been designed to improve energy performance, reduce CO2 emissions and be water efficient.

15. Crime and disorder implications

- 15.1. There are no crime and disorder issues arising specifically from this report. Implications from the scheme itself have been addressed as part of the decision making process.

16. Health and wellbeing implications

- 16.1. There are no health and wellbeing issues arising specifically from this report. Implications from the scheme itself have been addressed as part of the decision making process.

17. Social Value implications

- 17.1. The contract sets specific targets for this development including a number of local initiatives to encourage local labour and local procurement activity in addition to apprenticeships and training opportunities. These are in line with the Council's approach to social value.

Social value	Targets for M&C approval
Local labour (%)	25%
New apprenticeship	1

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Community Involvement Activities	8
Work Experience	2
Jobs Advertised through LLBS	5
Job Starts - Lewisham residents securing work through project < 6 months	5
Job Starts -Lewisham residents securing work through project => 6 months	5
Accredited Training for Individuals working in the project supply chain	5
Non-Accredited Training for Individuals working in the project supply chain	20
Invitations to Tender sent to Local Businesses	10
Value of Business Contract Secured by Local Businesses	£100,000.00

17.2. LH will monitor these targets with the contractor and report progress to the Strategic Development Team.

18. Report author and contact

Laurence Neal – laurence.neal@lewisham.gov.uk – 020 8314 3042
Strategic Development Officer

19. Comments for and on behalf of the Executive Director for Corporate Resources

Tony Riordan - Tony.Riordan@lewisham.gov.uk - 020 8314 6854
Principle Accountant

20. Comments for and on behalf of the Director of Law, Governance and HR

Stephanie Fleck - Stephanie.fleck@lewisham.gov.uk – 020 8314 9968
Principal Lawyer

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