

North Tyneside Council Report to Cabinet Date: 10 July 2017

ITEM 6(k)

Evaluation of the North
Tyneside Trading
Company (Development)
Limited scheme at Reed
Avenue

Portfolio(s): Housing and Transport

Cabinet Member(s): Elected Mayor
Norma Redfearn

Report from Service

Area: Environment, Housing and Leisure

Responsible Officer: Phil Scott, Head of Environment,
Housing and Leisure Tel: 0191 643 7295

Wards affected: All

PART 1

1.1 Executive Summary:

Cabinet agreed in October 2013 that North Tyneside Council's wholly owned Trading Company, North Tyneside Trading Company Limited, could be utilised to assume the role of developer to support the delivery of affordable homes and other suitable projects within the Borough. A new subsidiary called North Tyneside Trading Company (Development) Limited was subsequently established and is referred to within this report as the 'Development Company'.

A business plan for the Development Company to develop 13 new homes on a Brownfield site owned by the Authority at Reed Avenue in the Camperdown Ward was approved by Cabinet on the 14 September 2015.

Following a rigorous procurement process, a contract to build the homes was awarded to Esh Property Services, referred to as 'Esh' in this report. The work was completed on time and under budget with handover to the Development Company taking place in March this year. All properties have been successfully let and the scheme has received positive feedback with regard to the finished homes and the handling of the construction phase by the contractor.

This report provides Cabinet with an overview and evaluation of the processes the Development Company followed and offers some examples of lessons learned that could be applied to similar building projects within the Borough.

1.2 Recommendation(s):

It is recommended that Cabinet note the evaluation of the scheme at Reed Avenue delivered by North Tyneside Trading Company (Development) Limited.

1.3 Forward Plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 12 June 2017.

1.4 Council Plan and Policy Framework

This report relates to the following priorities in the 2015-2019 Our North Tyneside Plan: Our Places will:

- Be great places to live, and attract others to visit or work here
- Offer a good choice of quality housing appropriate to need, including affordable homes.

1.5 Information:

1.5.1 Background to the project

In October 2013 Cabinet agreed an ambitious target to increase the pace and scale of the Affordable Homes Programme within North Tyneside. The Authority plans to deliver 3,000 new affordable homes by 2024.

To support the delivery of the Affordable Homes Programme, Cabinet asked the North Tyneside Trading Company Limited in March 2015, to provide a business plan for the delivery of affordable homes and made resources available for specific projects. In March 2015, Cabinet agreed the Authority's preferred delivery model of a wholly owned Trading Company as a subsidiary of the North Tyneside Trading Company Limited, to deliver affordable homes within existing resources (Section 106 Town and Country Planning Act 1990 monies and developer contributions in lieu of on-site affordable housing). In accordance with Cabinet's decision, a new subsidiary of the parent trading company, North Tyneside Trading Company (Development) Limited, was created to increase the supply of quality affordable housing in the Borough by developing affordable homes on land currently in ownership of the Authority.

The site at Reed Avenue was identified as the first site to be brought forward by the Development Company due to it being a Brownfield site that had formerly been used for homes. Behind the site there was also an area of waste land that had been used as informal parking for residents and was subject to local concerns about its condition. Finding a solution to this to enhance the local area was also considered as part of this project.

The Authority undertook consultation on the plans through various different mediums including drop-in events; door knocking and posting information to local residents. The consultation identified a number of significant concerns for local people. These included ensuring that the homes were made available for people in the locality, the potential loss of informal space, concerns around the volume of construction traffic, noise and the condition of the surrounding streets. These concerns were fed into revised plans for the site and also addressed through the procurement process to ensure that the Development Company secured a responsible contractor.

1.5.2 Procurement by the Development Company

The Development Company opted to mirror the Authority's Contract Standing Orders and agreed to tender the work for this project through the North East Purchasing Organisation (NEPO) portal. To speed up the delivery of the scheme and allow construction work to begin on site as quickly as possible, the Development Company Board agreed to twin-

track the procurement process with the submission of the Planning Application. This approach ensured that around 6 weeks was saved within the programme which would not otherwise have been possible.

By controlling the design element of the project, an indicative budget of £1.400m was approved by Cabinet to be invested in the Development Company as equity. The open procurement route encouraged bidders to submit competitive prices to ensure success but was balanced by a tight quality scoring mechanism ensuring that prices were realistic. This approach has seen the final scheme delivered for a build cost (including the land) of £1.268m ensuring that a saving of £0.132m on the original budget was secured.

The procurement for Reed Avenue focused on promoting Social Value for the Borough. A specific question on Social Value ensured that bidders were including specific measurable outputs within their tenders. This approach allowed the Development Company to track the contractor's progress against these elements and ensure that the scheme was benefitting local businesses, schools and employment within the locality.

To support local small and medium construction companies (SMEs), an event was held before the tender was put out to advert on the NEPO portal to discuss the upcoming opportunity and to answer any queries the companies had on the tendering process. The importance of demonstrating Social Value within any tender submission was highlighted and discussed with attendees.

A specific question with significant weighting was included within the procurement to ensure that bidders understood the need to work considerately and demonstrate an exceptionally high level of resident engagement, customer service and cleanliness surrounding the site.

The contract was awarded to the successful bidder Esh in March 2016 and after a period of mobilisation and work to secure the site; construction work began in May 2016.

1.5.3 Building works and site management

Esh used a senior site manager with experience of working on sites within residential areas to manage the construction. In line with their bid, Esh took great care to ensure effective communication with local residents was established and maintained during the construction phase. Monthly newsletters were produced to keep residents apprised of works taking place on site and they actively encouraged residents to contact them with any concerns. The site manager was supported by customer liaison staff but remained hands-on, dealing with resident concerns; this was highlighted by some residents as being very beneficial.

Ahead of work commencing on site a detailed site management plan was agreed with the Development Company. This contained a number of standard provisions including noise management and ensuring that deliveries and plant equipment were kept away from the site during school drop off and pick up times. It also included extra provisions in line with resident concerns to ensure that inconvenience to residents was kept to an absolute minimum. These included:

- Regular weekly road and pavement cleaning around the site – this was actually done more than once a week during wet conditions;
- Ensuring that contractors and sub-contractors did not park inconsiderately and block local residents access; and

- Identification of the key people on site and an open invitation for residents to contact the senior site manager.

The management plan and welcoming approach from the contractor ensured that where residents did have an issue it was swiftly and satisfactorily resolved without the need for escalation to the Development Company. The Development Company did not receive a single complaint during the construction phase of project.

Further positive feedback was received from the Development Company's Employers Agent who was a regular visitor to the site. At the post contract review, the Employers Agent commented on the cleanliness of the surrounding streets, the consideration given to the local residents' concerns and Esh's outstanding approach to health and safety on the site.

In summary, it is clear that the ensuring proactive approach to site management within a built up residential area is made clear during the procurement process was beneficial for the Development Company. It was clear that Esh understood the sensitivities and ensured that their approach and processes took these into account. This led to positive feedback and a successful construction.

1.5.4 Design and quality assurance

As the Reed Avenue site sits within a mature residential area, it was agreed that the Development Company would retain control of the design process through to RIBA stage Four (which is the detailed design stage required for full planning application to be granted). The homes were specifically designed to be modern, sympathetic to the local area and built to a very high quality consistent with the design standards agreed by Cabinet for the Affordable Homes Programme. The homes have been built to Sustainable Homes Code Level 4 and have been assessed under Energy Performance ratings as being 'A' rated for energy efficiency.

The approach taken has worked with the result being a scheme that blends in well with the local area and has been commented on favourably by both Members and residents. During the construction period, Esh used a quality assurance process that involved an auditable record at each stage of construction and linked to sub-contractor performance. This approach gave the Development Company's Employer Agent a greater confidence that quality was being achieved throughout the build rather than been checked at the end of the construction.

1.5.5 Lettings Policy

The Development Company has developed its own Lettings Policy which supports the aims of the Company to provide good quality affordable homes for people on low incomes.

Consultation with local Members and residents identified that ensuring the homes at Reed Avenue were provided for local people was a priority. The Development Company's Lettings Policy was flexible enough to use a local lettings criteria on this scheme which gave priority to people with a local connection to Camperdown and Burradon before extending further afield in the Borough. After extensive advertising of the homes including locally within the village, five homes on the scheme were let to people with a local connection to the immediate area and a further two homes being let to people with a connection within the North West of the Borough.

Once potential applicants had been identified, they were subject to affordability checks including credit referencing. All prospective tenants were also met by a representative acting on behalf of the Development Company. If an affordability check or credit reference showed an issue or concern with which could not reasonably be resolved then the application would not be able to progress through to the offer stage. Appropriate signposting to debt management services in the Borough was used to assist applicants where required.

1.5.6 Tenancy agreements

As the Development Company is effectively a private landlord that can only provide affordable housing, it is able to offer more flexible tenancies than a Council tenancy. Following a review of available tenancy options, a Tenancy Agreement was agreed by the Board that gives tenants a 6 month Assured Shorthold Tenancies to start with. This Tenancy will be allowed to continue indefinitely should this suit both the tenant and the Development Company.

Following a regular three month review and providing there are no tenancy issues, after a period of 12 months the tenant may request a longer fixed term tenancy of up to 3 years. Using this type of tenancy agreement also makes it easier for the Development Company to end a tenancy should there prove to be persistent tenancy issues, thereby limiting the impact for neighbours and surrounding residents of any tenancy which is not working.

1.5.7 Rents

As the Development Company provides affordable housing, rents are set at 80% of the market rent of the local area and collected via Direct Debit. This has provided people with an affordable housing option in an area where there was a strong demand, particularly from young families for new affordable housing. To date four of the 13 properties are housing young families.

1.5.8 Management, repairs and maintenance

Following an options appraisal the Development Company has chosen to use North Tyneside Council as its managing agent. The Authority has demonstrated that it can apply a vast amount of housing management expertise on behalf of the Development Company at a more competitive rate than private letting agents or specialist management companies.

The agreement requires the Authority to provide a full range of housing management services including a regular tenancy visit. These will take place quarterly in the first year and subject to there being no issues extended to twice a year after 12 months.

To date this agreement has worked well, with minor issues being dealt with effectively by the Authority and all rent being paid in full and on time.

A set of keys has been retained by the Development Company for each property in accordance with the terms of the tenancy agreement. This is for use only with prior tenant consent or in an emergency. With gas servicing, an essential landlord responsibility, the retention of the keys has allowed the Development Company to shorten the Gas Servicing Process and significantly reduce the likelihood of needing to obtain a court warrant for access to carry out the service should a tenant fail to grant access or keep an

appointment. This should therefore save both time and expenditure in fulfilling this legal requirement.

The repair and maintenance of the homes will be carried out by the builder Esh in the first 12 months with most repairs expected to be covered under the warranty. The Authority as the managing agent has decided to use Kier North Tyneside to carry out repairs after the warranty period with Esh expires in March 2018.

1.5.9 IT System

A light-touch but effective property management IT system called RentPro was procured to maintain tenancy records for these homes. This has enabled the Authority as the managing agent for the Development Company to maintain accurate records of tenancy information, agreements, repairs and rent accounts. The system is available for use for a small monthly fee and allows information and documents to be stored securely on a cloud based server.

1.5.10 Key lessons learned

As the Development Company's first development, there were a number of lessons learned during the project that may aid future developments. These include:

Procurement – using the procurement process to ensure that bidders recognise the concerns of local residents within their responses and ensure that it formed a significant part of the overall quality score.

Site Management - spending time pre-contract with the contractor to develop a comprehensive site management plan bespoke to the site added value. At Reed Avenue it was appropriate that the contractor held a meeting with local Members to understand their concerns. The management plan was tailored to include specific items to address concerns of residents living adjacent to the site including health and safety, noise and cleanliness of the streets. This is an approach that would definitely benefit most projects, but definitely sites in built-up areas. The use of staged quality assurance records by Esh was well received by the Employers Agent and would be a good addition to future build projects.

Lettings Policy – Ensuring that a Lettings Policy had flexibility to include local lettings where required was important. It allowed local concerns to be addressed and helped meet housing demand in the locality. This is a tool that can be replicated by the Development Company in other areas.

Tenancy Management – With a small number of homes, the Development Company has asked the Authority to provide a tenancy management service that includes regular tenancy visits. The Development Company is also able to hold a set of keys to support the gas servicing process. As the Development Company grows it will be important to try and retain this approach.

1.5.11 Evaluation

The first development of affordable homes by the Development Company has been a success. It was delivered on time and under budget and has helped meet housing need in the Camperdown Ward. Despite local concerns about the construction, the work was carried out to a high standard leading to positive feedback.

The lettings and allocations policies and procedures used by the Development Company worked well and the decision to appoint North Tyneside Council as the managing agent has provided the Development Company with experienced housing management whilst realising cost savings compared to services provided by private property management companies.

In conclusion this report demonstrates that the Development Company can deliver housing schemes on behalf of the Authority and continue to contribute to the delivering 3,000 affordable homes by 2024.

1.6 Decision options:

Option 1

Cabinet may approve the recommendations at paragraph 1.2 of this report.

Option 2

Cabinet may decide not to approve the recommendations at paragraph 1.2 of this report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is the recommended option as this allows Cabinet to note the outcome of the first new build affordable housing development of the Development Company.

1.8 Appendices:

None

1.9 Contact officers:

- Roy Marston, Housing Strategy and Support Manager, tel. (0191) 643 7500
- Richard Brook, Housing Growth Manager, tel. 07540 182 225
- Vicki Dixon, Finance Manager, tel. (0191) 643 5723
- Sarah Heslop, Manager Commercial Team, Law and Governance, tel. (0191) 643 5456
- Alison Campbell, Senior Business Partner, tel. (0191) 643 7038

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) [Cabinet Paper October 2012 ITEM title: Creating a Trading Company for North Tyneside Council](#)
- (2) [Cabinet Paper November 2016 ITEM title: "Delivering Housing Growth through the North Tyneside Trading Company"](#)
- (3) [Cabinet Paper September 14 2015 ITEM title: "Delivering Affordable Homes"](#)
- (4) [Core Strategy Preferred Options 2010](#)
- (5) [Draft Local Plan 2015-2030](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no financial implications arising specifically from this report.

2.1 Legal

There are no legal implications arising specifically from this report.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Not applicable

2.3.2 External Consultation/Engagement

Not applicable

2.4 Human rights

There are no human rights issues directly arising from this report.

2.5 Equalities and diversity

As a limited company, North Tyneside Trading (Development) Company Ltd will be required to establish its own policies, including an Equality and Diversity Policy. This will be in compliance with its duties under the Equality Act 2010.

2.6 Risk management

None

2.7 Crime and disorder

There are no crime and disorder implications arising specifically from this report.

2.8 Environment and sustainability

There are no environment and sustainability implications arising specifically from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive x
- Head(s) of Service x
- Mayor/Cabinet Member(s) x
- Chief Finance Officer x
- Monitoring Officer x
- Head of Corporate Strategy x