

Report to the Cabinet



Report reference: C-001-2014/15

Date of meeting: 23 June 2014

**Epping Forest
District Council**

Portfolio: Council Housebuilding Cabinet Committee

Subject: Annual Progress Report on Council House-Building

Responsible Officer: Paul Pledger (01992 564248)

Democratic Services Officer: Gary Woodhall (01992 564756)

Recommendations:

(1) That the contents of this Annual Progress Report on Council house-building be noted.

Executive Summary:

Since its formation in March 2013, the Council Housebuilding Cabinet Committee has considered, in addition to the feasibility studies for phases 1 and 2 of the Council's housebuilding programme, a range of policies and strategies that will shape the future of the Council's housebuilding programme. Amongst the documents that have been considered are the Development Strategy, Affordable Rents Policy, Design Standards, as well as policies on procurement, funding and accelerating the Council House-building Programme. The Cabinet Committee has also considered matters such as the prioritisation of sites and the future use of any sites found not to be suitable for development. The Cabinet Committee also monitors risks.

Reasons for Proposed Decision:

Set out in its Terms of Reference, the Cabinet Committee is required to monitor progress and expenditure in relation to the Council House-building Programme and report to the Cabinet on an annual basis.

Other Options for Action:

This report is on the progress made over the last 12-months and is for noting purposes only. There are no other options for action.

Report:

1. Since its creation, the Cabinet Committee has met on four occasions. The outcomes from each meeting have set in place the policies that will shape the future house-building programme, as well as agreeing feasibility studies for Phases 1 and 2.

2. At its first meeting in March 2013, the Cabinet Committee discussed and gave guidance to Officers and East Thames, who are the Council's Development Agent, on a range of matters to enable policies to be developed and brought back for detailed consideration and approval at subsequent meetings. A summary of the policies agreed are as follows:

(a) *Affordable Rent Policy* – The Council had previously determined that affordable rents should be charged for new build properties and the Cabinet Committee adopted an affordable rents policy that explains its approach to how affordable rent levels will be set, within the Homes and Communities Agency (HCA) Affordable Rent Model. The maximum affordable rent allowable is 80% of the market rent for the same type of property in the same locality, including service charges. The Council's Policy also sets a rent cap of £180 per week that takes account of the Government's Benefits Cap under the welfare reforms.

(b) *Development Strategy* – The Cabinet Committee considered a Development Strategy that was later presented to and agreed by the Cabinet. This captures the themes set out in each of the policies listed below. This document guides the feasibility reports and financial appraisals by setting a target for all financial appraisals to be based on a 30-year payback and with a positive Net Present Value. An updated Development Strategy will be presented to the Cabinet later in 2014.

(c) *Design standards* - the Cabinet Committee has adopted the *East Thames Design Guide*, the *East Thames Employer's Requirements* and the *Essex Housing Design Guide* for the design and construction its new homes. This has been endorsed by the Cabinet, through its adoption of the Development Strategy.

(d) *Procurement* – The Cabinet Committee heard how East Thames has already undertaken an EU-compliant tender exercise, which is available for the Council to use. Taking into consideration the benefits to the Council, including savings in time and cost, the Cabinet Committee agreed to the use of the East Thames Approved List of Contractors to procure and appoint on a phase by phase basis; some of which are local companies.

(e) *Funding* - The Cabinet Committee agreed a Policy on the general approach to be taken to the utilisation of the various sources of funding including:

- The Council's own loan provision;
- Section 106 contributions;
- Capital receipts from additional Right to Buy sales;
- Grant from the Homes and Communities Agency;
- Sales of HRA land; and
- Other funding opportunities.

As of December 2013, the Council has already accumulated around £2m in capital receipts from Right-to-Buy sales, around £770,000 from s106 contributions and around £87,000 of other grant. This excludes any contributions that are in the pipeline or committed and not yet received.

(f) *Bidding for HCA Grant* – The Cabinet Committee has agreed that East Thames, in consultation with the Director of Communities, will bid for HCA Affordable Housing Grant to subsidise the Council's House-building Programme following the launch of the HCA 2015-18 Affordable Homes Programme Bid Prospectus. The deadline for bids to be registered was 30 April 2014. The outcome of the bid is awaited.

(g) *Accelerating the Council Housebuilding Programme* – In March 2014, the Cabinet Committee considered a report on how an accelerated House-building Programme could be funded, and the associated implications. The Council's HRA

Business Planning Consultant produced a detailed report on this issue, provided a number of options, together with advice on the maximum amount for which HCA funding should be sought, in order to ensure that all 1-4-1 Receipts from Right to Buy sales are spent within the required 3 years of receipt and none are passed on to the Government, with interest. It was agreed that the Council will extend the number of phases (years) from 6 to 10 and accelerate the number of affordable homes developed in each phase from 20 to 30 per year; that HCA funding be sought for 40 homes in Phase 2 of the House-building Programme and that HCA funding be sought in future years should 1-4-1 Receipts be less than forecast.

(h) *Economic assumptions and Financial Appraisals* – Each feasibility study for potential developments that is presented to the Cabinet Committee is supported by a financial appraisal based on a set of agreed economic assumptions. These takes account of all costs associated with construction of the homes such as the design fees and construction costs, but also include all management charges and maintenance costs over a 30-year period, less any income from rent over the same 30-year period. Any subsidy required to fund the gap between the costs and income is met from a variety of sources based on the Funding Policy (see paragraph e. above).

(i) *Strategic Approach to the Prioritisation of Potential Developments* – The Cabinet adopted the Cabinet Committee's recommended general strategic approach for the prioritisation of potential sites based on the Primary List of Sites previously agreed by the Cabinet. The Strategy sets out how each phase will be formulated each year on a rotational basis in an agreed Priority Order, based on the number of applicants living within each location.

(j) *Future use of garage sites and other surplus sites unsuitable for redevelopment* – The Cabinet Committee has agreed a Policy on the approach that should be taken with any site considered either unsuitable for development, financially unviable or where it may not receiving planning permission. The options agreed include the sale of the site, either to a Housing Association or other Developer for redevelopment, to sell the site to a Town or Parish Council for community amenity space, to divide up and sell the land to residents to extend their gardens, demolish the garages and create unallocated off-street parking or to continue to rent the garages.

(k) *Risk Register* – The Cabinet Committee initially agreed the format of a Risk Register and has then reviewed and monitored the risks set out in the Register at each subsequent meeting.

3. In addition to the Policies and Strategies set out above, the Cabinet Committee has also considered feasibility studies for Phases 1 and 2 of the Council's House-building Programme. In all cases, when feasibility studies are being considered, all Ward Councillors representing residents in the vicinity of each site are invited to attend the Cabinet Committee meeting, to participate in the debate, before the Cabinet Committee decides whether or not to approve the feasibility study to go forward for planning permission:

(a) Phase 1 consisted, initially, of 5 sites in Waltham Abbey, centring on Roundhills and Harveyfields, and making up 25 homes in total. This was subsequently reduced by 2 homes, and planning approval has now been granted to deliver 4 of these sites, which will see 23 new Council homes being constructed at a cost of around £3,908,324 including works & fees. In order to achieve a 30 year loan repayment period with a positive Net Present Value, this phase will require an estimated subsidy* of £512,000 (13% of the total scheme costs). It is anticipated that,

once tendered around Easter, the works will commence on site in mid-September 2014 with completion anticipated 14-months later.

(b) Phase 2 – Initially, the Cabinet Committee considered a feasibility study report for the garage site at Burton Road, Loughton which was based on 31 affordable homes. However, the Cabinet Committee asked that an alternative scheme be developed for the site, which increased the density of the housing and reduced the parking allocation by taking advantage of the site's town centre location, good local shopping facilities and public transport infrastructure. Two further feasibility studies for 42 homes and 56 homes were considered at the last Cabinet Committee meeting in April 2014 where it was agreed to prepare plans to be submitted for planning permission based on a 56 home scheme at a cost of around £8.9m, which will require a subsidy* of £1.512m (17% of the total scheme costs) to achieve a 30-year loan repayment period. If planning consent is approved, the Phase 2 would be on site around March 2015 with completion estimate to be within 18 months.

(c) Marden Close and Faversham Hall, Chigwell Row – Planning approval has been granted for the conversion of Marden Close from 20-bedsits into 10 self-contained flats and Faversham Hall to be converted into 2 x 1-bed flats. The cost of the works is estimated to be around £610,000 including works and fees, with no subsidy requirement to achieve a 30-year loan repayment period. Tenders are due to be issued around Easter and a start on site is anticipated for July 2014 with completion within 12 months.

4. As can be seen from the report above, a significant amount of ground has been covered in the first 12-months, which has laid the foundations for the future of the Council's House-building Programme. Since the main policies and strategies are now in place, the Cabinet Committee's main area of work in future will be to consider feasibility studies and to monitor progress, expenditure and risks.

Resource Implications:

- Phase 1 - £3,908,324 including works & fees, with an estimated subsidy requirement of £512,000 (17% of the total scheme costs)
- Phase 2 - 8.9m including works & fees, with an estimated subsidy requirement of £1.512m (17% of the total scheme costs)
- Marden Close and Faversham Hall - £610,000 including works & fees, with no subsidy requirement.

(*Subsidy requirement is based on a calculation that takes account of all construction costs, including design fees as well all management charges and maintenance costs over a 30-year period, less, any income from rent over the same 30-year period. The difference is the amount of subsidy required to fund the gap. The Policy on funding sets out the source from which this is met. The Development Strategy specifies the 30-year pay-back period on which to base the calculation)

Legal and Governance Implications:

It is set out in its Terms of Reference that the Cabinet Committee is to monitor progress and expenditure in relation to the Council House-building Programme and report to the Cabinet on an annual basis.

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

- Ward Councillors have been consulted on each feasibility study that falls within their respective Ward.
- Local Residents, Town and Parish Councils and other statutory bodies have been consulted as part of the planning process where planning applications have been submitted.

Background Papers:

- Reports and other background papers previously presented to the Council House-building Cabinet Committee in March 2013, July 2013, February 2014 and April 2014.
- Planning applications associated with each of the 4-sites making up phase 1 of the house-building programme.

Impact Assessments:

Risk Management

There is a comprehensive risk register that has been compiled and is being monitored in respect of the house-building programme. Each risk, where appropriate has a risk mitigation action plan.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
It should be noted that an Equality Impact Assessment has already been formulated for Housing Strategy and Development.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A