



Development Strategy 2013-2019 (June 2016 update)

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1 Introduction

Epping Forest District Council currently own and manage around 6,500 homes within the District. Presently there are 5,700 applicants on the Council's Housing Register who wish to gain access to affordable homes within the District. The Council currently acts as enabler facilitating Registered Providers (RPs) operating within the District to develop new affordable housing to meet housing need.

In order to directly meet this housing need the Council has agreed to initiate a Council House Building Programme to develop new affordable rented homes. This will be achieved through the use of its own funding and land holdings.

The Council's Development Strategy sets out what the Council wishes to achieve from the House Building Programme, details an overall approach to achieve the aims of the programme and describes a coherent plan to implement these aims.

The House-Building Programme will be delivered by the Council in conjunction with East Thames Group who have been appointed to deliver Development Agency Services for the Council, including all development and project management services and the provision of all professional building services, including: architectural, employer's agency, quantity surveying, cost consulting, Construction Design Management, engineering and surveying, but excluding works construction.

This Development Strategy was updated in February 2016 and was re-approved by the Council's Cabinet in June 2016. It will be reviewed again in March 2019.

2. Purpose

Through the Council House Building Programme the Council will:-

Meet the Aims of the Corporate Plan

The Council's Corporate Plan 2015-20 sets out its aims and objectives for the next 5-years. Within that Plan, the Council has identified three key strategic aims in achieving its vision for the district. The principle aim that this Development Strategy focuses on is to ensure that the Council has appropriate resources, on an ongoing basis, to fund its statutory duties and appropriate discretionary services whilst continuing to keep the Council Tax low and providing residents with good quality services. This is achieved by continually reviewing and developing the Council's own property and landholdings for appropriate uses, in order to maximise revenue streams and capital receipts, and to deliver amongst its key projects the Council house-building programme.

The Plan states that the Council will continue to explore new ways of using its land and assets to generate more capital receipts and income to support the delivery of services to our residents. In so doing, the Council will give our own council house building and economic development schemes added impetus.

Meet Housing Need

The Council House Building Programme will deliver new homes that go towards meeting the demand within the District for affordable rented homes. The demand is clearly identified in the Housing Strategy, and this Programme shall help to meet the Council's Housing Strategy and its vision that "Epping Forest will be a district that has

safe, decent and attractive housing that meets the needs of those who want to live in the District.”

Build Sustainable, high quality homes and services

The Council House Building Programme will provide high quality and sustainable homes to meet the current and future housing need within the District.

The Council will control the type, tenure, and specification and quality of the new affordable housing provided by the programme.

The programme will expand the Council’s stock holding, and the new homes will be owned, managed and maintained by the Council thereby increasing efficiencies within the Housing Directorate, the HRA Business Plan and the Council as a whole.

Create high quality environments and regenerate Communities

The new homes will predominantly be developed on Council-owned difficult to let and under utilised garage sites. These new homes will improve the existing environment, reduce anti-social behaviour and contribute toward the revitalisation of existing communities.

Develop and Maintain a Strong Council

By building new homes on its own land, rather than disposing of it to RP partners within the District at a discount, the Council will maintain control over its assets and the HRA will benefit financially from the generation of a long term income stream. Additionally, the Council will receive the Government’s New Homes Bonus (with the “affordable housing premium”), and potentially attract capital grant receipts from the Homes and Communities Agency, whilst increasing efficiencies through improved economies of scale by growing stock in management.

Since the Council is able to utilise Public Works Loan Board (PWLB) loans at extremely preferential rates, compared to the private loans market, and can recover all the VAT paid on development fees, it is in an ideal position to deliver affordable housing within the District at a lower cost than its Preferred Housing Association Partners.

3. Context

Housing Revenue Account Reform

In 2012 the Government introduced legislation to abolish the Housing Revenue Account subsidy system and introduce self-financing for Council Housing.

The Government’s policy objectives at that time were:-

- To increase local transparency and abolish the current opaque system under which there is little connection between the level of rent charged and the resources Councils have to spend locally;
- To give Councils financial autonomy and therefore more accountability for the provision of housing services;

- To end decades of complex central control and allow Council housing to be managed and financed locally; and
- To ensure Councils have the incentives to actively manage their housing stock on a Long term basis rather than simply react to an uncertain annual funding formula.

Source: Implementing self-financing for council housing, DCLG, 1 February 2011

The Council built its last home in June 1985 and these reforms will provide the Council with a means of delivering new affordable housing within the District and to enable it to build more new affordable homes each year than it currently sells under the Right to Buy.

The Council has agreed that the House Building Programme will be self-funded, without any financial support from the General Fund and financed from the following sources:-

- Capital receipts from additional Right to Buy sales as a result of the Government's decision to increase discounts for tenants purchasing their property under the Right to Buy;
- S106 Agreement contributions from developers in lieu of on-site affordable housing provision;
- Funding from the Homes and Communities Agency (HCA) (where possible);
- Borrowing (if necessary);
- Housing Revenue Account (HRA) surpluses (generated through additional financial capacity provided through loans from the PWLB);
- Any other external sources of funding that may be identified or secured from time to time; and/or
- Cross-subsidy from the sale of other development sites within the House Building Programme on the open market (if necessary).

Using its own assets to meet housing need

The Council has identified a portfolio of garage sites that are designated as 'Difficult to Let'. The Council's research estimates that around 65 of these sites may have development potential. A further 5 non-garage sites have been identified as also having development potential. The Council has agreed that, where developable and viable, these sites will be developed by the Council through the Council House Building Programme to provide new affordable homes.

4. What Will We Deliver?

Quantum of New Homes

The Council's initial review of the sites to be used in the House Building Programme estimates that a maximum of ca.230 new homes could be developed thereon.

Based upon this review the Council originally set a target of delivering 20 new homes each year over the next 6 years or 120 in total.

However, in April 2014 the Cabinet Committee agreed to accelerate the Housebuilding Programme. The Council's HRA Business Planning Consultant

produced a report on this issue, 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.

Based on the information within CIH Consultancy's report, the headline changes to the phases are as follows;

- **Phase 1** – Remains the same comprising 23 homes (all of which now have planning permission)
- **Phase 2** – Increasing the number of homes from the currently-planned 20 homes to either 56 homes, based on the optional proposals put forward by the Project Team
- **Phases 3-6** – Increasing the number of homes from the currently-planned 20 homes per year to 30 homes per year
- **Phase 7-10** – Extending the Programme by a further 4 years, from the 6 years currently planned, with 30 additional new homes provided each year.

Further details on the acceleration programme are set out in later in the strategy

Affordable Rents

Whether the homes are built or purchased as new, or purchased off of the open market they will be for affordable rent to meet the housing need within the District.

The affordable rents to be charged are set out in the Council's Affordable Rent Policy, adopted by the Council's Housebuilding Cabinet Committee in July 2013, and will be a percentage of the market rent for that property type in the area.

The rent charged shall be the lower of:-

- 80% of market rents for the location; or
- The Local Housing Allowance (LHA) within the Broad Rental Market Area (BRMA) for the type of property; or
- An affordability cap of £180 per week.

The Council has decided to adopt an affordability cap which recognises the Government's Universal Credit regime and the associated Benefits Cap. Under the Benefit Cap, the total amount of benefit for which a family in England & Wales shall be eligible is £500 per week, with single people eligible to a maximum of £350 per week.

Therefore, with mind to the affordability of the homes and the sustainability of residents' tenancies, the Council has used the Homes and Community Agency (HCA) guidance that weekly housing costs should not exceed 45% of net income.

The application of the Council's Affordable Rents Policy will result in a maximum weekly affordable rent of £180 per week (this being 36% of the £500 per week Benefit Cap under Universal Credit).

All Affordable Rents charged by the Council will be gross and inclusive of service charges.

A further paper was presented to cabinet, which capped the weekly affordable rent at £180 per week for 2014/15 and is reviewed annually by the cabinet committee. Please note that a change in the rent settlement with central government means that Affordable and Social Rents will need to reduce by 1% for the 4 years (2016-2020). This reduction has been factored into the financial appraisal of the house building program.

Quality

The Council has a significant role to play in improving its existing housing stock, regenerating neighbourhoods and providing high quality new homes that meet the needs of local households on low to modest incomes. Through the House Building Programme the Council will work to provide well designed and cost effective new homes to meet these aims.

The Council places a great emphasis on providing homes that will last, be cost effective and be valued by residents. As a design direction, the Council 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. The Council will work with East Thames to ensure that, for each site, the design complements and enhances the local neighbourhood in which the homes are built.

The Council will build a range of typologies, both houses and apartments that are appropriate to the individual development sites, with a particular focus on creating sustainable family housing where appropriate.

Through carefully considered design and liaison with local communities, the Council will develop schemes of a range of sizes that address local needs.

The Council places an emphasis on the sustainability of its homes, environmental performance and economy of use. Therefore every new home delivered through the Council House Building Programme will meet at least Level 3 of the Code for Sustainable Homes.

Each new scheme will go through a design critique process that will enable Council staff, residents and other stakeholders to have meaningful input into design evolution.

This co-ordinated approach to developing and designing schemes will ensure that all relevant Council departments are involved in ensuring successful design, handover, completion and management.

The Council will work with the Development Agent to provide a comprehensive brief for each project.

Technical Specification

The Council recognises that the design of the places, spaces and homes built, along with the quality of their construction, are critical for resident satisfaction.

The Council will use East Thames' existing comprehensive performance specification, known as "The East Thames Employer's Requirements" to ensure that all the new homes delivered by this Programme are robust, energy efficient and cost effective to residents and the Council.

Key Performance Indicators

The Council will measure the success of the House Building Programme through the evaluation of key performance indicators relating to the delivery of schemes, cost and sustainability of the schemes. These can be found at Appendix A.

These will be monitored monthly by the Council's officers and East Thames and reported to each meeting of the Council House Building Cabinet Committee.

5. How Will We Deliver?

Review of sites

It is proposed that, in order to achieve the best value for the Council, sites will be packaged up, preferably using geographical selection. This will achieve economies of scale for contractors, making them more attractive for contractors and more viable for the Council.

The 65 garage sites potentially available for development will undergo a systematic review and assessment process during the first two years of the Council House Building Programme. This will determine their suitability and viability for development.

Review of Sites



Primary Phase

Technical review

This will highlight issues that will impact upon or even prevent the development of the site such as planning considerations, rights of way, rights of light, flood risks, servicing etc. Any issues highlighted will inform the design direction, technical specification and cost assumptions used to appraise the viability of the site.

Legal review

This involves investigating the legal title. Once again this will highlight any issues which could prevent or affect the development of the site such as easements, rights of way etc. These will inform the financial appraisal and the physical development proposals.

Secondary Phase

Capacity Study

If, after identifying any physical, legal or technical constraints to development, the sites are considered viable an architectural feasibility study will be conducted to determine the development capacity of the site.

Initial Pricing

The architectural proposals produced will be reviewed, along with the technical information, and priced by the project team and a quantity surveyor.

Financial Appraisal

A financial appraisal will be conducted on each site to determine whether the development is viable against the parameters set within the Council's Economic Assumptions Framework. If the scheme is considered viable (either on a stand alone basis or as part of a wider package of sites) it shall be taken to the Council House Building Cabinet Committee as part of a package of viable sites for approval to proceed. The Council's Economic Assumptions Framework is set out in Appendix C

Any site not considered viable for development as affordable housing shall be assessed by the Council, with the assistance of the Development Agent, for either other development potential or any other alternative use and the outcome of the assessment will be reported to the Council's Cabinet.

HCA Grant Funding

Following the launch of its 2015-18 Affordable Homes Programme Bid Prospectus by the Homes and Communities Agency (HCA), the Council House-building Cabinet Committee agreed in April 2014 that East Thames submit a bid on behalf of the Council for a total of £500,000 to subsidise the development costs of 40 new affordable homes, making up Phase 2 of the Council House-building Programme. In July 2014, it was announced that this bid was successful, subject to the Council being able to achieve Investment Partner Status with the HCA and the Council being able to deliver the new affordable homes within the timescale of the Bid Programme 2015-18.

The bid was amended slightly during negotiations which mainly centred on removal of all three bed houses. This was because the rent on these properties was set at 65% of market rent rather than 80%. As these properties were entered as zero grant properties this did not have an effect on the actual grant allocation received from the HCA.

The bid that has been accepted by the HCA and the following funding will be made available is set out below.

Scheme	Units	grant per unit
Harveyfields	9	£0
Roundhills (site 7)	6	£0
Red Cross	2	£0
Burton Rd	40	£12,500

The final requirement for this grant to be processed is for EFDC to become a partner of the HCA. This is a formal process that includes the HCA checking the accounts of the partner organisation and carrying out other due diligence. This process was completed in March 2015 and EFDC are now a partner of the HCA

The grant funding for these schemes will be provided 50% at start on site and 50% on practical completion and schemes must practically complete before April 2018.

Please note that you cannot mix HCA Grant funding with 1-4-1 receipts. As there is a priority to spend 1-4-1 receipts further HCA funding will only be requested if 1-4-1 receipts are not available.

Tertiary Phase

Cabinet Committee Approval

The Cabinet Committee will be presented with a comprehensive report detailing the scheme details including:-

- The design proposals (the number and nature of units to be developed);
- A scheme budget estimate;
- A procurement strategy;
- A financial appraisal of the site;
- A project time table;
- A project risk assessment; and
- A recommendation on how to proceed.

Once a project or package has been approved by the Cabinet Committee the projects shall be progressed to RIBA Stage D by the Development Agent and submitted for planning approval.

Appraisal Methodology

The Council will use a loan repayment methodology to determine viability.

The repayment methodology assesses whether the net revenue generated by the project is capable of repaying the capital loan required to develop the project as well as the accrued interest.

The Council will use a set of economic assumptions in the appraisal of each scheme. These assumptions have been derived from various sources, including the Council's HRA Business Plan and the actual cost of maintaining and managing its existing stock. These assumptions are referred to as the 'Economic Assumptions Framework' and are at Appendix C.

The Council will consider a scheme viable when the following parameters, set within the Economic Assumptions Framework, are met:-

- The scheme can repay its loan within 30 years; and
- The scheme produces a positive Net Present Value (NPV) over 30 years.

The Council will also consider the viability of schemes within a package i.e. if an individual scheme within a package does not meet the financial parameters, but when it is included within a package of sites and the overall package meets those parameters, the Council will consider the package to be viable.

Community Liaison

As part of the development appraisal process, the Ward Member(s) for the areas in which developments are proposed will be invited to the meeting of the Cabinet Committee at which the development and financial appraisals will be considered and decisions made about whether or not development of the site should be pursued. This will give an opportunity for Ward Members, as the Council's representatives of the local residents, to give their views on the proposals and to raise any concerns.

For those developments that are pursued, during the preparation of planning applications, the Development Agent, on behalf of the Council, will inform local residents and Ward Members of the forthcoming planning application, providing access to view plans on-line. Residents' Associations will also be consulted where one exists.

During the preparation and construction of each project, the Development Agent and contractor will identify and provide a dedicated point of contact for residents to answer queries, attend any meetings and provide any requested information.

Delivery

Post-Cabinet Committee approval the Development Agent will progress the schemes through the planning process and to handover.

Planning

Upon Cabinet Committee approval the scheme will be progressed to RIBA Stage D by the Development Agent and submitted to the Council's Planning Directorate for approval.

On site

Upon planning approval, packages of sites will be tendered to procure a Design and Build Contractor to develop the detailed design (RIBA Stages E onward) and build out the scheme to completion.

Procurement

The Development Agent will ensure that all procurement is in line with the Council's Contract Standing Orders. The Council's Development Agent, East Thames Group, has procured an EU-compliant Contractors Framework consisting of 12 contractors.

Any council in the South East of England may utilise this Framework, and the Council's Cabinet Committee has agreed that East Thames' Framework should be used for the House Building Programme, and that the Development Agent can call-

off contractors from the Framework, and tender each package to every member of the Framework to ensure value for money is achieved.

Addition to the process for the procurement of Contractors

An additional option for the procurement of contractors was agreed by CHBCC in January 2016; this was as follows

) (1) That for Phase 3 the Council adopts an alternative procurement strategy and breaks down the 8 sites making up Phase 3 into 7 separate contracts with a mixture of Design and Build contracts and traditional fully designed contracts, and tender them in accordance with the Council's Contract Standing Orders; and

(2) That the additional costs of associated with the design, management and supervision of 7 separate contracts be met from the existing HRA Capital programme for house-building.

The reason for the additional process was due to the lack of interest from larger contractors on the East Thames Framework to undertake Phase 3 of the Council's house-building programme as a whole due to the complications and difficulties managing dispersed sites, it is necessary to look at alternative procurement methods. Soft market testing suggests a better approach might be to let the works through a mixture of smaller contracts using different contract types. This would allow smaller scale builders to bid for works whilst ensuring that more control over the delivery of the project remained with the Employers Agent/Development Agent

On site

The scheme will be managed on site by the Development Agent.

Throughout the construction process the Council's Development Agent will administer the build contract on behalf of the Council, ensuring that the Programme is delivered on time and on budget and to the quality and technical standards specified in the contract.

The Development Agent and the Council will liaise throughout the process to ensure that the scheme is handed over for occupation as programmed and residents can occupy the new homes immediately.

The Development Agent will procure for the Council a detailed core file providing all necessary technical and legal information on the development, a Health and Safety File and Operation and Maintenance Manual.

The Development Agent will prepare a Resident Handbook for each new property describing how their new home works and who to contact if a problem arises.

Post Completion and Defect Monitoring

Post-completion of the new homes the Development Agent will administer any defects that are identified or reported to the Council during the 12 month defects liability period.

They will ensure that the build contractor deals with all defects according to the requirements of the build contract and ensure that the Final Account is agreed.

After the new homes have been occupied for at least 6 months, the Development Agent will visit residents to find out more about their experiences of living in their new homes – what they like about the design of their home, what could be better and the things they don't like. This feedback will be used to improve future homes in the Council House Building Programme.

Once the Final Account has been agreed the Development Agent will produce a scheme review. This shall incorporate:-

- Resident feedback on the new homes;
- The scheme KPIs;
- The financial performance of the scheme against original approval; and
- The scheme programme against approval.

The outcome of these reviews will be reported to the Council House Building Cabinet Committee at the appropriate time after completion of each phase.

Governance

The Council has established its Council Housebuilding Cabinet Committee, comprising members of its full Cabinet, to oversee the delivery of the Housebuilding Programme. Its Terms of Reference are provided at Appendix D.

The Council House Building Programme will have the following governance structure to ensure accountability, quality control and transparency.



Risk Management and Risk Register

As part of the governance approach, and a requirement of the Development Agent's appointment, the Development Agent will record and maintain risk registers for both the Housebuilding Programme as a whole for each individual development. These will identify the key risks, the likelihood and impact of them arising and ways for them

to be mitigated. East Thames has subcontracted responsibility for preparing and maintaining all the risk registers to its building consultants, Pellings.

The risk registers will periodically be reviewed by the Cabinet Committee.

Programme Monitoring

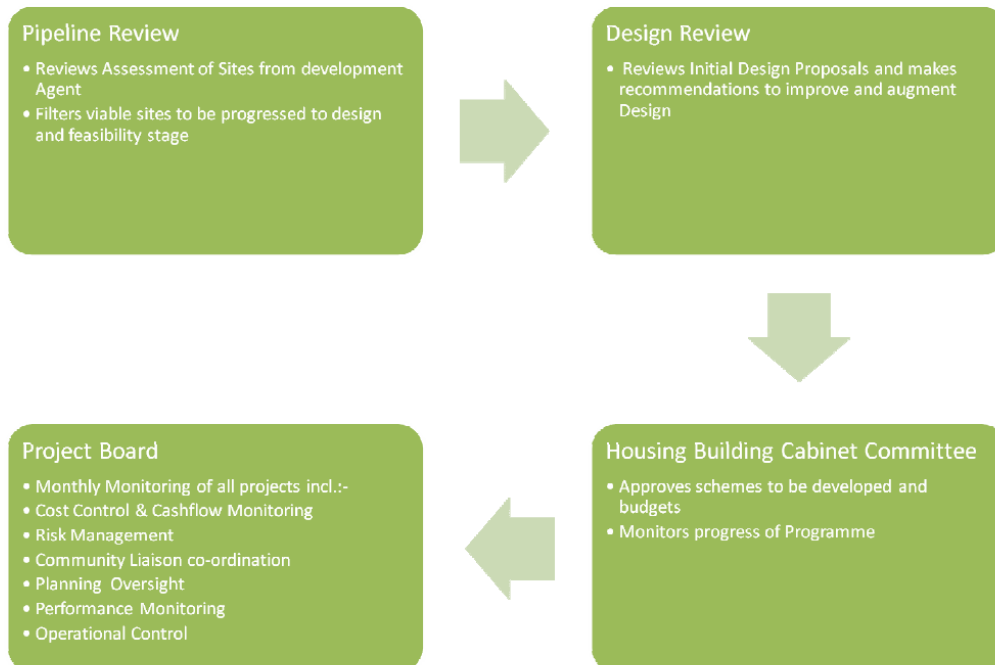
Once scheme approval is granted, monthly meetings will be held where the Development Agent reports to the Council upon progress of the packages and the Development Programme generally.

A Programme & Performance Report will be produced detailing:-

- Development Programme cashflow;
- Contract KPIs;
- Performance against Programme;
- Build Contractor KPIs;
- Key risks;
- Scheme Reviews;
- Any programme variances (cash or time); and
- Performance against HCA targets (should partner status be achieved).

Once each scheme is on site, all data relating to the units in development will be recorded using the Development Agent's project management system and reports will be provided to the Council at the monthly progress meeting.

Programme Control Panels



6.0 Sites unsuitable for development

There will be occasions when a site is considered unsuitable for development as council housing. This could be for a number of reasons;

- 1) unable to gain planning permission
- 2) site is financially unviable
- 3) Cabinet committee considers the site, for whatever reason, unsuitable for development.

In these cases Officers are to be authorised to consider the following options and will submit a separate report to the Cabinet Committee to determine the future use of these sites:

- a. To sell the site for social housing to a Housing Association in return for a capital receipt to fund future Council house-building and to gain nomination rights for Council housing applicants;
- b. To sell the site for private development, either for residential or other use in return for a capital receipt to fund future Council house-building;
- c. To divide up the site and sell the land to local residents to extend their private gardens in return for a capital receipt to fund future Council house-building;
- d. To demolish the garages, re-surface and mark out the land and to leave the site as open car parking for local residents;
- e. To sell the site to a Town or Parish Council for their own purposes (e.g. public amenity space) in return for a capital receipt to fund future Council house-building; or
- f. To continue to market and rent the garages to local residents;

Prioritisation of Sites

On the 4th of February 2014 the Council Housebuilding Cabinet set out the matrix for the prioritisation of sites for redevelopment.

The summary of the paper is as follows;

The Cabinet has previously agreed a list of potential development sites for which the Council's Development Agent would be asked to undertake detailed development and financial appraisals. Now that the Development Agent is starting to undertake development appraisals for each site, there is a need to agree a strategic approach to the prioritisation of potential sites for development.

A general strategic approach for the prioritisation of potential sites is proposed for adoption, which suggests that locations within the District be grouped together into two Groups, having regard to the Primary List of Sites previously agreed by the Cabinet and whether the locations have capacity to deliver more or less than 10 new homes, and that development packages/phases be formulated each year, on a rotational basis in an agreed Priority Order, based on the number of applicants living within each location.

Since there are various ways in which the number of potential sites within a location could increase and, as the Development Programme progresses, the number of new homes that could be provided at locations within the groups is likely to reduce - which could have an effect on the Priority Orders within both groups – it is proposed that a review of the priority orders within the two groups be undertaken in three years' time, having regard to the same proposed strategic approach. The groups are set out below:

Group A (Locations with sites that could potentially deliver 10 or more homes):

Priority Location

- 1 Loughton
- 2 Waltham Abbey
- 3 Epping
- 4 Buckhurst Hill
- 5 Ongar
- 6 North Weald

Group B (Locations with sites that could potentially deliver less than 10 homes):

<u>Priority</u>	<u>Location</u>
-----------------	-----------------

- | | |
|---|--------------------|
| 1 | Theydon Bois |
| 2 | Nazeing |
| 3 | Roydon |
| 4 | Coopersale |
| 5 | High Ongar |
| 6 | Matching Green/Tye |

See Appendix E for an update of the programme position for phases 1 – 6.

When Will We Deliver?

The Council wish to deliver a minimum of 300 new homes over 10 years.. The Council aim to start building the first new homes in 2014/15 financial year and deliver the first handovers within 12 months of commencing the programme.

The Council will review all of the sites on the list within the first two years of the programme for suitability and viability.

Once assessed the sites will be presented to the Cabinet Committee for approval. A delivery programme will be composed, which will involve concurrent packages of sites, to ensure that the 300 home delivery target is achieved.

Any new sites identified will be approved by the Cabinet Committee before being added to the pipeline.

Acceleration of the Development Programme

Since the original publication of the development strategy a decision was taken by Cabinet to accelerate the development programme. The main recommendations / Decisions accepted were as follows:

- (1) That Phase 2 of the Council housebuilding programme consists of 51 homes at Burton Road, Loughton
- (2) Phase 3 consists of 7 contracts which will deliver 34 new homes in Epping, Coopersale and North Weald (see appendix E for spread of units in the District)
- (3) That the Council seeks to increase the number of affordable homes developed in Phases 4-6 from 20 to 30 per year;

(4) That HCA funding is sought, initially, for Phase 2 of the House-building Programme at Burton Road, Loughton for 40 homes - based on a 51-home development;

With the remaining homes in Phase 2 being funded from 1-4-1 Receipts and the other resources made available within the HRA as a result of the other recommendations within this report;

(5) That further bids for HCA funding be made in future years for future phases of the House-building Programme, should the amount of 1-4-1 Receipts be less than forecast within the CIH Consultancy report, provided that the receipt of such HCA funding would not result in any 1-4-1 Receipts having to be passed to the Government;

(6) That, as a policy, the minimum balance held in the HRA is reduced from £3 million to £2 million;

(7) That the Council's HRA Self-Financing Reserve be re-profiled, to release funds for the House-building Programme in earlier years of the HRA Business Plan by increasing contributions to the Reserve in later years (closer to the HRA's first PWLB loan maturing in 2021/22), whilst ensuring that sufficient resources have been accumulated within the Reserve to repay this first loan on maturity (subject to no further borrowing being undertaken to extend the House-building Programme, as referred to in Recommendation 8 below);

(8) That the HRA's contribution to the Housing Improvements and Service Enhancements Fund between 2019/20 – 2021/22 (Years 7-9) be reduced by a sufficient amount to enable Phases 2-6 of the House-building Programme to be funded (currently estimated at a reduction of £1.79 million - £2.42 million per annum, from £3.87 million per annum to £1.45 million - £2.08 million per annum), which will be dependent on:

- (i) The number of homes pursued for development under Phase 2;
- (ii) The outcome of the HCA funding bid;
- (iii) The amount of 1-4-1 Receipts received in 2014/15;
- (iv) The receipt of any further financial contributions received as a result of Section 106 Agreements;
- (v) Any property or land sales for which the Cabinet agrees the resultant receipt can be utilised to fund the House-building Programme; and
- (vi) Any adjustments that have to be made to the amount allocated to the Fund in the intervening period, due to unforeseen and un-budgeted reasons affecting the HRA.

(9) That, in principle, the Council House-building Programme be extended by a further 4 years to 10 years, after the current Years 3-6, with an additional 30 new affordable homes provided each year;

(10) That no decisions be made now on the most appropriate way of funding an extended House-building Programme, but that consideration be given at an appropriate time in the future - and before any commitments are made or expenditure incurred; and

(11) That the purchase of properties from the open market and/or the provision of local authority grant(s) to one of the Council's Preferred Housing Association Partners to fund affordable housing schemes in need of grant, continue to be kept as

a contingency plan, should the amount of 1-4-1 Receipts still be in excess of the maximum amount that can be spent on the House-building Programme, in order to avoid having to pass any 1-4-1 Receipts to the Government, with interest;

8.0 Use of one for one Right to Buy Receipts

The CHBCC has agreed further recommendations to ensure the full use of 1-4-1 since the publication

(1) That the Council Housebuilding Programme be accelerated further, and that the construction periods of Phases 3 onwards be brought forward to overlap, as set out in Appendix 1;

(2) That the programme delivery risks of bringing forward overlapping construction phases be noted and accepted;

(3) That recommendations be made to the Cabinet that, subject to the costs being able to be met from the Council Housebuilding Capital Budget:

(a) Should it be identified by the Director of Communities that there is a risk of one-for-one replacement capital receipts having to be passed to the Government, delegated authority be granted to the Housing Portfolio Holder to authorise the purchase of individual vacant properties for sale on the open market (either existing properties or new build);

(b) Delegated authority be granted by the Cabinet Committee to authorise the Director of Communities to enter into Development Agreements with private developers, and agree terms for the purchase, for affordable rented housing required to be provided by developers in accordance with Section 106 Agreements, where an opportunity is presented that is considered suitable and appropriate; and

(c) If outline planning application is granted for development on Council-owned land held by the General Fund at Pyles Lane, Loughton and the Cabinet subsequently decides to sell the site on the open market, the sale be subject to a requirement that the required affordable housing element (expected to be between 40-50% of the total number of properties) be sold to the Council on practical completion, on agreed terms (to be set out in a separate Development Agreement) to be approved by the Cabinet when considering the sale of the site;

(4) That, should it be identified that individual vacant market properties need to be purchased to avoid one-for-one capital receipts being passed to the Government:

(a) The Director of Communities be authorised to source such properties for sale, make verbal offers to purchase and make recommendations to the Housing Portfolio Holder to agree their purchase; and

(b) Approval be given to the Director of Communities to appoint, on appropriate terms, a suitable consultant / organisation to act on the Council's behalf to negotiate the purchase of such properties - including to identify properties, assess their condition, undertake financial viability assessments, make recommendations and, if approved, make offers on behalf of the Director of Communities;

(5) That, where the Council agrees to purchase affordable rented housing from developers in accordance with Recommendation 3(b) and/or 3(c) above, the Director of Communities be authorised to employ a suitable organisation as the Council's Employers Agent to act on the Council's behalf during the construction period or, alternatively, to employ a Clerk of Works (or similar) to undertake this role as appropriate;

(6) That as of January 2016 CHBCC has agreed a program of street property purchases to ensure the use of £2m worth of 1-4-1 receipts that were at risk of being returned to central government.

9.0 Review of the Development Strategy

Although the Development Strategy is intended to cover the whole period of the initial House Building Programme, it will be reviewed every 3 years by the Cabinet Committee, which will recommend any changes to the Cabinet for adoption.

10.0 Appendices

A. Key Performance Indicators

B. Economic Assumptions Framework

C. Terms of Reference for Council House Building Cabinet Committee

D. Phases 1, 2, 3 and 4 unit spread

E. Phases 1-6 update

Appendix A - Key Performance Indicators

Standard	Measures		Target
Resident satisfaction	Post-handover resident questionnaire		95% satisfaction amongst respondents
Time	Planning: 1 st pre-application meeting to validation		Variable target based on initial estimate for planning submission
	Planning: from validation to approval		13 weeks
	Construction time: (excess time over contract completion date)		108% total days on site compared to contractual days on site
	Construction time: (excess time over valid extensions granted)		0%
Construction costs	Predictability	Feasibility to tender	95% - 105% of estimated cost
		Tender to completion	98% - 102% of accepted tender
	Cost per metre ²		For information
	Whole Life costs		Less than 80% of the construction costs
Quality of Design	HCA Housing Quality and Design Standards		100% of units meet standard
	Lifetime Homes		100% of units meet standard
	Secure by Design		Achievement of Part 2 for all schemes Full certification for schemes with more than 40 units
	Building for Life		Minimum score of 14
	Code for Sustainable Homes		Level 3 as minimum
Defects	Resident satisfaction (from post-occupation resident survey)		98% satisfaction amongst respondents
	Defects at beginning of snagging		Score of 8 or above on scale below
	Defects at handover		Score of 10 on scale below
	<i>Defect free</i>		10
	<i>Some defects with no significant impact on residents/client</i>		8
	<i>Some defects with impact on residents/ client</i>		5/6
	<i>Major defect with impact on residents/client</i>		3
	<i>Totally defective</i>		1
	Defects completed on time	Emergency	100%
		Urgent	85%
Routine (end of defects)		100%	
Site Issues	Health & Safety		Zero reportable
	Considerate contractors	Small sites < 40 units	Minimum score of 32, no less than 4 in each section

Appendix B - Economic Assumptions Framework

Economic Assumptions Framework for Epping Forest District Council

Operating / Revenue Assumptions

Affordable Rent

Affordable Rent Item	Suggested Value
Investment Period	45 years
Rent Increase (above RPI)	+ 0.50 %
Major Repairs Cost per Unit (from year 7)	0.80 % * £1,300 * GIA
Management Cost per Unit	£1,327
Maintenance Cost per Unit	£910
Voids	1%
Bad Debts	1%

Inflation Elements

Inflation Items	Suggested Value
Long-term inflation forecast	2.50 %
Management Costs Inflation	RPI + 1.00 %
Maintenance Costs Inflation	RPI + 1.00 %
Major Repairs Costs Inflation	RPI + 1.50 %

Funding Elements

Funding Items	Suggested Value
Debt Funding: Development Period	3.3%
Debt Funding: Long-term Financing Period	30 years
Debt Funding: Long-term Financing Rate	3.5%
NPV Discount Rate	3.5%

Approval Criteria

Affordable Rent

Approval Criteria	Suggested Value
Internal Rate of Return (IRR)	5%
Net Present Value (NPV)	> £0
Cost-to-Value (C/V Ratio) ***	100 %
Payback year	< 40 years

Notes

Investment Period

This figure is in line with industry assumptions regarding the useful life of a building and the cyclical replacement of its component parts.

Major Repairs Cost per Unit (from year 7)

This is derived from East Thames research into building lifecycles from the Building Defects Insurance (BLP).

Management Cost per Unit

Based on Current Council costs

Maintenance Cost per Unit

Based on Current Council costs

Voids

Based on Current Council Performance

Bad Debts

Based on Current Council Performance

Long-term inflation forecast

Based on current RPI projections

Management Costs Inflation

The margin above inflation reflects the fact that over the long term, these costs such as the cost of staff, tend to rise above inflation.

Maintenance Costs Inflation

The margin above inflation reflects the fact that over the long term, these costs such as the cost of staff and materials, tend to rise above inflation.

Major Repairs Costs Inflation

The margin above inflation reflects the fact that over the long term, these costs such as the cost of staff and materials, tend to rise above inflation.

Debt Funding Costs and NPV discount rate

The debt funding costs reflect the Council's true borrowing costs and NPV discount rate matches these for the for use in calculating the discounted cashflows.

Appendix C – Terms of Reference Council House Building Cabinet Committee

Terms of Reference

1. To consider and recommend to the Cabinet the Development Strategy for the Council's House Building Programme on an annual basis.
2. To consider and sign-off development appraisals and financial appraisals produced by the Council's appointed Development Agent for sites previously identified by the Cabinet as having development potential and that could be included within the Council's House Building Programme.
3. To approve the submission of detailed planning applications, and/or if more appropriate outline planning applications, by the Council's appointed Development Agent for sites that the Cabinet Committee considers are suitable for development and viable, having regard to the development appraisals and financial appraisals for the sites.
4. To invite ward members to attend meetings of the Cabinet Committee when potential development sites in their ward are under consideration, and to provide an opportunity for ward members to provide comments on proposed developments, before development appraisals and financial appraisals are signed-off and approvals to submit planning applications are given.
5. To approve the subsequent development of sites considered suitable for development and viable that receive planning permission, subject to the acceptance of a satisfactory tender for the construction works.
6. To approve, and include within financial appraisals, the use of the following sources of funding for the development of individual sites within the Council's House Building Programme:
 - (a) The agreed Housing Capital Programme Budget for the House Building Programme;
 - (b) Capital receipts made available through the Council's Agreement with the Department of Communities and Local Government allowing the use of receipts from additional Right to Buy (RTB) sales as a result of the Government's increase in the maximum RTB Discount to be spent on House Building;
 - (c) Financial contributions received from developers for the provision of affordable housing within the District, in lieu of on-site affordable housing provision, in compliance with Section 106 Planning Agreements; and
 - (d) Grant funding received from the Homes and Communities Agency.
7. To approve the submission of the Council's Pre-Qualification Questionnaire to the Homes and Communities Agency (HCA), applying for Investment Partner status with the HCA.
8. To consider and accept tenders received for the construction works on sites included within the Council House Building Programme.

9. To determine whether, in addition to the potential development sites already considered by the Cabinet, sites with development potential within the following categories should be added to either the House Building Programme's Primary List or Reserve List and detailed development appraisals and financial appraisals undertaken by the Council's Development Agent:
 - (a) Other specific garage sites comprising 6 or less garages;
 - (b) Specific garage sites where garage vacancies arise with no waiting list of applicants; and
 - (c) Specific areas of Council-owned land on housing sites considered to be surplus to requirements.
10. To determine whether sites on the Reserve List of potential development sites previously agreed by the Cabinet should be promoted to the Primary List, and detailed development appraisals and financial appraisals undertaken by the Council's Development Agent, due to:
 - (a) There being insufficient numbers of properties that can be viably developed from the Primary List of potential development sites to deliver a House Building Programme of 120 new homes over a six-year period; and/or
 - (b) The Cabinet subsequently deciding to increase the size of the House Building Programme and there being insufficient numbers of properties that can be viably developed to deliver a larger Programme.
11. To monitor and report to the Cabinet on an annual basis:
 - (a) Progress with the Council House Building Programme; and
 - (b) Expenditure on the Housing Capital Programme Budget for the Council House Building Programme, ensuring the use (within the required deadlines) of the capital receipts made available through the Council's Agreement with the Department of Communities and Local Government allowing the use of receipts from additional Right to Buy (RTB) sales as a result of the Government's increase in the maximum RTB Discount to be spent on house building.
12. To approve applications to the Homes and Communities Agency (HCA) (or any successor body) to obtain HCA Investment Partner Status (or similar), in order to enable the Council to seek funding from the HCA, and to approve funding bids to the HCA for developments within the Council House Building Programme (*added by Leader Decision – 21.3.14*).
13. To consider and approve the future use of any potential development site previously identified by either the Cabinet or Cabinet Committee as having possible development potential for Council House Building where it either does not gain planning consent, is deemed inappropriate to develop undevelopable by the Cabinet Committee for whatever other reason or where the development appraisal identifies that the site is economically undevelopable. (*Added by Leader Decision – 16.5.14*)
14. To decide, where necessary, the names of developments undertaken through the Council House Building Programme, following consultation with the Parish or Town Councils. (*Added by Leader Decision – 16.5.14*)

Membership

Housing Portfolio Holder (Chairman)
Finance and Technology Portfolio Holder
Planning Portfolio Holder
Environment Portfolio Holder
Safer, Greener and Highways Portfolio Holder

Frequency of Meetings

As and when required, as determined by the Housing Portfolio Holder.

Appendix D – Spread of units Phases 1, 2, 3 and 4



Appendix E - Site and Phase Update

Phase	Site	Description	Contract Type	1-bed flat	1-bed bungalow	2-bed flats	2-bed bungalow	2-bed houses	3-bed houses	Total Approved	Stage in Dev process	Contractor	Planning	SOS	PC	Construction Period (weeks)
	Marden Close & Faversham Hall	Refurbishment	D&B	10						10	Completed	P A Finlay	Full Permission granted	15/09/2014	04/12/2015	50
Phase 1										0						
	Harveyfields	New-build	D&B	3	6					9	On site	Broadway Construction Ltd	Full Permission granted	27/10/2014	TBC	52
	Red Cross	New-build	D&B					2	4	6	On site	Broadway Construction Ltd	Full Permission granted	27/10/2014	TBC	52
	Roundhills site 4	New-build	D&B						2	2	On site	Broadway Construction Ltd	Full Permission granted	27/10/2014	TBC	52
	Roundhills site 7	New-build	D&B					6		6	On site	Broadway Construction Ltd	Full Permission granted	27/10/2014	TBC	52
Phase 2																
	Burton Road	New-build	D&B	13		21		2	15	51	On site	Mulalley & Co Ltd	Full Permission granted	07/03/2016	27/02/2018	105
Phase 3										0						
	Springfield, Epping	New-build	D&B		2			2		8	In Procurement	TBC	Full Permission granted	Sep-16	Apr-18	TBC
	Centre Avenue, Epping	New-build	D&B						4	4	In Procurement	TBC	Full Permission granted	Sep-16	Apr-18	TBC
	Stewards Green Road, Epping	New-build	Traditional						4	4	In Procurement	TBC	Full Permission granted	Sep-16	Apr-18	TBC
	Parklands (Site A), Coopersale	New-build	D&B	2		2				4	In Procurement	TBC	Full Permission granted	Sep-16	Apr-18	TBC
	Queens Road, North Weald	New-build	D&B					2	10	12	In Procurement	TBC	Full Permission granted	Sep-16	Apr-18	TBC
	Bluemans End, North Weald	New-build	D&B					4		4	In Procurement	TBC	Full Permission granted	Sep-16	Apr-18	TBC
	Centre Drive, Epping	New-build	Traditional						1	1	In Procurement	TBC	Full Permission granted	Sep-16	Apr-18	TBC
	London Road, Stappleford Abbots	New-build	Traditional						1	1	In Procurement	TBC	Full Permission granted	Sep-16	Apr-18	TBC
Phase 4																
	Kirby Close, Loughton	New-build	TBC					2	2	4	Design Stage	TBC	Full Permission granted			
	Lower Alderton Hall Lane, Loughton	New-build	TBC					2		2	Design Stage	TBC	Full Permission granted			
	Bushfields, Loughton	New-build	TBC					2		2	Design Stage	TBC	Full Permission granted			
	Chequers Road (Site B), Loughton	New-build	TBC					5		5	Design Stage	TBC	Full Permission granted			
	Chequers Road (Site A), Loughton	New-build	TBC						3	3	Design Stage	TBC	Full Permission granted			
	Ladyfields, Loughton	New-build						6		0			Refused - Revised application submitted			
	Whitehills, Loughton	New-build					2			0			Refused - Revised application submitted			
	Etheridge Road, Loughton	New-build	TBC				1		2	3	Design Stage	TBC	Full Permission granted			
	Pyrles Lane (Site A), Loughton	New-build						2		0			Refused. To go to CHBCC			
	Pyrles Lane (Site B), Loughton	New-build							3	0			Refused. To go to CHBCC			
	Chester Road, Loughton	New-build	TBC					3		3	Design Stage	TBC	Full Permission granted			
	Thatchers Close, Loughton	New-build	TBC					1		1	Design Stage	TBC	Full Permission granted			
	Hillyfields, Loughton	New-build						2		0			Withdrawn - Site to be auctioned			
Phase 5																
	Bourne House, Buckhurst Hill	New-build	TBC						2	0			Refused - Referred to DDMC			
	Hornbeam Close (Site A), Buckhurst Hill	New-build	TBC					2		0			Refused - Referred to DDMC			
	Hornbeam Close (Site B), Buckhurst Hill	New-build	TBC						3	0			Refused - Referred to DDMC			
	Hornbeam House, Buckhurst Hill	New-build	TBC					2		0			Refused - Referred to DDMC			
	Pentlow Way, Buckhurst Hill	New-build	TBC	5		2				0			Withdrawn - Refer to CHBCC			
	Millfield, Ongar	New-build	TBC		2					2	Design Stage	TBC	Full Permission granted			
	Queensway, Ongar	New-build	TBC		4					4	Design Stage	TBC	Full Permission granted			
	St Peters Avenue, Ongar	New-build	TBC						8	0			On Hold - Pending road widening			
Phase 6																
	Beechfield Walk, Waltham Abbey	New-build	TBC					1	4	0			Feasibility Study Agreed by CHBCC			
	Broomfield Court, Waltham Abbey	New-build	TBC				1			0			Feasibility Study Agreed by CHBCC			
	Colvers, Morton	New-build	TBC						2	0			Feasibility Study Agreed by CHBCC			
	Denny Avenue, Waltham Abbey	New-build	TBC						3	0			Feasibility Study Agreed by CHBCC			
	Gant Court, Waltham Abbey	New-build	TBC					3		0			Feasibility Study Agreed by CHBCC			
	Graylands, Theydon Bois	New-build	TBC		1					0			Withdrawn - Refer to CHBCC			
	Mallion Court, Waltham Abbey	New-build	TBC					4		0			Feasibility Study Agreed by CHBCC			
	Mason Way, Waltham Abbey	New-build	TBC		1					0			Feasibility Study Agreed by CHBCC			
	Palmer's Grove, Nazeing	New-build	TBC						4	0			Planning Application Submitted			
	Parkfields (Site A), Roydon	New-build	TBC						2	0			Planning Application Submitted			
	Pick Hill, Upshire	New-build	TBC						2	0			Feasibility Study Agreed by CHBCC			
	Pound Close, Nazeing	New-build	TBC					3	2	0			Planning Application Submitted			
	St Thomas's Court, Waltham Abbey	New-build	TBC						4	0			Feasibility Study Agreed by CHBCC			
	Shingle Court, Waltham Abbey	New-build	TBC				1			0			Feasibility Study Agreed by CHBCC			
	Stonyshots, Waltham Abbey	New-build	TBC					1		0			Feasibility Study Agreed by CHBCC			
	Woolard Street, Waltham Abbey	New-build	TBC					5		0			Feasibility Study Agreed by CHBCC			
	Wrangley Court, Waltham Abbey	New-build	TBC						1	0			Feasibility Study Agreed by CHBCC			
			TOTALS	33	11	31	5	64	87	231						