Committee Agenda

Epping Forest District Council

Council Housebuilding Cabinet Committee
Thursday, 17th April, 2014

You are invited to attend the next meeting of **Council Housebuilding Cabinet Committee**, which will be held at:

Council Chamber, Civic Offices, High Street, Epping
on **Thursday, 17th April, 2014**
at **5.30 pm** .

Glen Chipp
Chief Executive

Democratic Services Officer	Jackie Leither Ext 4756 Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors D Stallan (Chairman), R Bassett, W Breare-Hall, Ms S Stavrou and G Waller

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PLEASE NOTE THE START TIME OF THIS MEETING

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

(Assistant to the Chief Executive) To declare interests in any item on this agenda.

3. MINUTES (Pages 5 - 14)

To confirm the minutes of the last meeting of the Committee held on 4 February 2013.

4. TERMS OF REFERENCE (Pages 15 - 22)

(The Director of Communities) To consider the attached report (CHB-014-2013/14).

5. ACCELERATING THE HOUSEBUILDING PROGRAMME (Pages 23 - 46)

(The Director of Communities) To consider the attached report (CHB-015-2013/14).

6. PHASE 2 FEASIBILITY REPORT - BURTON ROAD (Pages 47 - 118)

(The Director of Communities) To consider the attached report (CHB-016-2013/14).

7. HOMES AND COMMUNITIES AGENCY BID (Pages 119 - 176)

(The Director of Communities) To consider the attached report (CHB-017-2013/14).

8. POLICY ON UNDEVELOPABLE SITES (Pages 177 - 180)

(The Director of Communities) To consider the attached report (CHB-018-2013/14).

9. ANNUAL REPORT TO CABINET (Pages 181 - 186)

(The Director of Communities) To consider the attached report (CHB-019-2013/14).

10. DEVELOPMENT NAMING REPORT (Pages 187 - 190)

(The Director of Communities) To consider the attached report (CHB-020-2013/14).

11. RISK REGISTER UPDATE (Pages 191 - 198)

(The Director of Communities) To consider the attached report (CHB-021-2013/14).

12. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (non-executive bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

13. EXCLUSION OF PUBLIC AND PRESS

Exclusion: To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement: Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

(1) All business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest.

(2) At the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press.

(3) Any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers: Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

(a) disclose any facts or matters on which the report or an important part of the report is based; and

(b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

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EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Council Housebuilding Cabinet Committee	**Date:**	Tuesday, 4 February 2014
Place:	Council Chamber, Civic Offices, High Street, Epping	**Time:**	6.30 - 9.10 pm

Members Present: D Stallan (Chairman), W Breare-Hall, Ms S Stavrou, G Waller and C Whitbread

Other Councillors: K Angold-Stephens and Ms J Hart

Apologies: R Bassett and L Girling

Officers Present: A Hall (Director of Housing), P Pledger (Assistant Director (Property)), G Lunnun (Assistant Director (Democratic Services)) and J Leither (Democratic Services Assistant)

Also in attendance: A Gatrell (Head of Development, East Thames Group), and I Collins (Client Lead, Pellings LLP)

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13. DECLARATIONS OF INTEREST

The Chairman reminded Members of the guidance issued by the Assistant to the Chief Executive regarding declarations of interest at the relevant planning sub committee regarding Council housebuilding planning applications.

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

14. SUBSTITUTE MEMBERS

The Cabinet Committee noted that Councillor C Whitbread substituted for Councillor R Bassett.

15. MINUTES

RESOLVED:

That the minutes of the meeting held on 10 July 2013 be taken as read and signed by the Chairman as a correct record.

16. PRIORITISATION OF POTENTIAL DEVELOPMENTS

The Director of Housing presented a report to the Cabinet Committee regarding a proposed strategic approach to the prioritisation of locations for potential developments. He advised that the Cabinet had 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 had started to undertake development appraisals for each site, there was 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 was proposed for adoption, which suggested 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 had the 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 were various ways in which the number of potential sites within a location could increase and, as the Development Programme progressed, the number of new homes that could be provided at locations within the groups was likely to reduce – which could have an effect on the Priority Orders within both groups – it was 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. However, on discussion, the Cabinet Committee concluded that such reviews should be undertaken annually.

The Cabinet Committee requested that, for when the Cabinet considers its recommendations, information about individual housing applicants' areas of preference for rehousing be included in the group information in addition to the number of applicants living in each area.

Recommended:

(1) That the following general strategic approach be adopted for the prioritisation of potential sites taken forward for development under the Council's Housebuilding Programme:

(a) Generally, over a period of time, development sites be spread around the towns/villages where sites are located, on a rotational basis, so that all locations have the benefit of affordable housing being provided in their area;

(b) Priority for the development of potential sites be given to areas in which the highest number of housing applicants live;

(c) Towns/villages with sites that could potentially deliver the greatest number of new properties be prioritised in preference to locations where less properties could be delivered; and

(d) If possible, development packages/phases generally comprise sites within the same town/village, in order to reduce the contractor's site set-up costs;

(2) That, taking account of the strategic approach set out in (1) above, locations be grouped together into the following two Groups and the Priority Orders shown *(Note: applicants can express preferences for more than one area)*:

Group A (Capacity for 10 or more new homes)					
Priority Order	**Location**	**No. of Housing Applicants**	**No. of Sites**	**Max. No. of Properties**	**No. of Preferences From Applicants**
1	Loughton	478	16(#)	52(#)	1,047
2	Waltham Abbey	472	18	71(*)	676
3	Epping	95	5	12	1,065
4	Buckhurst Hill	80	5	23	832
5	Ongar	76	2	11	404
6	North Weald	48	2	16	456

(*) = Including the Year 1 sites (#) = Excluding the sites at The Broadway

Group B (Capacity for less than 10 new homes)					
Priority Order	**Location**	**No. of Housing Applicants**	**No. of Sites**	**Max. No. of Properties**	**No. of Preferences From Applicants**
1	Theydon Bois	19	2	5	749
2	Nazeing	15	2	7	348
3	Roydon	13	1	3	215
4	Coopersale	10	3	7	152
5	High Ongar	9	1	2	307
6	Matching Green/Tye	7	1	2	193

(3) That development packages/phases be formulated each year, on a rotational basis – in the Priority Order shown in Group A above – until the capacity for the potential number of homes in a location reduces to less than 10, at which point the location be moved into Group B;

(4) That, where less than 20 homes can be provided within a development package/phase in one of the locations within Group A above, one or more sites within Group B also be included within the development package/phase, on a rotational basis – in the Priority Order shown in Group B above – to comprise a package/phase of between 20 and 25 homes; and

(5) That an annual review of the priority orders within Groups A and B in (2) above be undertaken by the Cabinet Committee having regard to the same strategic approach set-out in (1) above.

Reasons for Decision:

To achieve a strategic approach to the prioritisation of potential sites for development.

Other Options Considered and Rejected:

(a) Not to have a strategic approach – this would mean that a high profile, high cost Council Programme would not have a strategic direction; and

(b) To adopt a different approach to the prioritisation of sites.

17. FUTURE USE OF GARAGE SITES UNSUITABLE FOR REDEVELOPMENT

The Assistant Director of Housing (Property) presented a report reminding the Cabinet Committee that the Council's Development Agent was required to undertake feasibility studies for each of the 65 garage sites included on the list of potential development sites approved by the Cabinet. He advised that some garage sites were likely to be considered either unsuitable, financially unviable or would not obtain planning permission and a policy would need to be developed for the future use of such sites. He advised that one site from Phase 1 had already been withdrawn for the time being and envisaged that there would be more as the Programme progressed.

Members requested that the list of possible uses to be presented to a future meeting should include offering sites to the appropriate Town or Parish Council for purchase, for their own uses.

Decision:

That the Cabinet Committee receives a report at a future meeting on the use of difficult-to-let garage sites, and other surplus sites, that are unsuitable for redevelopment.

Reason for Decision:

Where sites are not developable, then their future use must be considered to maximise the Council's benefit of the Asset.

Other Options Considered and Rejected:

Not to have a further report.

18. PHASE 2 FEASIBILITY REPORT

The two local ward members had been invited to attend the Cabinet Committee meeting for this item. However, Councillor Ms J Hart gave apologies for the other ward member, Councillor L Girling advising that he was unable to attend due to work commitments.

The Assistant Director of Housing presented a report following undertaking of a feasibility study by East Thames, and their consultants, Pellings, for the redevelopment of the Council's former depot, garages and amenity land in Burton Road, Loughton.

He advised the Cabinet Committee that at the time of preparing the report, the Director of Housing had been in discussions with a representative of the Bishop of Barking regarding the possibility of land adjacent to the Burton Road development being used to provide a small Church with associated community facilities. In return for this land the Church would provide Church land elsewhere in Loughton for the development of affordable housing.

Members noted that the Director of Housing had recently been advised that, following further discussions between the Anglican Parish of Loughton and the Methodist Church in Loughton (which had a Local Ecumenical Partnership), the Partnership had been unable to agree amongst its membership to such a proposal. Therefore, this proposal was no longer being pursued.

The Cabinet Committee was advised that since the site that was subject to these discussions was in Burton Road and adjacent to the original Phase 2 proposal being considered, East Thames had been asked to consider a feasibility study to extend the development site to incorporate this additional piece of land. As a result, a potential layout for this additional land and a summary financial appraisal had been circulated to all members of the Cabinet Committee and the ward members in advance of the meeting, which showed that the proposed development of 25 affordable Council dwellings could now be increased to a minimum of 31 affordable Council dwellings.

The Cabinet Committee was advised that in accordance with Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 of the Council Procedure Rules contained in the Constitution, the permission of the Chairman had been obtained, after prior notice to the Chief Executive, to this urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) being transacted.

Decision:

(1) That the Package Two development feasibility, consisting of the former Council Depot, two garage sites and grassed area previously identified for possible housing development in the Broadway Regeneration Masterplan at Burton Road, Loughton and including the area of land to the south west, as shown on the plan attached to the supplementary agenda to provide a minimum of 31 affordable rented homes, be approved to progress to detailed planning stage and, if planning permission is received, the invitation of tenders for Year 2 and part of Year 3 of the Council's Housebuilding Programme, subject to the officers first seeking to increase the number of properties that could be provided on the site;

(2) That it be noted that the estimated capital investment required to deliver a minimum of 31 new affordable rented Council properties in Package Two, is around £5,118,164 including fees and works;

(3) That an appropriate level of subsidy be set aside for Package Two for the works and fees in order to achieve a pay-back of 30 years as required by the Council's Development Strategy with a positive Net Present Value (NPV);

(4) That the Housing Portfolio Holder be authorised to submit the detailed planning application for the Burton Road development site;

(5) That a report be submitted to the next meeting of the Cabinet Committee regarding options for the funding and programming of this development; and

(6) That, while noting that the proposed homes at Burton Road, Loughton will be built to Code for Sustainable Homes Level 3 and have been costed on this basis - and not delaying bringing this development to fruition - taking account of the Council's commitment to energy efficiency as well as East Thames's wish to set ambitious targets for delivering the Code for Sustainable Homes at higher levels, a report be submitted to a future meeting of the Cabinet Committee considering the option of achieving a higher code level for future developments in the Programme.

Reasons for Decision:

The Housebuilding Cabinet Committee is required to consider and approve the package of feasibility studies and financial viability reports for each phase of the works, taking account of the views of the local ward members who represent each site, in order for each phase to progress to planning stage and the invitation of tenders.

Other Options Considered and Rejected:

(1) Not to progress with the schemes and develop alternative sites.

(2) To amend the property sizes and types.

19. REVIEW OF RENT CAP - EFDC AFFORDABLE RENT POLICY

The Director of Housing presented a report to the Cabinet Committee regarding the review of the Rent Cap, relating to the maximum rent to be charged for affordable rented properties. He advised that the Rent Cap was due to be reviewed by the Cabinet Committee but that, as the current level had been agreed only just over 6 months previously, it was suggested that it remain at £180 per week for 2014/15.

Decision:

(1) That the Council's Rent Cap remains at £180 per week for 2014/15;

(2) That the Council's Affordable Rents Policy be applied to both:

(a) Financial Appraisals for potential developments; and

(b) To the actual rents charged for properties when they were let;

in relation to market rent levels, Local Housing Allowance (LHA) levels and the Rent Caps applicable at that time;

(3) That the Council's Rent Cap next be reviewed by the Cabinet Committee towards the end of 2014/15, in time for inclusion within the Rents Strategy Chapter of the HRA Business Plan for 2015/16.

Reason for Decision:

The Cabinet Committee is required under the Council's Affordable Rents Policy to review the level of Rent Cap each year.

Other Options Considered and Rejected:

(1) To either reduce or increase the level of Rent Cap; or

(2) To no longer have a Rent Cap.

20. PHASE 1 UPDATE

The Assistant Director of Housing (Property) presented a report updating the Cabinet Committee on Phase 1 of the Council Housebuilding Programme.

The Assistant Director reported that, in July 2013, the Cabinet Committee considered feasibility studies and an investment report for Package One of the Council's Housebuilding Programme. Planning applications had been submitted for all sites in Phase 1 which consisted of five sites in Waltham Abbey. Permission had been granted for the Harveyfields site and the remaining sites would be determined at an Area Plans Sub-Committee meeting on 26 February 2014. One site had been withdrawn for the time being, for 2 houses on the Roundhills Estate, due to legal issues to be resolved.

Decision:

(1) That the current progress with regard to Package One, consisting of five sites in Waltham Abbey; Harveyfields, the former Red Cross site, and three sites on Roundhills Estate be noted;

(2) That the revised budget position be noted, with total scheme costs of £3,908,324 (works & fees) for which a higher subsidy of £512,000 to that previously reported is required to achieve a 30 year payback as required by the Council's Development Strategy with a positive Net Present Value (NPV); and

(3) That the updated financial information, including the revisions to the housing estimates, be noted and the amendments to the budgets be submitted to Cabinet as part of the HRA Capital Programme and Revenue Account.

Reasons for Decision:

The Housebuilding Cabinet Committee receive regular updates on progress and monitored expenditure against the Housebuilding budget as delegated by the Cabinet.

Other Options Considered and Rejected:

None – report for noting only.

21. FINANCIAL REPORTS

The Director of Housing presented a report regarding the proposed format and content of monitoring reports on expenditure and other financial information relating to the Council's Housebuilding Programme. He advised that the data would be updated regularly and explained that Appendix 1 was the main summary. He advised that a suite of financial report templates had been developed and would be reported to each meeting of the Cabinet Committee. He therefore sought views on the proposed format.

Members noted that there were 7 proposed Appendices as follows:

Appendix 1	Main Summary
Appendix 2	RTB Receipts
Appendix 3	S106 Contributions
Appendix 4	Other Funding
Appendix 5	Cashflow Summary
Appendix 6	Payment Schedule
Appendix 7	Marden Close & Faversham Hall Conversion - Financial Summary

Decision:

(1) That the format and production of a suite of Standard Financial Report templates for the Council Housebuilding Programme - to be considered by the Cabinet Committee at each meeting - be approved, subject to a more printer-friendly presentation;

(2) That the explanation in the report, on the information provided within each Financial Report, be attached as an appendix to future reports to the Cabinet Committee, to provide a helpful background guidance note for members;

(3) That the current financial position be noted, in respect of:

(a) The overall financial summary for the Housebuilding Programme and use of the various subsidies (Appendix 1);

(b) The amount and use of additional "Replacement Right to Buy (RTB) Receipts" available for utilisation under the Government's "one-for-one replacement" scheme (Appendix 2);

(c) The amount and use of financial contributions available to the Council Housebuilding Programme from Section 106 Agreements, in lieu of the provision of on-site affordable housing on private development sites, (Appendix 3);

(d) The amount and use of other sources of funding (e.g. sales of HRA land and non-RTB property, and external funding) (Appendix 4);

(e) Payments made to both contractors and East Thames, in respect of works and fees for the Housebuilding Programme (Appendices 5 & 6);

(f) Payments made to the contractor and the Development Agent in respect of works and fees for the Marden Close / Faversham Hall Conversion Scheme, and the overall financial summary for the Scheme (Appendix 7);

(4) That the Cabinet Committee's first draft Annual Report to the Cabinet on the progress made with the Council Housebuilding Programme and the associated expenditure be considered at the Cabinet Committee's next meeting, for submission to the following meeting of the Cabinet; and

(5) That the Director of Housing in conjunction with the Housing Portfolio Holder be delegated to seek HCA Investment Partner Status for the Council to utilise for future developments.

Reason for Decision:

The Cabinet Committee needed to ensure that budgets, costs and expenditure were properly monitored, to enable corrective action to be taken at the earliest opportunity when necessary.

Other Options Considered and Rejected:

(1) Not to have regular Financial Reports presented to the Cabinet Committee;

(2) To have Financial Reports presented at different intervals; and

(3) To provide different Financial Reports presented to those proposed.

22. RISK REGISTER

The Assistant Director of Housing (Property) presented a report on the Risk Register to the Cabinet Committee. He advised that although East Thames and Pellings LLP would be regularly updating the Risk Registers for each Phase there was a need for an overall Risk Register to capture all the issues needed to be addressed.

Members considered the current Programme-wide Risk Register.

Decision:

That the current Programme-wide Risk Register for the Council Housebuilding Programme be noted.

Reasons for Decision:

The Council's Housebuilding Programme is a major undertaking, involving significant amounts of money and risks, it was essential that the Officer Project Team and the Cabinet Committee record, monitor and mitigate those risks.

Other Options Considered and Rejected:

(1) Not to have a Risk Register; and

(2) To amend the format or content of the Programme-wide Risk Register.

23. PROJECT PLAN

The Assistant Director of Housing (Property) presented the five year Project Plan chart to the Cabinet Committee, which was noted.

24. ANY OTHER BUSINESS

The Cabinet Committee noted that there was no other urgent business for consideration.

25. EXCLUSION OF PUBLIC AND PRESS

The Cabinet Committee noted that there were no items of business on the agenda that necessitated the exclusion of the public and press from the meeting.

CHAIRMAN

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Report to the Council Housebuilding Cabinet Committee

Report reference: CHB-000-2013/14
Date of meeting: 17 April 2014

Epping Forest District Council

Portfolio: **Housing – Cllr David Stallan**

Subject: **Leader Decision to Extend the Cabinet Committee's Terms of Reference**

Responsible Officer: **Alan Hall, Director of Communities (01992 564004)**

Democratic Services Officer: **Jackie Leither (01992 564756)**

Recommendations:

That the Leader Decision to extend the Cabinet Committee's Terms of Reference with an additional paragraph (Paragraph 12) be noted.

Executive Summary:

It is anticipated that the Council may wish to seek Investment Partner status with the Homes and Communities Agency (HCA) and to submit funding bids for grant in the future.

This extension of the Cabinet Committee's Terms of Reference empowers the Cabinet Committee to authorise an application for Investment Partner status and submission of funding bids.

Reasons for Proposed Decision:

To ensure that all members of the Cabinet Committee are aware of the extension to the Terms of Reference.

Other Options for Action:

None – for noting only.

Report:

1. Following discussions at previous Cabinet Committee meetings, it is anticipated that the Council will wish to seek Investment Partner status with the Homes and Communities Agency (HCA), in order to be able to submit funding bids to the HCA – either as part of the current Bidding Round (see below) or through the HCA's Continuous Market Engagement (CME) process (which will run through the duration of the forthcoming funding period)..

2. The HCA has recently invited funding bids under its next Affordable Homes Programme (2015/16 – 2017/18), with a deadline for submissions of 30th April 2014. There is a separate item on the Agenda for this meeting on this issue.

3. It is a requirement of the HCA's Prospectus for this Bidding Round that funding bids are formally signed off "by the organisation's Board". All housing associations have boards, but such governance arrangements are not applicable to local authority governance structures.

4. Since the Leader has formally delegated responsibility for overseeing the delivery of the Council's Housebuilding Programme to this Cabinet Committee, it is considered appropriate that responsibility for formally signing-off matters relating to HCA Investment Partner status and funding bids should also be executed by the Cabinet Committee.

5. However, such responsibility was not previously included within the Cabinet Committee's Terms of Reference. Therefore, the Leader of Council has extended the Cabinet Committee's Terms of Reference, through a formal Leader Decision, to cover these matters.

6. Accordingly, the Cabinet Committee's Terms of Reference have been extended with the inclusion of the following additional paragraph:

> *"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 Housebuilding Programme"*

7. A copy of the Leader Decision is attached for information.

Resource Implications:

None – for noting only

Legal and Governance Implications:

None – for noting only

Safer, Cleaner and Greener Implications:

None – for noting only.

Consultation Undertaken:

The Council's Development Agent, East Thames, were consulted on the proposal and had no comments.

Background Papers:

None

Impact Assessments:

<u>Risk Management</u>

None – for noting only.

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?	N/A
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?

N/A

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

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EPPING FOREST DISTRICT COUNCIL

LEADER DECISION **Reference Number: 4/2013-14**

Subject: **Council House Building Cabinet Committee Revised Terms of Reference**

Decisions:

(1) That the proposed additional paragraph 12 as shown in the Appendix be added to the terms of reference of this Cabinet Committee; and

(2) That this alteration be notified to the Council at its next meeting and published as an amendment to the Constitution.

Explanatory Note

1. It is necessary to extend the term of reference of the House Building Cabinet Committee so that it is able to approve applications to the Homes and Communities Agency (HCA) (or any successor body) for the purpose of obtaining Investment Partner Status. This will enable the Council to seek funding from the HCA for schemes in the House Building Programme.

2. An addition to the existing terms of reference (in the Appendix) is shown in red text at paragraph 12.

Legal and Constitutional Powers

Local Government Act 2000

Local Government Etc. Act 2007

Localism Act 2011

I approve the proposed decisions set out in (1) and (2) at the commencement of this Notice.

Signed ______________________

Councillor C. Whitbread
Leader of Council

Date 21.3.2014

PU/IW

Z/C/WILLETT/2014/LEADER DECISION – CABINET COMMITTEE

Council House Building Cabinet Committee

TERMS OF REFERENCE AND MEMBERSHIP

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 Housebuilding 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 housebuilding.

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.

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.

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Report to the Council Housebuilding Cabinet Committee

Epping Forest District Council

Report reference: CHB-015-2013/14
Date of meeting: 17 April 2014

Portfolio: **Housing**

Subject: **Funding an Accelerated Council Housebuilding Programme – Report from CIH Consultancy**

Responsible Officer: **Alan Hall, Director of Communities (01992 564004)**

Democratic Services Officer: **Jackie Leither (01992 564756)**

Recommendations/Decisions Required:

(1) That the report from CIH Consultancy, attached as an appendix, on the options for funding an accelerated Council Housebuilding Programme and the associated implications be noted;

(2) That, subject to the Cabinet Committee's decision on the number of homes for which planning permission should be sought at Burton Road, Loughton for Phase 2 of the Housebuilding Committee, the following recommendations be made to the Cabinet:

(a) That the Council seeks to increase the number of affordable homes developed in Phases 3-6 from 20 to 30 per year;

(b) That HCA funding be sought, initially, for Phase 2 of the Housebuilding Programme at Burton Road, Loughton for either;

(i) 28 homes - based on a 42-home development; or
(ii) 40 homes - based on a 56-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;

(c) That further bids for HCA funding be made in future years for future phases of the Housebuilding 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;

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

(e) That the Council's HRA Self-Financing Reserve be re-profiled, to release funds for the Housebuilding 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 Housebuilding Programme, as referred to in Recommendation 2(g) below);

(f) That 30% of the Council's accruing HRA attributable debt balances be utilised to help fund the accelerated Housebuilding Programme;

(g) 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 Housebuilding 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 Housebuilding 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.**

(h) That, in principle, the Council Housebuilding 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;

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

(j) 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 Housebuilding Programme, in order to avoid having to pass any 1-4-1 Receipts to the Government, with interest;

(3) That, in accordance with its terms of appointment, the Council's Development Agent, East Thames, be asked to update the Council's Development Strategy, once the outcome of the Council's bid to the HCA is known, taking account of any decisions made to accelerate the Housebuilding Programme and other relevant decisions made by the Cabinet Committee and Cabinet since the time the current Development Strategy was produced; and

(4) That the outcome of any decisions to accelerate the Housebuilding Programme be included within the Council's HRA Financial Plan 2014/15, when it is reviewed and updated at the end of Quarter 1 of 2014/15.

Executive Summary:

At its last meeting, the Cabinet Committee requested a report to this meeting on how an accelerated Housebuilding Programme could be funded, and the associated implications. The Council's HRA Business Planning Consultant has 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 recommendations set out at the commencement of this report have been formulated by the Director of Communities, most of which will require endorsement by the Cabinet.

Reasons for Proposed Decision:

A number of sites within the Council's ownership have been identified as being potentially suitable for Council housebuilding. The proposed number of new homes developed at Burton Road, Loughton is likely to be in excess of the numbers included within the HRA Business Plan. Furthermore, as a result of the current high number of Right to Buy (RTB) sales being completed, there is a risk that not all of the "1-4-1 Receipts" (i.e. those that can be spent on new housebuilding, to replace those lost due to the RTB) will be able to be spent within the required 3 years of receipt.

Moreover, the Cabinet Committee has indicated its wish for the Council to bid for funding from the HCA's forthcoming Affordable Homes Programme. In any event, the need for affordable housing continues to increase, whilst Council homes are also being sold through the Right to Buy, so an accelerated Housebuilding Programme would be welcomed.

Other Options for Action:

The main alternative options for action appear to be:

(a) Not to accelerate or extend the Programme, or accelerate it at a different rate or extend it for a different period;
(b) Not to seek HCA Investment Partner status or bid for HCA funding, or to bid for different number of homes or a different unit grant cost;
(c) Not to re-profile the HRA Self-Financing Reserve;
(d) Not to utilise 30% of the HRA attributable debt to help fund the Programme, or to utilise more or less of the attributable debt;
(e) To reduce further the amount allocated by the HRA to the Housing Improvements and Service Enhancements Fund than proposed;
(f) To borrow further loans from the PWLB, as an alternative to the proposed approaches for funding; and
(g) Not to reduce the minimum HRA balances to less than £3 million.

Background

1. At its last meeting, the Cabinet Committee requested a report to this meeting on how an accelerated Housebuilding Programme could be funded, and the associated implications. This was for four main reasons:

    (a) The proposed development at Burton Road, Loughton agreed at the last meeting - as Phase 2 of the Council Housebuilding Programme – can accommodate more than the 20 new homes planned within the Council's current HRA Business Plan for Phase 2.

The Cabinet Committee asked officers to seek to increase the number of properties proposed for the development, from the 31-33 homes presented by officers at the last meeting. A separate report on the agenda regarding the development of Burton Road provides two alternative schemes – providing either 42 or 56 new homes.

(b) As a result of the current high number of Right to Buy (RTB) sales being completed (53 sales in 2013/14, compared to the DCLG's expectations of 10 sales prior to the maximum discount being increased to £75,000), there is now a real risk that not all of the Council's "1-4-1 Receipts" (i.e. those that can be spent on new housebuilding, to replace those lost due to the RTB) will be able to be spent within the required 3 years of receipt, if the amount of housebuilding is not increased – since no more than 30% of development costs (works and fees) can be funded by 1-4-1 Receipts. This would mean that unspent 1-4-1 Receipts would need to be passed on to the Government, with interest (at a punitive rate), which the Council would want to avoid at all costs.

1-4-1 Receipts could be used to purchase properties from the open market, but separate funding would still be required to fund the other 70% of the purchase costs. Since the cost to the Council of purchasing properties from the open market is greater than developing on its own (free) land, it would be more economical to accelerate the Housebuilding Programme, than acquiring existing properties.

(c) The Cabinet Committee has indicated its wish for the Council to lever-in additional external funding for its Housebuilding Programme, by applying for Investment Partner status with the Homes and Communities Agency (HCA) and bidding for funding from the HCA's forthcoming Affordable Homes Programme – for which bids have to be submitted by 30th April 2014. In view of the risk relating to the use of 1-4-1 Receipts referred to in (b) above, it is likely that HCA funding could only be used if the Housebuilding Programme was accelerated.

There is a separate report on the agenda relating to the proposed application for HCA Investment Partner status and the proposed submission bids for HCA funding.

(d) In view of the continuing high need for affordable housing within the District, and the increasing loss of Council homes through the RTB, an accelerated Housebuilding Programme would be very welcome, if there is sufficient site capacity and it can be funded.

Accelerating the Housebuilding Programme

2. Accordingly, the Director of Communities has asked Simon Smith, the Council's HRA Business Planning Consultant from CIH Consultancy (who has advised the Council on its HRA business planning for many years) to provide a report on how an accelerated Housebuilding Programme could be funded, and the associated implications.

3. He was asked to base his report on the following:

- **Phase 1** - 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 42 or 56 homes, based on the optional proposals being out forward by the Project Team to this meeting under a separate agenda item

- **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.

4. In addition, CIH Consultancy was also asked to advise on the maximum amount for which HCA funding should be sought, in order to supplement the use of 1-4-1 Receipts, whilst ensuring that all 1-4-1 Receipts are spent within the required 3 years of receipt and none are passed on to the Government, with interest.

5. It should be noted that all the costs referred to within CIH Consultancy's report are based on Level 3 of the Code for Sustainable Homes (CSH). At its last meeting, the Cabinet Committee requested a report to this meeting on the costs and implications of constructing new Council homes to the higher CSH Level 4. Since there is currently some uncertainty, nationally, over the future relationship between the new Part L of the Building Regulations (introduced from April 2014) and the CSH, it is intended to bring a report on this matter to a future meeting of the Cabinet Committee, once the future of the CSH is clearer. However, if the CSH continues, and if all new Council homes are constructed to CSH Level 4, it will increase the costs significantly over the remaining 5-9 year period of the Programme, which will require additional funding to that identified within the CIH Consultancy report and covered by the above recommendations.

6. CIH Consultancy's report on the funding and associated implications of an accelerated Housebuilding Programme is attached as an appendix. By its very nature, being a complex subject with many variables and options to consider, the report is quite lengthy and number-intensive - but CIH Consultancy has strived to produce a report that is easy to follow and understand, if read carefully. **Simon Smith from CIH Consultancy will be attending the Cabinet Committee to present his report in person, and to answer members' questions.**

7. Based on the detailed information within CIH Consultancy's report, the Director of Communities has formulated the recommendations set out at the commencement of this report for the Cabinet Committee's consideration. Since most of the recommendations are outside the purview of the Cabinet Committee, they will require endorsement by the Cabinet.

Open Market Purchases and Local Authority Grant Contingency Plan

8. When the Cabinet authorised the Director of Communities to enter into the 1-4-1 Receipts Agreement with the Department of Communities and Local Government (DCLG) in June 2012, knowing the potential risk that the 1-4-1 Receipts may not all be utilised within the required 3 years, the Cabinet agreed that, should it be subsequently identified that sufficient 1-4-1 Receipts will not be spent before they have to be passed to the DCLG, a report should be submitted to the Cabinet at the earliest opportunity to consider their alternative use allowed by the agreement. It was agreed that this should include the possible acquisition of new Council homes on 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.

9. It is therefore suggested that such arrangements 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 Housebuilding Programme.

Development Strategy

10. In 2013, in accordance with its terms of appointment, the Council's Development Agent, East Thames, produced a Development Strategy for the Housebuilding Programme, which was adopted by the Cabinet.

11. It is a further requirement that East Thames updates the Development Strategy on an annual basis. It is therefore suggested that East Thames be asked to update the Development Strategy, once the outcome of the Council's bid to the HCA is known, taking account of any decisions made to accelerate the Housebuilding Programme and other relevant decisions made by the Cabinet Committee and Cabinet since the time the current Development Strategy was adopted.

HRA Financial Plan and Business Plan

12. It is a requirement that, for 2014/15, all of the Council's business plans are completed and signed-off by portfolio holders by 30th April 2014. The HRA Business Plan is always pre-scrutinised by both the Housing Scrutiny Panel and the Tenants and Leaseholders Federation, who are due to meet on 23rd and 24th April respectively.

13. Since the 30-Year HRA Financial Plan (also produced for the Council by CIH Consultancy) forms an important part of the HRA Business Plan, in order to meet this deadline – and since the Cabinet Committee's and Cabinet's decisions on possibly accelerating the Housebuilding Programme will not be known in time – it should be noted that it has been necessary to include an HRA Financial Plan within the HRA Business Plan 2014/15 that is based on the **current** Housebuilding Programme.

14. However, CIH Consultancy reviews and updates the HRA Financial Plan on a quarterly basis, so the outcome of any decisions on accelerating the Housebuilding Programme can be included within the Quarter 1 Update.

Resource Implications:

The financial resource implications are set out in detail within CIH Consultancy's report, attached as an Appendix.

The Housing Portfolio Holder has recently agreed to increase the amount of hours for the current part-time Housing Development Officer role. Part of the additional hours could be to be utilised to assist with an accelerated Programme.

Legal and Governance Implications:

The Cabinet Committee's Terms of Reference authorise it to oversee the delivery of the Housebuilding Programme, without the need to refer many decisions to the Cabinet. However, accelerating the Programme and increasing the required resources is outside of the Committee's Terms of Reference, so recommendations need to be made to the Cabinet for decision.

Safer, Cleaner and Greener Implications:

Most Council housebuilding will be on difficult-to-let garage sites, many of which are considered to be eyesores and attract fly-tipping and anti-social behaviour. Therefore, the development of more sites, more quickly, should result in them providing a safer, cleaner and more attractive environment.

All of the properties will be built to current Building Regulations, using modern materials, so they will be much more energy-efficient than existing Council homes.

Since all of the Council's difficult-to-let garage sites are on previously developed (i.e. "brownfield" land), it is preferable to new developments having to be provided on Green Belt land.

Consultation Undertaken:

The Council's Development Agent (East Thames), CIH Consultancy and the Council's Management Board have been consulted on this report, and any comments received have been incorporated.

Background Papers:

None.

Impact Assessments:

Risk Management

The following are the key identified risks, together with the proposals for mitigation. In addition, it should be noted that East Thames' consultants, Pellings LLP, maintain a Risk Register for the Programme, which is updated and reported to each meeting of the Cabinet Committee:

Risks	Mitigation
HCA funding is not received	• CIH Consultancy's report explains the funding requirements for scenarios where both HCA funding is and is not received
1-4-1 Receipts may not all be utilised within the required 3 years, requiring them to be passed to the DCLG with interest.	• The CIH Consultancy Report assesses the likely 1-4-1 Receipts to be received in 2014/15, and bases its proposals to ensure that they are fully spent within the required timescale • If necessary, Phases 3 onwards could be brought forward to incur expenditure earlier • Cabinet has already agreed a Contingency Plan, requesting that a report be submitted to the Cabinet at the earliest opportunity to consider their alternative uses allowed by the DCLG Agreement, including the acquisition of new Council homes on 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.

Other costs within the HRA increase, or income is less than expected, which materially and adversely affects the funding available for the Housebuilding Programme and the HRA generally.	• The Housing Improvements and Service Enhancements Fund is already considered as a “balancing fund” within the HRA, able to increase and contract on an annual basis, dependent on how much the HRA can afford to contribute to the Fund. Even after accounting for an accelerated Housebuilding Programme, there are still significant amounts of resources forecast to be available to the Fund, which could be utilised to cover the effects on increased expenditure or reduced income • It is proposed that at least £3 million be maintained as the minimum amount of HRA Balances – this could be reduced to £2 million (or less if absolutely necessary).
Contractual risks associated with a modest sized building programme	• Ensure that the appointment of works contractors is robust • Ensure that the Council’s risks are minimised through the appropriate Standard Contracts, suitably amended • Only utilise contractors that are on East Thames Framework Contractors List, who have been selected following a robust appraisal process
Significant budgetary overspends arise for construction works and/or fees	• Ensure robust consideration of development appraisals in the first instance • Include sufficient provision for contingencies • Ensure effective project management arrangements, to include identification of potential overspends early • Effectively monitor actual and forecast costs and existing and future funding sources • Report to each meeting of the Cabinet Committee on progress/costs/funding.
Development Agent does not perform to a satisfactory standard	• The appointment of the Development Agent and its consultants properly assessed East Thames’ and Pellings LLP’s ability to provide a good standard • The Development Agent was appointed on the basis of price ***and*** quality

	• The Evaluation Criteria at both the PQQ and Tender Stage were comprehensive, with key factors weighted appropriately • The Development Agent and Pellings LLP have been required to have sufficient Professional Indemnity Insurance • Appropriate provisions have been included within the Development Agent's contract to deal with unsatisfactory performance, including the determination of the contract
Contracts with either the Development Agent or works contractors are terminated whilst projects/works are in progress	• Collateral warranties are in place with the Development Agent's consultants, to enable EFDC to appoint them direct if necessary • Collateral warranties will be required from works contractors' consultants, to enable EFDC to appoint them direct if necessary • The Development Agent and consultants have been required to have hold sufficient Professional Indemnity Insurance
Worked-up schemes do not receive planning permission, or have to be aborted for other reasons, incurring abortive costs	• Ensure involvement of planning officers at early stages and ongoing, to receive advice on the planning merits • Ensure development feasibility studies are sufficiently detailed and robust to identify potential site problems

Equality and Diversity:

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

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

What equality implications were identified through the Equality Impact Assessment process

N/A

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

N/A

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Epping Forest District Council

Impact and Funding of Increasing the Provision of HRA Affordable Homes

March 2014

Introduction

In conjunction with our ongoing appointment to update the HRA Business Plan on a regular basis we have been requested to identify the impact and funding options for delivering additional affordable homes.

As a starting position we have used the last iteration of the HRA Business Plan presented to officers in which to assess the resources required and the options available to meet these.

In summary the Plan was based on delivering:

New Build Delivery:	Homes	Delivery by:	Cost:
Phase 1	23	Sept 2015	£4.087million
Phase 2	20	February 2016	£3.677million
Phase 3-6	80	Fy 2020.21	£11.746millon
Total	**123**		**£19.510million**

Funded By:

Right to Buy Receipts (1-4-1) Replacement (Projected)	£3.697million
Various (received) s106 monies	£0.668million
Land Sales	£0.087million
Area Growth Fund	£0.090million
Total	**£4.542million**

The balance of the cost of new build works is scheduled to be funded by the revenue resources from the rental stream within the HRA, without the need for borrowing or external grants. There is the potential for further contributions from s106 sites, where s106 agreements have been signed but development has not (yet) commenced, but at this stage they are not included.

In addition to providing new affordable homes the HRA can afford to contribute surplus funds for service enhancements, which has already been utilised since the introduction of self-financing. We have frequently revisited the availability of such funds and at present, based on the current resources allocated to the

Housebuilding Programme, these stand at (inclusive of the unallocated £0.570million currently already provided for):

Projected Service Enhancements (excluding inflation)

Service Enhancements Per Year	Yrs 3-6 £m	Yrs 7-11 £m	Yrs 12-16 £m	Yrs 17-21 £m	Yrs 22-30 £m	Total £m
Revised Forecast	1.420	3.870	7.570	8.570	9.570	**191.860**

(NB - Year 3 = 2015/16)

<u>The Considerations</u>

This briefing seeks to identify the costs and funding available to achieve the following:

Stage 1: The scheme identified as Phase 2 is currently estimated within the HRA Business Plan to provide 20 homes. The Council is currently considering increasing this number, with the final number to be agreed by members. Two scenarios being considered by the Development Team is a development of either 42 or 56 homes for Phase 2, which is the number of homes used for the purposes of this report. However, further financial scenarios can be provided for different numbers of new homes if the Council wishes.

From the latest figures provided by East Thames (inclusive of fees):

- a 42 home development is estimated to cost £6.857million, an increase of £3.180million (without provision for inflation).
- or a 56 home development is estimated to cost £8.572million, an increase of £4.895million (without provision for inflation).

Stage 2: Phases 3 to 6 also currently have an estimated 20 homes per phase, in which we test in this report the capacity for an increase to 30 homes per phase (120 in total instead of 80) which will increase the costs by £5.873million (excluding inflation).

Stage 3: A new set of phases (7 to 10) delivering 30 homes per phase (120 in total) with a new cost of £17.619million (again without provision for inflation).

<u>The Funding Options</u>

Borrowing: Currently the HRA debt (HRA CFR) stands at £153.575million against a Government imposed cap of £185.475million. Therefore this provides £31.9million of borrowing capacity, which can easily be obtained through the Public Works Loan Board (PWLB).

<u>Advantages</u>
Current interest rates are low and there is immediate borrowing capacity.

Disadvantages

The annual cost of borrowing c£27million would be c£1.2million per annum based on a 30 year loan facility. This would be partially offset by net rental income. However if the loan period was reduced the interest rates would mirror this.

Replacement 1-4-1 Balances

We have already utilised the estimated balance by the end of 2014.15 for the current new build programme. However if a further 10 properties were sold, under right to buy, this could release an estimated additional £0.727million for increasing the supply of homes. This is based on average values to date.

Advantages

This would have no adverse effects to the Business Plan and would save returning receipts to the Government with interest.

Disadvantages

It can only fund 30% of the cost of new build and all balances would have to be utilised by June 2018 and rely upon increased sales.

HRA Reserves:

The Business Plan is currently set to ensure that balances do not fall below £3million, which equates to £465 per unit. If this were to be reduced to c£300 per unit then the minimum balance could be reset to £2million, thus releasing £1.0million towards funding additional new homes. We are aware of authorities who use much lower levels of minimum balance, as low as £175 per unit.

Advantages

This would have little impact to the HRA Business Plan and is immediately available.

Disadvantages

There would be a minor reduction in interest receivable and the HRA is exposed to a greater revenue risk in terms of unforeseen revenue expenditure such as a one-off increase in repairs or adverse accounting adjustment.

Debt Repayment:

The HRA currently has a self-financing reserve in which an annual contribution of £3.180million is budgeted to be made in order to repay a loan facility of £31.8million in Year 2021.22. The profile of contributing to this reserve could be altered in which to release funds in earlier years by increasing the contribution in the years closer to 2021.22 in order to still repay the loan.

Advantages

Immediate resources are available from the reserve (£9.693million including 2014.15 contribution).

Disadvantages
Unforeseen expenditure in future years could prevent the higher payments to the reserve in later years in order to have sufficient funds to repay the £31.8million loan facility.

S106 Receipts: As part of our HRA Business Plan review we are aware that seven sites have signed Section 106 Agreements which, if they all come to fruition and the trigger points for payment reached, could release in excess of £2million to the Council in the next few years, which members have already agreed should be spent on Council Housebuilding.

Advantages
This would be at no cost to the HRA Business Plan.

Disadvantages
That these contributions may not materialise or are required to be committed to another registered provider.

HCA Grant: The HCA's Affordable Homes Programme prospectus has been released for 2015-18 with local authorities being eligible to bid for up to an indicative 30% towards the cost of providing new homes. The bids have to be submitted by 30 April 2014 with schemes requiring completion by March 2018.

Advantages
This would be at no impact to the HRA Business Plan.

Disadvantages
The Programme could be over subscribed meaning that a reduced grant could be payable. There is much administration involved in applying and having to demonstrate viability and value for money. The grant would have to be spent by March 2018 and firm schemes are required. More importantly the current 1-4-1 receipt guidance (and HCA funding prospectus) states that 1-4-1 receipts cannot be applied where there is an HCA grant in place for new properties. So in other words a property cannot be funded by both 1-4-1 receipts and HCA grant. However on the same site, the properties could be split specifically, for example 25% with grant and 75% funded by 1-4-1 receipts.

There is therefore a real danger that, as a result of too much HCA funding being used to fund Housebuilding instead of 1-4-1 receipts, some receipts are not utilised within the required 3 years and have to be passed on to the CLG, with interest.

Attributable Debt: As part of the reinvigoration of the right to buy policy sales are expected to exceed those in the self-financing settlement. For example by the end of 2013.14 19 sales were accounted for in the settlement (i.e. reducing the debt taken on) against a current forecast of 61 sales. Therefore the Government has allowed authorities through an ‘attributable debt’ mechanism to keep part of the receipt from sales (when they exceed the Government’s assumptions) to offset the impact of having debt which is attributable to those additional sold properties. The original intention was to use this receipt to reduce the HRA CFR but latest accounting regulations have now allowed them to be treated as ‘unallocated capital receipts’ meaning that they can be used for either HRA or General Fund Purposes.

The balance for these attributable debt receipts currently stands at £0.896million and could be £1.230million by the end of 2014.15. If sales meet the 20 estimate for 2014.15 this would increase to £1.483million or £1.774million if sales of 30 are achieved.

As with many other authorities the receipt is being held as an ‘unallocated receipt’ in Epping Forest (with interest being received by the General Fund). The principal reason for this is that up to 70% of this could be reclaimed in future years by CLG if right to buy sales start falling below the assumed sale numbers. The mechanism for this will be to reduce the receipt that authorities can retain from future receipts as part of their capped share. So in effect, the attributable debt could potentially be viewed as receiving receipts in advance.

Given that up to 70% could be recovered, Epping Forest still have the potential use of a minimum of 30% of the attributable debt element of the accumulated receipt. In the past, the majority of un-pooled right to buy receipts have funded General Fund capital programmes. Consideration could be given to allowing the HRA to utilise 30% of these balances, particularly as the reduction in receipt was to offset the impact of these sales. Therefore 30% equates to estimated balances of £0.369million (for 2013.14), £0.445million (for 2014.15) which could increase to as much as £0.532million, if sales reach 30 in 2014.15.

Advantages
There is no impact to the HRA Business Plan.

Disadvantages
Using these resources is at the potential expense of the General Fund’s future capital programme and loss of interest on the unallocated receipt – although it could be seen as the HRA re-using the value of the lost income to the HRA resulting from right to buy sales, in order to fund replacement HRA properties. A higher number of right to buy sales would be required to achieve a greater value in available resources.

Enhancements: Currently a total provision of £1.42million per annum is available as unallocated resources for service enhancements. This rises to an annual provision of £3.870million from year 6 (2019.20). The increase of service enhancements could be reduced to facilitate funding for additional new homes. These values exclude inflation.

Advantages
This would be an easy choice in terms of either reducing the increased resources available for investment in existing services and stock or in the provision of affordable new homes.

Disadvantages
Without reducing the resources available for service enhancements for 2015.16 to 2018.19 using this option will only provide for additional funds from 2019.20.

Suggested Ranking of Funding Options

When considering the above options and their advantages and disadvantages in respect of the HRA Business Plan we have set out a proposed ranking for which options should be considered first. They are as follows:

1. Use of (and additional) 1-4-1 receipts
2. Reduce HRA balances to £2million
3. S106 Monies (as and when they become available)
4. Use of 30% Attributable Debt receipts
5. HCA Grant
6. Re-profile of HRA self-financing reserve (still to repay loan facility by 2022)
7. Reduction of Service Enhancements
8. Additional Borrowing

These are now considered for each of the identified stages for funding additional new build.

Funding Stage 1 (Phase 2)

This specifically relates to Phase 2 by increasing the density of the site from 20 homes to either 42 or 56 and no amendments to the currently planned 80 homes in Phase 3 and 23 homes in Phase 1.

In this scenario we have also modelled the effects of both 20 and 30 right to buy sales occurring in 2014.15.

For funding Stage 1 we have specifically considered 2 options from the outset, applying the ranking as above:

Option A: Fully utilise 1-4-1 receipts, re-profile HRA self financing reserve contributions and utilise the 30% of the accumulated attributable debt for Phases 1, 2 & 3

Option B: Apply for HCA Grant for part of Phase 2, utilise 1-4-1 receipts for the remainder of Phase 2 and Phases 1 & 3, re-profile HRA self-financing reserve contributions and utilise the 30% of the accumulated attributable debt to fund the subsequent shortfalls

Option A1: 42 Units Phase 2 Spend & Funding Profile (inclusive of inflation)

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	Total
Spend									
Phases 1 & 2	£0.107m	£3.145m	£5.605m	£2.288m					£11.145m
Phase 3-6 (Orig)			£0.131m	£2.345m	£3.163m	£3.247m	£3.164m	£0.824m	£12.874m
Funding									
1-4-1 Receipt (20)	£0.032m	£0.943m	£1.721m	£1.001m					£3.697m
1-4-1 Receipt (30)	£0.032m	£0.943m	£1.721m	£1.390m	£0.339m				£4.425m
Attble Debt (20)		£0.445m							£0.445m
Attble Debt (30)		£0.533m							£0.533m

Option A2: 56 Units Phase 2 Spend & Funding Profile (inclusive of inflation)

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	Total
Spend									
Phases 1 & 2	£0.107m	£3.214m	£5.934m	£3.680m					£12.935m
Phase 3-6 (Orig)			£0.131m	£2.345m	£3.163m	£3.247m	£3.164m	£0.824m	£12.874m
Funding									
1-4-1 Receipt (20)	£0.032m	£0.964m	£1.820m	£0.881m					£3.697m
1-4-1 Receipt (30)	£0.032m	£0.964m	£1.820m	£1.609m					£4.425m
Attble Debt (20)		£0.445m							£0.445m
Attble Debt (30)		£0.533m							£0.533m

Based on the revised spend profile for delivering either 42 or 56 homes for Phase 2 and 80 homes (as previously modelled) in Phases 3 to 6 and utilising;

- 100% of the 1-4-1 receipts
- Reducing the HRA minimum balance from £3million to £2million
- 30% of the attributable debt reserve

The resulting funding shortfalls are as follows ("Sales" refers to the number of RTB sales that may arise in 2014/15, some of which can be utilised as 1-4-1 receipts):

A1: 42 Units		A2: 56 Units	
20 Sales	30 Sales	20 Sales	30 Sales
£0.89m	**£0.32m**	**£2.05m**	**£1.48m**

If s106 receipts were to materialise (possibly up to £2million) then this would be sufficient to cover all or the majority of the shortfall in either scenario for the right to buy sales.

Our first suggested resource would be to re-profile the contribution to the self-financing reserve which would result in a reduced shortfall as follows:

A1: 42 Units		A2: 56 Units	
20 Sales	30 Sales	20 Sales	30 Sales
£0.41m	**-**	**£1.40m**	**£0.92m**

In either scenario of sales numbers or units delivered we have ensured that there are sufficient balances in the self-financing reserve to repay the loan in 2021.22.

If the s106 receipts did not materialise we would then suggest a one-off reduction, equivalent to the estimated maximum shortfall of £1.4million, from the projected service enhancement budget for Year 7 of £3.87million to fund the shortfall, which would still provide for an increase over and above the service enhancement budget for Year 6. Service Enhancements could continue then at £3.87million from Year 8 or, alternatively, the reduction could be spread from Years 7 to 9 as the re-profiled contribution to the HRA self-financing reserve would provide for this.

Option B1: 42 Units Phase (12 Units HCA Grant)
Spend & Funding Profile (inclusive of inflation)

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	Total
Spend									
Phases 1 & 2	£0.107m	£3.145m	£5.605m	£2.288m					£11.145m
Phases 3-6 (Orig)			£0.131m	£2.345m	£3.163m	£3.247m	£3.164m	£0.824m	£12.874m
Funding									
1-4-1 Receipt (20)	£0.032m	£0.918m	£1.336m	£1.194m	£0.217m				£3.697m
1-4-1 Receipt (30)	£0.032m	£0.918m	£1.336m	£1.194m	£0.945m				£4.425m
Attble Debt (20)		£0.445m							£0.445m
Attble Debt (30)		£0.533m							£0.553m
HCA Grant (30)			£0.075m	£0.075m					£0.150m

Option B2: 56 Units Phase (24 Units HCA Grant)
Spend & Funding Profile (inclusive of inflation)

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	Total
Spend									
Phases 1 & 2	£0.107m	£3.214m	£5.934m	£3.680m					£12.935m
Phase 3-6 (Orig)			£0.131m	£2.345m	£3.163m	£3.247m	£3.164m	£0.824m	£12.874m
Funding									
1-4-1 Receipt (20)	£0.032m	£0.916m	£1.200m	£1.334m	£0.215m				£3.697m
1-4-1 Receipt (30)	£0.032m	£0.916m	£1.200m	£1.334m	£0.943m				£4.425m
Attble Debt (20)		£0.445m							£0.445m
Attble Debt (30)		£0.533m							£0.533m
HCA Grant (30)			£0.150m	£0.150m					£0.300m

Under this option we have assumed that HCA grant will be payable on either **12** of the 42 homes or **24** of the 56 homes for Phase 2 at £12,500 per unit on the basis of 30 right to buy sales in 2014.15. This assumes that 1-4-1 receipts will be attributed to the remaining homes on this scheme in addition to Phases 1 and 3 to 6.

The reason for proposing such a low number of homes to be sought and funded from HRA grant is the risk of the possibility of having to return 1-4-1 receipts to the Government. Under current legislation the 1-4-1 receipts have to be utilised on up to 30% of new build expenditure within a 3 year period. If this not achieved then the element not utilised is returned with interest.

Given the expenditure profile for Phases 3 to 6 there is still a risk that, should HCA grant be received¸ it may require expenditure for these latter phases to be brought forward to negate this risk.

Using these assumptions for HCA grant funding, reducing the HRA minimum balance to £2million, applying 1-4-1 reserves where possible and utilising the 30% of the attributable debt reserve there are still the following funding shortfalls:

B1: 42 Units		B2: 56 Units	
20 Sales	30 Sales	20 Sales	30 Sales
£0.73m	**£0.17m**	**£1.74m**	**£1.18m**

Again if s106 receipts were to materialise then this may be sufficient to cover all or part of the shortfall in either scenario for the right to buy sales.

Our first suggested resource, as in option A, would be to re-profile the contribution to the self-financing reserve, which would result in the following reduced shortfalls:

B1: 42 Units		B2: 56 Units	
20 Sales	30 Sales	20 Sales	30 Sales
£0.26m	**-**	**£1.11m**	**£0.65m**

In either scenario we have again ensured that there are sufficient balances to repay the loan in 2021.22.

If the s106 receipts did not materialise we would suggest a one-off reduction of up to £1.11million from the projected service enhancement budget for Year 7 of £3.87million to fund the shortfall. Service Enhancements could continue then at £3.87million from Year 8 or, alternatively, the reduction could be spread from Years 7 to 9 as the re-profiled contribution to the self-financing reserve would provide for this.

<u>Funding Stage 2 (Phases 3-6)</u>

In this instance we have purely applied a pro-rata increase to the costs of Phases 3 to 6 to allow for an additional 40 homes to be built within the same time frame (4 years) as allocated before.

We have modelled the two options again in terms of applying for HCA grant or not for Phase 2.

Option A1: Phase 3 (120 Units) Phase 2 (42 Units)
Spend & Funding Profile (inclusive of inflation)

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	Total
Spend									
Phases 1 & 2	£0.107m	£3.145m	£5.605m	£2.288m					£11.145m
Phases 3-6			£0.197m	£3.518m	£4.745m	£4.871m	£4.746m	£1.235m	£19.312m
Funding									
1-4-1 Receipt (20)	£0.032m	£0.943m	£1.741m	£0.981m					£3.697m
1-4-1 Receipt (30)	£0.032m	£0.943m	£1.741m	£1.709m					£4.425m
Attble Debt (20)		£0.445m							£0.445m
Attble Debt (30)		£0.533m							£0.553m

Option A2: Phase 3 (120 Units) Phase 2 (56 Units)
Spend & Funding Profile (inclusive of inflation)

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	Total
Spend									
Phases 1 & 2	£0.107m	£3.214m	£5.934m	£3.680m					£12.935m
Phases 3-6			£0.197m	£3.518m	£4.745m	£4.871m	£4.746m	£1.235m	£19.312m

Funding									
1-4-1 Receipt (20)	£0.032m	£0.964m	£1.839m	£0.862m					£3.697m
1-4-1 Receipt (30)	£0.032m	£0.964m	£1.839m	£1.590m					£4.425m
Attble Debt (20)		£0.445m							£0.445m
Attble Debt (30)		£0.533m							£0.553m

By assuming;

- The full application of 1-4-1 receipts above
- Reducing the HRA minimum balance to £2million
- Use of 30% of the attributable debt reserve,
- The re-profiling of the HRA self-financing reserve (ensuring balances for the debt repayment scheduled)
- No reduction in service enhancements

There are the following funding shortfalls:

A1: Ph3-6 120 Units Ph2 42 Units		A2: Ph3-6 120 Units Ph2 56 Units	
20 Sales	30 Sales	20 Sales	30 Sales
£6.21m	**£5.72m**	**£7.27m**	**£6.78m**

This is on account of the build costs increasing by £6.438million (inclusive of inflation), due to the additional 40 homes.

Even if the unaccounted for s106 receipts (in excess of £2million) were applied, it would be insufficient to cover these shortfalls.

In order to fund this shortfall the annual service enhancement provision for Years 7 to 9 of £3.87million could be reduced by between £1.90million and £2.42million per year (depending on the no. of RTB sales and which option is pursued for Phase 2) to balance this position. This would still provide for either an increased or equivalent provision compared to Years 2 to 6 of the Plan.

This would negate the need to use short-term borrowing.

Option B1: Phase 3 (120 Units) Phase 2 (HCA Grant 28 on 42 Units)
Spend & Funding Profile (inclusive of inflation)

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	Total
Spend									
Phases 1 & 2	£0.107m	£3.145m	£5.605m	£2.288m					£11.145m
Phases 3-6			£0.197m	£3.518m	£4.745m	£4.871m	£4.746m	£1.235m	£19.312m
Funding									
1-4-1 Receipt (20)	£0.032m	£0.883m	£0.843m	£1.284m	£0.655m				£3.697m
1-4-1 Receipt (30)	£0.032m	£0.883m	£0.843m	£1.284m	£1.383m				£4.425m
Attble Debt (20)		£0.445m							£0.445m
Attble Debt (30)		£0.533m							£0.553m
HCA Grant (30)			£0.175m	£0.175m					£0.350m

Option B2: Phase 3 (120 Units) Phase 2 (HCA Grant 40 on 56 Units)
Spend & Funding Profile (inclusive of inflation)

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	Total
Spend									
Phases 1 & 2	£0.107m	£3.214m	£5.934m	£3.680m					£11.145m
Phases 3-6			£0.197m	£3.518m	£4.745m	£4.871m	£4.746m	£1.235m	£19.312m

Funding									
1-4-1 Receipt (20)	£0.032m	£0.885m	£0.807m	£1.371m	£0.602m				£3.697m
1-4-1 Receipt (30)	£0.032m	£0.885m	£0.807m	£1.371m	£1.330m				£4.425m
Attble Debt (20)		£0.445m							£0.445m
Attble Debt (30)		£0.533m							£0.553m
HCA Grant (30)			£0.250m	£0.250m					£0.500m

For this option we have assumed that HCA grant will be payable on **28** of the 42 homes or **40** of the 56 homes for Phase 2 at £12,500 per unit without the potential for repayment of 1-4-1 receipts to the Government due to the spend profile. The 28 homes is an increase on the 12 homes identified for HCA funding in Stage 1 due to the increased assumed spend in Phases 3 to 6, thus utilising the 1-4-1 receipts earlier.

By assuming:

- The full application of 1-4-1 receipts above
- Reducing the HRA minimum balance to £2million
- Use of 30% of the attributable debt reserve
- The re-profiling of the HRA self-financing reserve
- No reduction in service enhancements

There are the following funding shortfalls:

B1: Ph3-6 120 Units Ph2 42 Units		B2: Ph3-6 120 Units Ph2 56 Units	
20 Sales	30 Sales	20 Sales	30 Sales
£5.84m	**£5.38m**	**£6.73m**	**£6.26m**

Again, even if the unaccounted for s106 receipts (in excess of £2million) were applied this again would be insufficient to cover this.

In order to fund this shortfall the annual service enhancement provision for Years 7 to 9 of £3.87million could be reduced by between £1.79million and £2.24million per year to balance this position, which is an increase over the Year 6 provision.

There would be no need with this approach to borrow in the short-term as with the scenario with no HCA grant funding.

Funding Stage 3 (Additional Phases beyond Phase 6)

This stage introduces new phases of Housebuilding beyond the current 6 years, based on a further 4 phases of 30 homes each.

In terms of assessing the funding required we have mirrored Phases 3 to 6, though delaying each phase by 2 years, so expenditure on Phase 7 commences in 2017.18.

Spend Profile (inclusive of inflation)

	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	Total
Phases 3-6	£0.197m	£3.518m	£4.745m	£4.871m	£4.746m	£1.235m			£19.312m
Phases 7-10			£0.207m	£3.695m	£4.985m	£5.118m	£4.986m	£1.298m	£20.289m

For this analysis we have assumed that no 1-4-1 receipts are available, given that the assumed start date commences in 2017.18.

Given that the variances (of £0.34million to £0.54million) between the options to use HCA grant funding or not are not too significant, and given that the later expenditure profile of Phases 7 to 10 will not affect 1-4-1 receipts, we have elected for illustrative purposes to show the projected shortfall on the basis of no HCA grant funding on Phase 2 as this provides for the greater deficit.

In addition we have assumed that both Stages 1 and 2 have been implemented and funded by the necessary reductions to the service enhancements identified above.

Therefore applying:

- The full use of 1-4-1 receipts
- A reduction of the HRA minimum balance to £2million
- Use of 30% of the attributable debt reserve
- Re-profiling the self financing reserve as necessary
- No further reduction in service enhancements (beyond that required to fund Stage 2) from Year 6 (2018.19) onwards

There are the following projected funding shortfalls:

A1: Ph3-10 240 Units Ph2 42 Units		A2: Ph3-6 120 Units Ph2 56 Units	
20 Sales	30 Sales	20 Sales	30 Sales
£17.07m	**£17.24m**	**£17.65m**	**£17.78m**

Note: The shortfall for the higher number of sales in 2014.15 is higher on account that a greater value of service enhancements is allocated for Years 7 to 9.

We see three solutions to funding these shortfalls:

1. Instead of the (reduced) increase of service enhancements due in Year 7 (2019.20) the provision remains the same as previous years (£1.420million) through to Year 9. This would reduce the above shortfalls to between **£15.30million** and **£16.91million**.

   Further borrowing (to that already taken out for the current PWLB loans) would be required to fund this remaining shortfall but, through a combination of not increasing the service enhancement provisions in Years 10 and 11 and by re-profiling the contributions to the HRA self-financing reserve from Year 10, there are sufficient resources to repay the borrowing required from Year 6 by Year 11 of the Plan, allowing for interest charges. The required level of borrowing would reduce if s106 receipts materialise.

2. If service enhancements (marginally due to funding Stage 2) increase in Year 7 and then in Year 12, as originally intended, then the borrowing requirement to meet the above shortfalls of **£17.07million** to **£17.78million** could be repaid by Year 14, again allowing for interest. Again this could be offset by potential s106 monies.

3. If borrowing is considered a last resort then by excluding all service enhancements from Year 3 to Year 9, so that Stage 2 would not be fully funded, the combined shortfalls of Stages 2 and 3 would still materialise at between **£3.81million** and **£5.35million**.

   Whilst there is the possibility of future s106 monies this will still leave a shortfall that can only be funded by short-term borrowing or by delaying of the Housebuilding programme to accommodate this.

   In addition, not only would this solution mean that no service enhancements could be undertaken from Year 3, by eradicating the service enhancement budget it will provide no contingency cover should HRA expenditure increase in the future above the assumptions within the Business Plan. Indeed, it has been necessary for the Council to use the Service Enhancement Fund as a contingency, and reduce the amount that could be spent on service enhancements, for two years now, in order to fund additional costs arising outside of its control (e.g. the Government's cessation of its Rent Convergence Policy).

Conclusion

This report provides the detail in terms of the additional cost for providing a greater number of affordable new homes in the HRA and how they can be funded. Before using additional borrowing for Stages 1 and 2, we have exhausted all reasonable avenues the HRA could take to fund such programmes by following our suggested order or ranking.

It is our conclusion that the HRA (as part of our Stage 1 and 2 analysis) could deliver an additional 62 or 76 homes (dependant on the number of homes pursued for Phase 2) without the need for borrowing, at the expense of reducing the service enhancements increase in Year 7 by between £1.79million and £2.24million (if HCA funding sought) or from future s106 receipts (dependant on whether developments come to fruition and payment trigger points reached) and assumptions around HCA funding and the number of right to buy sales.

If the HRA wished to further extend its new build programme by a further 120 homes (Stage 3 - with building commencing in 2017.18 over a 4 year period) the HRA could finance this through short-term borrowing of between £15.30million and £16.91million whilst still maintaining the current service enhancement provision up to and including Year 11, but being able to repay this within this timeframe. There are other borrowing and funding options that could be considered.

However, it should be noted that no decisions need to be made by the Council yet on whether or not to extend the Housebuilding Programme beyond Phase 6, or how such an extension should be funded.

The projections and analysis contained within this report are based on current assumptions around future inflation and build costs and are therefore subject to change as the business plan evolves.

Simon Smith
March 2014

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Report to the Council Housebuilding Cabinet Committee

Epping Forest District Council

Report reference: ***CHB-016-2013/14***
Date of meeting: ***17 April 2014***

Portfolio: **Housing**

Subject: **Package (Year) Two Feasibility Report – Council Housebuilding Programme**

Responsible Officer: **Paul Pledger, Asst. Director (Housing Property and Development) (01992 564248)**

Democratic Services Officer: **Jackie Leither (01992 564756)**

Recommendations:

(1) That the Committee consider the two alternative development feasibility options for the Burton Road Site, Loughton and approve either of the 42-home scheme or the 56-home scheme to progress to detailed planning stage, and if planning permission is received the invitation of tenders as Phase Two of the Council's Housebuilding Programme;

(2) That it be noted that the estimated capital investment required to deliver either a scheme consisting of 42 or 56 new affordable rented Council properties in Phase Two, is around £7.1m or £8.9m respectively, including fees and works;

(3) That an estimated subsidy of £1.638m for a 42-home scheme or £1.512m for a 56-home scheme be set aside for Phase Two in order to achieve a pay-back of 30 years with a positive Net Present Value (NPV) as required by the Council's Development Strategy;

(4) That consideration be given to whether or not a financial contribution to Essex County Council and the NHS to fund education and / or healthcare should be included as part of the resultant planning permission and if so, that the Housing Portfolio Holder be delegated authority to negotiate with Essex County Council and the NHS over an appropriate level of contribution for education and health for inclusion in any Unilateral Undertaking;

(5) That, subject to Secretary of State consent, the former garage site and associated amenity land at Burton Road, identified for the development of Council Housebuilding, be appropriated for planning purposes under provisions laid out in the Local Government Act 1972 and Town and Country Planning Act 1990 on the grounds that the land is no longer required for the purposes for which it is currently held in the Housing Revenue Account; and

(6) That the Housing Portfolio Holder be authorised to submit a detailed planning application for the Burton Road development site.

Executive Summary:

The feasibility studies presented incorporate two separate schemes that could deliver either a 42-home scheme with 100% parking allocation or a 56-home scheme with 100% parking for the houses and ground-floor flats where they meet lifetime homes standards. Each scheme takes account of the Council's Development Strategy, Design Standards and Employers Requirements. Financial viability assessments have also been undertaken for each of the two options. In total, this single site could deliver either 42 or 56 affordable Council dwellings for rent at a total estimated cost of around £7.1m or £8.9m respectively, using £1.638m or £1.512m subsidy to achieve a 30-year pay-back and a positive NPV.

Reasons for Proposed Decision:

At its last meeting, the Cabinet Committee considered a feasibility study for a 31-home scheme at Burton Road, Loughton as Phase Two of the Council's Council Housebuilding Programme. However, it was resolved 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 sites town centre location, good local shopping facilities and public transport infrastructure. Appropriating the land will override any third party access claims which may frustrate the Council's objectives for redevelopment.

Other Options for Action:

1. Not to progress with either of the schemes presented in this report and revert to the 31-home scheme considered by the Cabinet Committee in February 2014.

2. To develop the site with a different number of homes, or with an alternative mix of property types or parking allocation.

3. Not to progress with any of the three schemes for this site and consider alternative sites to make up Phase Two.

4. Not to appropriate the land and take the risk that a third party will not try to prevent the development by laying claim to a long established right of access across the land.

Background

1. Attached at appendix 1 and 2 are two separate feasibility studies, which consider the redevelopment of the Council's former Depot, garages and amenity sites in Burton Road, Loughton, which has previously been identified as a potential housing redevelopment in the Broadway Redevelopment Master Plan and, at its last meeting, the Cabinet Committee agreed should be included within the Council Housebuilding Programme. These two feasibility studies have been developed to reflect the Cabinet Committee's instruction to revisit the design presented and to increase the housing density on the site to take advantage of this sustainable town centre location with good public transport infrastructure and easy access to a range of local shops and supermarkets. One feasibility study is based on a 42-home scheme, and the other a 56-home scheme. The proposal from the Project Team to the last meeting was for 31-33 homes

2. Also attached at Appendix 3 is an Investment Report for the two development options for Phase Two of the works.

3. The Cabinet Committee's attention is drawn to the following outcomes contained within the Investment Report, and from pre-application advice received from the Council's Planning Officers:

a. 42-home scheme

- The Total Scheme Costs for a 42-home scheme is £7.1m, made up of £6.3m works costs and £800,000 fees.
- The scheme is made up of 9 houses (2 and 3 storey) and 33 flats (3 storey blocks) all to be let at affordable rents.
- This scheme incorporates 100% parking (42 spaces) i.e. 1 parking space per property.
- The total area of amenity space for the flats incorporated in the design equates to 750m², equivalent to 23m² per flat.
- The financial target of loan repayment in Year 30 can be achieved providing it receives subsidy of £1.638m.
- The main comments from the Planning Officers as part of the Pre-Application Process are:
    - There is an over-dominance associated with the parking i.e. the parking is grouped in two main large parking areas which dominates the design and is not integrated into the layout. However, no highway safety issues are foreseen with the parking as shown.
    - The level of parking provision (100%) is considered unnecessary for such a sustainable location.
    - The layout does not reflect the strong architectural features found locally, particularly with the “sweeping crescent” effect seen along The Broadway. This comment was particularly in relation to the frontage to the flats which does not follow the same building line of the houses. This can easily be resolved through a revised layout.
    - The amount and location of private amenity space is acceptable. The maintenance and improvement of the public footpath through the site is an important component of the scheme, which integrates with the residential area to the south. Approval will be needed from Essex County Council to vary the alignment of the footpath.
    - A contribution towards education and healthcare will normally be required for such a development in this location and density and that a Unilateral Undertaking on this issue would be required as part of any application.
    - Subject to a revised layout, and the outcome of consultation, a planning application on this basis could be recommended for approval.

b. 56-home Scheme

- The Total Scheme Costs for a 56-home scheme is £8.9m, made up of £7.9m works costs and £1m fees.
- The scheme is made up of 18 houses (2 and 3 storey) and 38 flats (3 and 4 storey blocks) all to be let at affordable rents.
- This scheme incorporates 100% parking for the houses and 100% parking for the ground-floor flats only, which meet Lifetime Homes Standards. There is no parking for flats at first-floor and above. The total parking provision is 28 spaces (50% for the scheme overall)
- The total area of amenity space incorporated in the design equates to 880m², equivalent to 23m² per flat.
- The financial target of loan repayment can be achieved in Year 30, providing it receives subsidy of £1.512m.
- Comments from the Planning Officers as part of the Pre-Application Process are:

- This scheme overcomes the dominance of the parking areas incorporated in the 42-home schemes by eliminating the large areas of parking and integrating the parking throughout the design.
- The level of parking provision is considered by the Planning Officers to be more appropriate for such a sustainable location.
- No highway safety issues are foreseen.
- The amount and location of private amenity space is acceptable. The maintenance and improvement of the public footpath through the site is an important component of the scheme, which integrates with the residential area to the south. Approval will be needed from Essex County Council to vary the alignment of the footpath.
- The layout is a much improved townscape to the 42-home scheme with a more robust frontage to Burton Road. It provides much better definition of space.
- A contribution towards education and healthcare will normally be required for such a development in this location and density and that a Unilateral Undertaking on this issue would be required as part of any application.
- The distances between buildings are acceptable, but there is potential for excessive overlooking of adjacent gardens. However, this could be overcome with more detailed designs, which would need to be assessed further once more detailed drawings become available.
- Subject to the outcome of consultation, a planning application on this basis could be recommended for approval.

4. It should be noted that as a comparison, there is <u>no</u> parking allocation for existing residents within the flats above the shops along The Broadway, and residents are eligible to apply for and purchase resident parking permits. This approach would apply to residents of the new properties in Burton Road when built.

5. At its last meeting in February 2014 the Cabinet Committee agreed that the Burton Road site be developed as package two. However, the Cabinet Committee instructed Officers to revisit the design and to increase the housing density on the site to take advantage of this sustainable town centre location. Based on the two designs and accompanying financial appraisals presented with this report, the Cabinet Committee is now asked to decide which scheme should be developed and submitted for detailed planning application.

6. Subject to which scheme is approved, it is recommended that the appropriate level of subsidy requirement be allocated to Phase Two in order to achieve a 30-year loan repayment period, being either £1.638m for the 42-home scheme or £1.512m for the 56-home scheme.

<u>Appropriation of the Site</u>

7. The Council holds property for various statutory purposes in order to provide its various functions. Such land is used only for the purpose of the function for which it was originally acquired, until such time as the land is disposed of or “appropriated” for another use.

8. Appropriation is the procedure under the Local Government Act 1972 and Town and Country Planning Act 1990 to change the purpose for which the land is held for one statutory purpose to another, provided that the land is no longer required for the purpose for which it was held immediately before the appropriation. The consent of the Secretary of State is required to appropriate the land.

9. The Council wishes to see the Burton Road site redeveloped for the specific purpose of residential accommodation on a site which previously was used for garages and grassed amenity land, which in the current usage the former are not fit for that purpose. By appropriating the site for planning purposes, the Council will be able to secure its redevelopment and future use by relying on the statutory provisions relating to the redevelopment and disposal of the land held for planning purposes.

10. There is a risk that the proposed re-development scheme may be frustrated by third party rights, which would in turn frustrate the Council's regeneration objectives for the site. By appropriating land, once planning permission is obtained, the rights of affected third parties can be overridden to the extent that they become an entitlement to compensation rather than a right to obtain an injunction to prevent the scheme.

Resource Implications:

£7.1m or 8.9m (dependant on the option approved by the Committee) from the existing Capital Programme for 2014/15 and 2015/16 inclusive of works and fees, using £1.638m or £1.512m subsidy(again, dependant on the option approved by the Committee) in line with the Council's Development Strategy for the Housebuilding Programme.

Legal and Governance Implications:

Within its Terms of Reference, the Housebuilding Cabinet Committee is expected to consider each site and package of works and approve it to progress to detailed planning stage.

The means by which land is appropriated for the purpose of change of use is laid down in the Local Government Act 1972 and Town and Country Planning Act 1990.

Safer, Cleaner and Greener Implications:

The site being considered currently has garage blocks, rented to garage tenants, but not necessarily adjacent to the blocks. A large proportion of the site contains a former Council depot and garages which are either vacant or not used to park vehicles (Source: ECC Parking Standards) Redeveloping this former depot site, garages and amenity land will add value to and enhance the local environment and streetscape.

Consultation Undertaken:

Local Ward Councillors have been consulted on a previous scheme. They will again be consulted at the meeting on the two alternative schemes being put forward.

Background Papers:

Development Strategy, Policy on Funding the Housebuilding Programme

Impact Assessments:

<u>Risk Management</u>

Within the financial viability assessment, the greatest risks are that the assumptions prove to be incorrect resulting in each phase being un-viable.

These risks are mitigated by the Council being able to either add more subsidy or not to progress the works beyond the planning stage.

In addition, a site specific risk register has been compiled and included within the individual feasibility reports.

There is a risk that the proposed re-development scheme may be frustrated by third party rights, which would in turn frustrate the Council's regeneration objectives for the site. By appropriating land, once planning permission is obtained, the rights of affected third parties can be overridden to the extent that they become an entitlement to compensation rather than a right to obtain an injunction to prevent the scheme.

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

Epping Forest District Council **Investment Report** **Decision Item**	Epping Forest District Council www.eppingforestdc.gov.uk

Report to	**Council Housebuilding Cabinet Committee**
Date	**31st March 2014**

Subject	**Phase 2 Update**
Author	**Georg Herrmann – East Thames Group**

1.0 Executive Summary

1.1 This report provides an update for phase 2 of the Council House Building Programme.

1.2 Phase 2 will consist of one scheme, the Burton Road scheme in Debden which, as previously reported will deliver 31 units.

1.3 Two further proposals have been worked up in consultation with the planning department, option 2 to deliver 42 units and option 3, 56 units.

1.4 Option 2 requires a subsidy of £1.638 million in order to achieve loan repayment in Year 30 and option 3 a subsidy of £1.512 m.

1.5 Rents are based on the Council's Affordable Rents Policy. A Rent Cap has been applied of £180 per week for all the 3 bed houses. Rents for one bed flats of £119.58 and for two bed flats of £165.58 are based on market rents of £650 and £900 per month respectively.

2.0 Scheme Description

2.1 The site essentially consists of a long strip of land and is situated between residential flats to the rear and an access road (including bus waiting area and bus stop/stand) directly in front. It comprises of an unused garage site (and former Council depot) on its eastern side, a path and grassed area with some small trees in the middle, a hard surfaced parking area and further garage site (partly used) on the western side. At its western and eastern ends the site adjoins the rear gardens of neighbouring houses.

2.2 In addition, the south west area of land also contains an area of land that is leased to Stobart Properties Limited and sub-let by them to Sainsbury's Properties Limited. This leasing arrangement is in the process of surrender and this section of land has been incorporated into the proposal. There is a pedestrian Right of Way through the site, running North to South which will be maintained. See feasibility report in appendix 1

2.3 Two further proposals, option 2 and 3 have been developed. All houses will have individual gardens, and flats communal amenity space.

2.3.1 Burton Road, option 2 and 3

	Option 2	Option 3
1 bed flats	12	14
2 bed flats	21	20
2 bed houses	4	2
3 bed houses	5	16
Total	**42**	**56**
Car parking spaces	42	28

2.4 **Current Use**

2.4.1 There are currently 43 garages on this site, and no additional informal parking at the front as this would restrict access to the garages. 24 garages are located in the fenced-off area of the former Council Depot and cannot be used anymore. 19 garages are remaining on the site out of which 2 garages are currently void. In total, 26 out of 43 garages are not in use which results in a void rate of 60.5%.

2.5 **Costs**

2.5.1 Total scheme costs for option 2 is £7.1m comprising works costs of £6.3m and for option 3 total scheme costs of £8.9m with works costs of £7.9m. Option 2 requires a subsidy of £1.638m in order to achieve loan repayment in year 30 and option 3, a subsidy of £1.512m.

2.5.2 Pellings indicative estimate of costs assumes a build cost rate of £1,350 per m2 for flats and 1,250 per m2 for houses. This cost estimate is considered to be robust and appropriate, compared to projects of similar size and scope let within the last 12 months. Allowances have been made for demolition, asbestos removal, abnormal costs, contractor's design fees, overheads and profits.

2.5.3 A detailed cost breakdown and copies of the financial modelling are to be found in the appendix 2 + 3.

2.6 **Design**

2.6.1 The schemes will be designed following local planning guidance and the Essex vernacular architectural tradition. They will use predominately masonry materials and blend well into and enrich the existing urban environment. The design brief includes sustainability criteria, and Code for Sustainable Homes Level 3 will be reached on all schemes and code level 4 considered.

2.6.2 Feedback from planner is generally positive and emphasizes in particular the improvements to the previous 31 unit proposal put to Members. Townscape has improved, frontages to Burton Road are more robust and provide a much better definition of space, and the parking provision is appropriate in this location.

2.6.3 Once approval has been given, the detailed design will be progressed and planning applications will be prepared, in consultation with EFDC.

2.7 **Procurement**

2.7.1 It is proposed that the East Thames' EU-compliant contractors' framework will be utilised for procuring a contractor to carry out these works. This report requests that authority shall be delegated to the Director of Housing to approve the use of the appropriate form of build contract.

3.0 Scheme Status

3.1	What stage is the scheme at?	Feasibility stage
3.2	Planning Status?	Following approval, detailed design will be undertaken with the target of submitting planning applications in October 2014
3.3	Have the Build Costs been market tested?	Following granting of planning permission, phase 2 will move onto the procurement stage.

4.0 Strategic Fit

4.1 The scheme complies with the EFDC Draft Development Strategy, particularly as this will provide a large number of affordable family units.

4.2 The land is owned by EFDC, and new housing for 119 or 170 residents on the Council's Housing Register will be provided.

4.3 Rents are based on the Council's Affordable Rents Policy, and it has been necessary to apply the use of the proposed Rent Cap within the draft policy of £180 per week for all the 3 bed houses.

4.4 The Council's Corporate Plan 2011-2015 sets out the aims and priorities of the Council for the four year period and addresses the challenges that the district faces. Its stated aim is "Making our district a great place to live, work, study and do business". This scheme shall contribute to this aim.

5.0 Design & Sustainability

5.1 All units will meet the Essex Housing Design Guide and will be built to Code for Sustainable Homes Level 3 and considered up to level 4. It is our intention to deliver a scheme with 30% of family housing across all tenures and 10% wheelchair units. The numbers of units with dual aspect will be maximised.

6.0 Mix of Units

6.1 The sites disaggregate as follows:-

6.2 Burton Road, option 2

Beds	Persons	Flats/ Houses	Size sqm	Rent p/w	Service costs p/w	Nr. Units
1	2	Flats	50	£119.58	Incl	12
2	4	Flats	70		Incl	21
2	4	Houses	83		Incl	4
3	5	Houses	102	£180	Incl	5
		TOTAL AFFORDABLE UNITS				**42**

6.3 Burton Road, option 3

Beds	Persons	Flats/ Houses	Size sqm	Rent p/w	Service costs p/w	Nr. Units
1	2	Flats	50	£119.58	Incl	14
2	4	Flats	70		Incl	24
2	4	Houses	83		Incl	2
3	5	Houses	102	£180	Incl	16
		TOTAL AFFORDABLE UNITS				**56**

7.0 Financial Information – Consolidated Package 2

7.1 Summary:-

Option 2 achieves the financial target of loan repayment in Year 30 with a subsidy of £1.63 million. Total Scheme Costs are £7.1 million, of which the Total Build Cost budget is £6.3 million.

Option 3 achieves the financial target of loan repayment in Year 30 with a subsidy of £1.512 million. Total Scheme Costs are £8.9 million, of which the Total Build Cost budget is £7.9 million.

The option 2 provides a positive Net Present Value (NPV) of £2.2 million and option 3 of £3.2 million over the appraisal period of 30 years.

		Option 2	Option 3
7.2	Financial Measure	Value	Value
7.3	Loan Repayment	In Year 30	In Year 30
7.4	Internal Rate of Return	5.34 %	5.46 %
7.5	Net Present Value	£2,196,159	£3,182,344
7.6	Total Scheme Cost	£7,110,941	£8,935,238
7.7	Cost per unit	£169,308	£159,559
7.8	Acquisition	£0	£0
7.9	Works Cost	£6.3m	£7.881m
7.10	Total on costs	£810,914	£1,054,424

7.11	Total Loan Requirement	£5,472,941	£7,423,238
7.12	First year surplus	£44,934	£67,463
7.13	Subsidy	£1,638,000	£1,512,000
7.14	Subsidy per unit	£39,000	£27,000

8.0 Key Risks

8.1 Revenue Risks: The rents assumed in the financial appraisal prove to be too high.

Mitigation: EFDC approved the rent assumptions and the rents are within the Council's rent setting policy.

8.2 Capital Risks: Ground conditions and site surveys may identify additional un-budgeted costs. Tender returns may be higher than estimated.

Mitigation: If site surveys identify substantive costs additional approval may be required or the scheme may be redesigned to reduce build budget.

8.3 Reputational Risks: Delays to programme and change of use issues in respect of car parking may result in adverse publicity.

Mitigation: Consultation with local residents and EFDC. If Package Two is delayed we are able to substitute sites. The Council's off site parking programme will be very welcome in the communities affected and thus help our programme.

8.4 Quality Risks: Build quality does not meet specified standards.

Mitigation: We will monitor robustly the build process with our qualified staff and consultants. The use of East Thames' Employer's Requirements will ensure that schemes are delivered to high standards.

8.5 Legal: Rights of Ways and Easements may be identified in the course of the due diligence process.

Mitigation: East Thames and EFDC have formulated a robust due diligence process, and this process will be followed on each and every scheme.

8.6 Procurement: Going out to OJEU to procure Package 2 will lead to delays and additional costs.

Mitigation: Use of the OJEU compliant East Thames Framework

Recommendation	**The Council Housebuilding Cabinet Committee is being asked to:**
Details	Approve, subject to the satisfactory completion of the due diligence process :- • The scheme proposal presented herein (including the

	financial appraisal) to develop up to 42 or 56 units; • The submission of planning application for proposal 2 or 3 for the Burton road scheme; • A total scheme budget of £7.1 or £8.9 million for option 2 or 3 for the Burton Road scheme and the • Use of the East Thames Contractors Framework to procure building contractors for this project.

Appendices

1, Feasibility reports

2, Financial result option 2

3, Financial result option 3

Pellings

East Thames Housing / Epping Forest District Council
Housing Delivery Programme

Feasibility Report (42 unit scheme)

Site: Site of garages, former depot, hardstanding and open grassed areas, Burton Road, Debden, Loughton IG10 3TA

Ref: IJC/srs/612.023/P2-25
Date: April 2014

Pellings

Contents

1.0 BACKGROUND

1.1. On 4th February this Committee approved report CHB-009-2013/14 recommending progress to detailed planning for the erection of a minimum of 31 affordable homes on the former Council depot, two garage sites and grassed area at Burton Road, Loughton and adjoining land to the south west.

1.2. The 'adjoining land to the south west' was previously the subject of discussions with the Special Advisor to the Archdeacon of Harlow regarding the possibility of the provision of a small Church with associated community facilities. This proposal has not as yet come forward and as this land is adjacent to the site owned by the Council, East Thames has been asked to consider a feasibility study to extend the development site to incorporate this additional piece of land.

1.3. In addition, the south west area of land also contains an area of land that is leased to Stobart Properties Limited and sub-let by them to Sainsbury's Properties Limited. This leasing arrangement is in the process of surrender and as such, similarly to item 1.2 above, this section of land has been incorporated into the feasibility study.

1.4. A potential layout for all the Council owned land and a summary financial appraisal for the erection of an option comprising 42 units is included within this report.

2.0 Introduction and Confirmation of Brief

2.1. Pellings LLP are appointed as part of East Thames Group Technical Team in respect of delivery of Development Agent services to Epping Forest District Council for a six year housing delivery programme.

2.2. Following initial appraisal by EFDC, 59 sites have been identified as having possible development potential, with a further number of sites in reserve.

2.3. Pellings LLP have been instructed to progress feasibility studies to all 59 sites and this will assist in establishing the extent and timing of the overall programme.

2.4. Our instructions are in accordance with our fee tender of 13 August 2012, against the previously prepared tender documentation, and email confirmation of 9 April 2013.

2.5. We have been provided with information from the Masterplanning report (Debden Town Centre and Broadway; Development Options – August 2008) of the surrounding area, and such information has informed our proposals.

3.0 Existing Site and Surroundings

3.1. The site is located within the town centre of Debden, Loughton, 100m north of the train station. It is situated between suburban housing with gardens to the south, and a town centre car park and three storey parade with commercial premises on the ground floor, and flats above, to the north.

3.2. The site essentially consists of a long strip of land and it is situated between residential flats to the rear and an access road (including bus waiting area and bus stop) directly in front. It comprises of an unused garage site (and former Council depot) on its eastern side, a path and grassed area with some small trees in the middle, a hard surfaced parking area and further garage site (partly used) on the western side. At its western and eastern ends the site adjoins the rear gardens of neighbouring houses.

3.3. The site slopes down slightly from north to south, with the adjoining flats to the south in Torrington Drive being sited at a lower level than the town centre buildings. Neighbouring houses and flats are two storey terraced with front and rear gardens, and, within the town centre, within three storey parades.

3.4. There is a pedestrian Right of Way through the site, running North to South.

3.5. There are some trees on the site although it is felt that these are generally not of significant value.

4.0 Proposals

4.1. Read in conjunction with drawings 612.023/P2-25 attached at Appendix A.

4.2. The proposals are :

612.023.P2-25: Erection of 4 x 2 bed houses, 5 x 3 bed houses, 21 x 2 bed flats and 12 x 1 bed flats, 42 parking spaces; the houses to have individual gardens and the flats to have communal gardens.

4.3. Proposals maintain the Right of Way referenced above.

5.0 Planning Issues and Risks

Relevant Planning Policies/Considerations

5.1. The adopted Development Plan for Epping Forest District Council is the Combined Local Plan 1998 and Local Plan Alterations 2006.

5.2. The site is not located in a Conservation Area. It is located in the Debden Town Centre Boundary in the Epping Forest District Council Combined Local Plan 1998 and Local Plan Alterations 2006. The site does not lie in a Flood Zone on the Environment Agency Flood Map.

5.3. Policy TC3 of the Epping Forest District Council Combined Local Plan 1998 and Local Plan Alterations 2006 indicates that residential uses may be appropriate within smaller and district centres but the policy does suggest that residential uses should be avoided on the ground floor and that new development should not prejudice the vitality and viability of town centres. A Development Options Report for Debden Town Centre produced for the Council in August 2008 identifies 2 and 3 storey town houses with residential uses on all floors as being appropriate for the site.

5.4. Policy ST4 (Road Safety) states that planning permission will only be granted where there will be no adverse effects on the highway, traffic congestion or harm to the character or appearance of the area.

5.5. It will be necessary to undertake a Parking Survey and to prepare a Transport Statement to demonstrate that the loss of the garages/parking areas and proposed development would not cause any parking shortfalls or harm to highway conditions or the amenities of the area.

5.6. The site is located in the settlement of Debden and the proposal would be consistent with policy CP7 which encourages the efficient use of existing built-up areas by the 'recycling of vacant, derelict, degraded and under-used land to accommodate the development' and the 're-use of urban sites, which are no longer appropriate to their existing or proposed use in the foreseeable future, for alternative land uses'.

5.7. The proposal would comply with policy H4A which states the need for a range of dwellings, including an appropriate proportion of smaller dwellings, to meet identified housing need on a site-by-site basis.

5.8. The development of family homes with rear gardens and one and two bedroom flats would be in keeping with the character and appearance of the area and may comply with Epping Forest's design policies and guidance.

5.9. It would be proposed to replace any trees requiring removal.

5.10. A Planning Officer has indicated that there may be potential overlooking but that this cannot be assessed fully until detailed drawings are received.

6.0 Impact/Implications of Statutory Services

6.1. We have undertaken statutory services enquiries to the following:

- Southern Gas
- Cable and Wireless
- Virgin Media
- Thames Water
- BT
- National Grid
- Scottish and Southern Energy
- Environment Agency
- UK Power Networks

6.2. Responses received to date are from the Environment Agency, National Grid, UK Power Networks, Virgin Media and Thames Water.

6.3. The Environment Agency has not pointed out any watercourses which cross the site.

6.3.1. National Grid: From drawn information given no apparatus appears to be located on the site, although there is a statement in text that there may be low pressure gas apparatus on the site. We would not envisage that this should affect proposals at this stage.

6.3.2. UK Power Networks: There do not appear to be any installations on the site.

6.3.3. Virgin Media: No apparatus appears to be located on the site.

6.4. Thames Water: No drains or sewers are located on any part of the site.

6.5. It should be noted there are a number of responses to enquiries that, at time of preparation of this report, have not yet been received.

7.0 Site Access and Buildability Issues

7.1. The site is accessed from existing site roads and there would not appear to be any particular difficulties for the normal level and size of construction traffic associated with a development of this nature.

7.2. Areas should be available for contractor's site set up and accommodation, although potentially restrictions on contractors access and operatives may be more onerous than for the outlying other ‘garage’ type sites and accordingly preliminary costs may be slightly higher.

7.3. The site is close to the Town Centre and has retail elements nearby and, accordingly, any appointed contractor should use all best endeavours to act in a considerate manner and within normal working hours.

7.4. The site has possible contamination sources from existing garages, and accordingly, suitable site investigation will need to be undertaken ahead of any proposals to take this site forward and specific recommendations made to deal with any contamination found, whether by capping or removal from site.

8.0 Neighbourly Matters and Party Walls

8.1. As above, the proposed development site is within a primarily residential area and the appointed contractor should act in a considerate manner. It is proposed that restrictions on working hours, noise levels, requirement for resident liaison and similar matters will be included within contract documentation.

8.2. From the proposals on Drawing 612.023/P2-25, Party Wall matters will be relevant to development, particularly to No. 35 Burton Road.

8.3. Confirmation of ownership will be required in due course.

8.4. Such Party Wall matters may be undertaken ahead of the build contract by direct appointment by EFDC, or included as a requirement for the contractor to deal with within the build contract. This later approach, however, would carry increased risk to programme and cost.

9.0 Proposed Procurement Route

9.1. It is understood that development works will be procured by way of the East Thames Housing Group existing contractor framework arrangements.

9.2. It is proposed that works shall be procured on a Design and Build basis with the contractors taking forward RIBA Stage D planning consent drawings into detailed design and construction delivery on site.

9.3. Schemes shall be designed to a set of Employer’s Requirements to be subsequently confirmed but which substantially shall be formed from existing East Thames Housing Group Design Standards and Employer’s Requirement documentation.

9.4. It is proposed that all site preparation works will be included within individual contract packages including any required demolitions, adjustment of statutory services, highways works and boundary maintenance/reinstatement/provision.

9.5. On completion of the feasibility studies for the whole programme, further recommendations will be made in terms of how works are packaged to ensure size of work packages are optimised for ensuring maximum economies for East Thames Housing Group and EFDC.

9.6. It is considered, at this stage, that this may be by way of a mix of different sized contractors dependent upon the numbers and geographical location of individual works packages.

9.7. Works will be administered by Pellings LLP as Employer’s Agent acting in accordance with East Thames Housing Group terms of appointment and the over arching requirements of the Development Agency agreement.

9.8. Due to the relative size of this scheme in relation to the remainder of the programme, letting of this project as an independent contract should be considered.

10.0 Impact on Parking

10.1. The Council's currently adopted parking standards are contained within Essex County Council's Parking Standards Design and Good Practice Guide – September 2009. These revised standards were adopted by the Council as statutory planning guidance in February 2012.

10.2. Flats and houses have the same parking standard as follows:

- 1 bedroom accommodation – 1 space per dwelling
- 2 bedroom accommodation and above – 2 spaces per dwelling
- Visitor parking – 0.25 spaces per dwelling (rounded up to the nearest whole number)

10.3. The proposals provide parking at less than the above standards but it is considered that given the town centre location and high level of public transport accessibility the proposed parking provision would meet the needs of future residents and not result in excessive overspill parking detrimental to the safety of surrounding highways or the amenities of neighbouring residents

10.4. However, should the site move forward to planning application stages, it is recommended that a Transport Statement be undertaken, including parking surveys, to demonstrate that the loss of the garages will not give rise to any planning or highway problems.

10.5. Within both schemes new vehicular accesses are proposed to the site onto Burton Road. It may be necessary to agree the re-location of the existing bus stop/stands in front of the site. We would expect the cost of making good would be borne by the Epping Forest Housing Services while the cost of the new bus stop/stand would have to be negotiated with the County Council.

11.0 Costs

11.1. It is considered that a budget of £…………… for 612.023/P2-25 should be allowed for this scheme, inclusive of contractor design fees, but exclusive of professional fees and VAT. Please refer to Appendix F.

12.0 Recommendations and Conclusions

12.1. Subject to an overall lifetime cost appraisal, we conclude that the site appears to have economic development opportunities and we recommend is considered for taking forward to planning application stage, with a view to incorporating into the overall programme.

Signed: .... **Date:** ....

Pellings LLP

Appendix A

Development Proposals

Drawing 612.023/P2-25

Appendix B

Site Photographs

Appendix B - Site Photographs

1.

2.

3.

4.

5.

6.

Appendix C

Existing Site Plan

Appendix D

Statutory Services Information

Appendix E

Information on Possible Contamination

Information on possible contamination has been forwarded by Epping Forest District Council by way of email of 25nd May 2013, giving information on potential contamination across all the primary sites.

This clarifies possible ground contamination derived from asbestos, made ground, hydrocarbons, petroleum hydrocarbons and the like.

It is likely that any Planning Consent will carry a Condition that all contamination issues are to be remediated.

Accordingly, we recommend that initial site investigation is undertaken for all sites that move forward to Planning Applications.

Appendix F

Cost Build-up

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East Thames Group

Appraisal for Rent & Sale

SDS ProVal **Version 9.13 Nov-2012**

Saved file path: Q:\Development\Applications\Proval\Working Provals\Epping Forest House Building

Scheme Name	**Burton Road, Debden Option 2**	**Date**	**31 Mar 2014**
Address			
Funding Year	**2013/2014**	Another Desciption	
Local Authority	Epping Forest	Project/File Ref.	
LA Number	361 County Essex	Appraisal by	georg.herrmann
Scheme Description		Sketch Drw'g No.	
		Site Area (acs)	0.00 ha
		Seller	
Units 42		Appraisal Version	1
Comments	*See also Commentary in Rent Summary*		

A Unit Details

	A	B	C	D	E	F	G	H	TOTALS
Unit Description									
Net Area m²	**50.00**	**70.00**		**83.00**	**102.00**				**2,912.00**
Bedrooms	1-bed	2-bed		2-bed	3-bed				**m²**
Persons	2	4		4	5				149
Units	**12**	**21**		**4**	**5**				**42**
Commercial - y?	**n**	**n**		**n**	**n**				
Flat (not house) -y?	y	y		n	n				
Shared Accom. - y?	n	n							
Habitable Rooms	2	3		3	4				119
Storeys	3	3		2	3				
Value at Jan' 1999									
Market Sales Value									**0**
Product Type	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent				
Catalyst Dev. Type	New Build	New Build	New Build	New Build	New Build				
Other Description									
Sales % at Outset									
Res' Sold Equity	0	0	0	0	0	0	0	0	0
Res' Unsold Equity	0	0	0	0	0	0	0	0	0
Initial Commercial Sales	0	0	0	0	0	0	0	0	0

Confirm Gross Floor Area	**Net m²**	Adjust by % and/or by m²	**Gross m²**	Gross ft²
Residential Floor Area	2,912.00	414.00	3,326.00	35,801.06
Commercial Floor Area	0.00		0.00	0.00
Total Floor Area	**2,912.00**		**3,326.00**	35,801.06

Habitable Rooms Summary	
Residential Rent	119
Residential Sale	0
Other	0
Total	**119**

B Acquisition & Works Cost

ACQUISITION	**Input Type**	**Input**	**Total**	**VAT %**	**Average per Unit**	**Average per Person**	**Memorandum Information**
							1532.71028 535
Use Value from Land Appraisal, y/n?							
		VAT Total	0		0	0	
Acquisition Total			**0**		0	0	

WORKS	**Input Type**	**Input**	**Total**	**VAT %**	**Average per Unit**	**Average per Person**	
works	Per Gross m²	1,269	4,220,694		100,493	28,327	
Enabling	Lump Sum	163,600	163,600		3,895	1,098	5.34%
Abnormals/ externals	Lump Sum	466,000	466,000		11,095	3,128	Year 30
cont, o/h, profit, design	Lump Sum	1,449,706	1,449,706		34,517	9,730	
Use Total from Land Appraisal, y/n?							
		VAT Total	0		0	0	
Works Total	2,163 /m² nfa	1,894 /m² gfa	**6,300,000**		150,000	42,282	

Acquisition & Works Summary			**Total**	**Average per Unit**	**Average per Person**
Total	2,163 /m² nfa	1,894 /m² gfa	**6,300,000**	150,000	42,282

A&W as % of Market Sales Value

Optimisation
Target % for A&W/Market Sales Value

Account Codes

Acquisition
Works
Dev. Interest
Net Loan

Acquistion Total Entered	0
Market Value, if Different	
Land Discount	0

For optimisation of Total Scheme Costs see Section F

C Development Subsidy

		Grant Input by Product Type	Grant Per Unit				
				Affordable Rent	39,000		

Received during development period

		Total	Av'ge per Res' Unit	Average per Person	% TSC as Section F		
As Defined by Product Type Table		1,638,000	39,000	10,993		Sources of Subsidy	
						HCA	1,638,000
Input by %		0				Other / LA	
Input by Sum	Per Unit	0				Other / RCGF	
Other Sum	Description					Other / Total Other	0
Total		1,638,000	39,000	10,993	23.03%	TOTAL	1,638,000

Confirm Grant to Set Aside When Staircasing
Expected SHG to be Set Aside 0

Enter SHG to Set Aside (if applicable)

D Development Fees

Use Fees in Land Appraisal, y/n?	n
Or User Defined Fees & Interest %	n
Or Analyse Fees below, y/n?	y

VAT Rate 20.00%

Description	Input Type for Sums	Input Sum	Input Type for %	Input %	VAT - y?	Account Codes	Gross Total
East Thames fees							0
Feasibility	Lump Sum	1,375			n		1,375
ETG fees up to PP			% Aq & Wks	2.20%	n		138,348
ETG fees construction phase			% Aq & Wks	6.30%	n		396,900
Site Surveys			% Wks Cost	1.25%	n		78,750
Planning survey			% Wks Cost	0.25%	n		15,750
Party Wall Surveyors	Lump Sum	10,000			n		10,000
S 106	Lump Sum	50,000			n		50,000
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
						Development Fees Total (excl. interest)	691,123

E Scheme Timing

Include Interest, y/n? y
Cashflow Start (mmm-yyyy) Apr-2014 **Month No. 1**
Interest %, Negative Bal's 3.50%
Interest %, Positive Bal's 3.50%

Note
The following timings define a default interest calculation.
To enter user-defined sums, enter Cashflow Start date then manually adjust Development Cashflow and set cell at end of this section accordingly

Development Subsidy	Receipts Spread Method	By equal amounts	Receipt Start Month No.	to	Receipt End Month No.	
100% of Total	1,638,000	1,638,000	14	May-2015	14	May-2015
Second Sum		0				
Balance	0	0				
Total		1,638,000				

Development Subsidy Summary	
As Prod. Type	1,638,000
All Other (Total)	0
Total Dev. Subsidy	1,638,000

Acquisition Costs			Payment Month No.
No payment details req'd.		0	
		0	
Balance	0	0	
Total		0	

Acquisition Summary	
Acquisition Total	0

Works Costs	Cost Spread Method	By S-curve	Expdt. Start Month No.	to	Expdt. End Month No.	
100% of Total	6,300,000	6,300,000	14	May-2015	32	Nov-2016
Second Sum		0				
Balance	0	0				
Total		6,300,000				

Works Summary	
Works Total	6,300,000

Development Fees	Cost Spread Method	By equal amounts	Expdt. Start Month No.	to	Expdt. End Month No.	
100% of Total	691,123	691,123	1	Apr-2014	32	Nov-2016
Second Sum		0				
Balance	0	0				
Total		691,123				

Dev. Fees Summary	
Fees Total	691,123

Initial Sales		Spread Method	By equal amounts	First Sale Month No.	to	Last Sale Month No.
Overall Sales Period - Residential						
Overall Sales Period - Commercial						

Sales Summary	
Residential	0
Commercial	0

Substitute User-defined Interest - y/n?	y
Default Interest not Selected	0
User-defined Interest Cost	119,818

Development Period	32 months	As defined on the Scheme Cashflow
First Event	Apr-2014	
Last Event	Nov-2016	

F Total Scheme Cost

		% TSC
Acquisition & Works as Section B	6,300,000	88.6%
Development Fees as Section D	691,123	9.7%
User-defined Interest Cost	119,818	1.7%
Other Costs or Savings(-)		
Other Costs or Savings(-)		
Total Scheme Cost (TSC)	7,110,941	100.0%
TSC as % of Market Sales Value		

Analysis of RSL Funding		Per Unit	Per Person	% of TSC
Receipts from Initial Sales	0			
Advance Rent Income	0			
Loan Adjustment	0			
RSL Capital Contribution	0			
Net Loan	5,472,941	130,308	36,731	77.0%
Total RSL Funding	5,472,941	130,308	36,731	77.0%
Analysis of Subsidy & Other Funding				
As Prod. Type	1,638,000	39,000	10,993	23.0%
Other	0			
Other Sum	0			
Total Other Funding	1,638,000	39,000	10,993	23.0%

Optimisation

Target % for TSC/Market Sales Value 90.0%

Alternative Solutions:

Total saving in TSC required		0	0 per unit
or	Affordable Acq. Total	0	0 per unit, or per hab. room
or	Affordable Wks. Total	0	per unit, or per gross m²

Optimisation results for Acq.and Wks. assume that development fees & interest remain at 11.4% of TSC

G Private Finance

Private Finance Requirement at Year 1		% of TSC	% of MSV
Total Scheme Cost - as Section F	7,110,941	100.0%	0.0%
Development Subsidy - as Section C	1,638,000	23.0%	0.0%
Receipts from Initial Sales	0		
Advance Rent Income	0		
Loan Adjustment			
Capital Contribution at Year 1			
Net Loan, before Sales (Section J)	5,472,941	77.0%	0.0%

Loan Repayment Method

Annuity y/n? n Interest Only Method Chosen

Leave blank

Value:Loan Ratios & Affordable Loan Values

Current Market Sales Value	0
NPV of Net Rent Only	7,669,100
User Specified Value	
Current Market Sales Value:Net Loan %	0.0%
NPV of Net Rent:Net Loan %	140.1%
User Specified Value:Net Loan %	0.0%
Value:Net Loan, Target %	
Affordable Loan on NPV Value	
Affordable Loan on User Spec. Value	

Apportionment of Net Loan & Long Term Interest Rates

		Loan A	Loan B	
Loan A: % Apportionment		100.00%	0.00%	
Loan Amounts		5,472,941	0	
		Interest Rate %	Interest Rate %	Effective Rate %
Year 1 to	45	3.50%		3.50%

H Inflation

Base Inflation Rate 2.50%

Inflation is applied from Year 2 onwards. Set all periods to Year 45.

Inflation Margins & Periods for Income

			Margin on Base Rate	Effective Inflation Rates
Residential Tenant Rent				
Period 1	Year 1 to	45	0.50%	3.00%
				0.00%
Commercial Rent - n/a				
	Year 1 to	45		
Ground Rent				
Period 1	Year 1 to	45		2.50%
				0.00%
Services (Charges & Costs)				
Period 1	Year 1 to	45	0.00%	2.50%
				0.00%
Market Sales Values (Residential) - n/a				
	Year 1 to	45	0.00%	0.00%
				0.00%
Market Sales Values (Commercial) - n/a				
	Year 1 to	45		0.00%
				0.00%

Inflation Margins & Periods for Allowances

			Margin on Base Rate	Effective Inflation Rates
Management				
Period 1	Year 1 to	45	1.00%	3.50%
				0.00%
Maintenance				
Period 1	Year 1 to	45	1.00%	3.50%
				0.00%
Reinstatement				
Period 1	Year 1 to	45		2.50%
				0.00%
Another Allowance				
Period 1	Year 1 to	45	0.00%	2.50%
				0.00%
Major Repairs				
Period 1	Year 1 to	45	1.50%	4.00%
				0.00%

I Rent Allowances & Periods

Set allowances as at Year 1 of Long Term Cashflow and all periods to Year 45, ignoring future sales

		A	B	C	D	E	F	G	H	Weighted Averages at Year 1
Product Type		Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent				
Commercial										
Number of Units		12	21		4	5				Units Available
Res' Shared Equity?		n	n		n	n				
Prop. Ava'ble for Rent?		y	y		y	y				42
Managing Agent		% of Gross Rent (excl. Ground Rent & Service Charges) less voids								
Year 1 to	45									0.00%
Add VAT to M. Ag.										
									Default value for information, Shared Equity	0
RSL Management		Per Unit Per Annum							Default value for information, Rent	275
Year 1 to	45	1,327	1,327		1,327	1,327				1,327
Maintenance		Per Unit Per Annum							Default value for information, Rent	691
Year 1 to	45	910	910		910	910				910

		A	B	C	D	E	F	G	H	
Product Type		Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent				
Res' Shared Equity?		n	n		n	n				
Prop. Ava'ble for Rent?		y	y		y	y				
Services Cost		Per Unit Per Annum								
Year 1 to	45	110	110	110	79	79				103
Reinstatement Cost		Per Unit Per Annum								
Year 1 to	45									0
Another Allowance		Per Unit Per Annum								
Year 1 to	45									0
									Default value for information, Shared Equity	0.00%
Voids & Bad Debts		% of Gross Rents & Service Charges							Default value for information, Rent	4.25%
Year 1 to	45	2.00%	2.00%		2.00%	2.00%				2.00%

Major Repair Sinking Fund Options

Option 1

% Selection	% User Input	Year 1 to	45	0.80%	on 3,459,040
		User Input	3,459,040		

Option 2
Per Unit, Per Annum, Com. Rented Units Only

Year 1 to	45	

Option 3
Per Unit, Per Annum, Res. Rented Units Only

Year 1 to	45	

Sinking Fund at Year 7 35,014

Defer the Start of the Sinking Fund to Year 7

Memorandum Information

Options 2 & 3 can be used together. With these options shared equity units and units fully sold at the outset are excluded.

J Sales & Other Capital Receipts

1. Other Capital Receipts in Long Term Cashflow
All capital income is deemed to be received at the end of the year entered.
Lump Sum Description
Infla'd Sum Description

2. Unit & Ground Rent Sales
All sales are deemed to be received at the end of the year entered. For Sales & Equity Shares at the outset, enter in Section A
For staircasing shared equity units, use the Shared Equity Report

	A	B	C	D	E	F	G	H	Total for all Units
Product Type	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent				
Units	12	21	0	4	5	0	0	0	
Commercial									
Market Sales Value	0	0	0	0	0	0	0	0	
Available for Sale									
Sell units at end of Year									
Value for Sale at Yr. 1	0	0	0	0	0	0	0	0	
Rec'd at Year of Sale	0	0	0	0	0	0	0	0	0
Total Received	0	0	0	0	0	0	0	0	
Sell Gr'd Rents at Year									
Capital'd %	0	0	0	0	0	0	0	0	0

Set Ground Rents in Section L. Inflation is applied to Year 2 onwards.

K Cost Rent at Year 1

No. of Weekly Rent Periods p.a. 52.18

Loan Interest is on the full Net Loan. The long term cashflow uses an averaged interest after receiving rent.

	Year 1
Loan Interest	191,553
Managing Agent	0
RSL Management	55,734
Maintenance	38,220
Services Cost (S.C.)	4,341
Reinstatement Cost	0
Another Allowance	0
Major Repairs	0
Voids etc. 2.0%	5,915
Total Cost at Year 1	**295,763**

Total Cost at Year 1, Per Unit Type - ***rents are pro rata net floor area***

Type	Commercial	Rent p.w. excl. S.C.	S.C. p.w.	Total p.w.	Total p.m.
	n	95.87	2.11	97.98	426.02
	n	134.22	2.11	136.32	592.77
		0.00	2.11	2.11	9.17
	n	159.14	1.51	160.66	698.57
	n	195.57	1.51	197.09	856.97
		0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00
Averages	132.94 per week (ex. S.C.)		578.04 per month (ex. S.C.)		
	134.96 per unit per week		586.83 per unit per month		
100.05 per net m² (ex. S.C.)			101.57 per net m² (incl. S.C.)		

Loan Interest is on the Opening Loan. The long term cashflow uses an averaged interest after receiving rent. Therefore Cost Rent is overstated.

NB For calculating the Total Cost at Year 1, Voids and Managing Agent costs use a unit average. These costs will vary with the actual rent and with the Managing Agent and Voids percentages for each dwelling type.

L Set Rents & Service Charges for Long Term Cashflow

Cost Rent & S.C., p.w.	A	B	C	D	E	F	G	H	Total at Year 1
Product Type	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent				
Commercial									
Target - April 2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Rent Cap	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Service Cost p.w.	2.11	2.11	2.11	1.51	1.51	0.00	0.00	0.00	4,430
Cost Rent p.w. excl. S.C.	95.87	134.22	0.00	159.14	195.57	0.00	0.00	0.00	291,334
Total Cost Rent p.w.	97.98	136.32	2.11	160.66	197.09	0.00	0.00	0.00	**295,763**

Commercial Rents n/a

Year 1 to										0

These Options n/a

Set Initial Rent Free Period (months) — months

Rent Review Period, i.e. rent fixed for — years

Preferred Yield % on Unsold Equity, n/a 2.75%

Residential Shared Equity units only

Unsold Equity Share %

Cost Rent % of u/s Eq'ty

Rent p.w at 2.75% Yield

Local Housing Allowance

Residential Rents n/a

		A	B	C	D	E	F	G	H	Total
Year 1 to	45	**119.58**	**165.58**		**165.58**	**180.00**				**337,828**
		based on £650 and £900 market rents								

Set all service charges received per week

Year 1 to	45									0

Set Ground Rents received per annum

Year 1 to	45									0

Rent Yields as at end of Year	1	Gross	Net
Total All Revenue Income, ex. voids at Year 1		331,072	232,777
Compared with Market Value at Year 1	0		
Compared with Total Scheme Cost of	7,110,941	4.66%	3.27%
Compared with Acquisition Cost of	0		

Rent Yields as at end of Year		Gross	Net

Residential at Start of Year 1	
Gross Rent	337,828
Market Value	0
Yield	
Commercial at Start of Year 1	
Gross Rent	0
Market Value	0
Yield	

NPV of Gross Rent & S.C. ex. Voids, divided by Open'g Loan, p.a.	5.3%	at Year 1
NPV of Net Rent less loan interest, divided by Open'g Loan, p.a.	2.1%	

NPV Period & Discount Rate: 45 years at 3.50%, as defined in Section M

Calculation of Affordable Loan Based on Net Income at Year 1

Total Set Rent	337,828
Service Charges	0
Ground Rents	0
Managing Agent	0
RSL M'ngm'nt & Maint.	93,954
Services Cost	4,341
Reinstatement Cost	0
Another Allowance	0
Major Repairs	0
Voids & Bad Debts	6,757
Net Income at Year 1	**232,777**

	Per Unit p.a.	Per Unit p.w.	Per Unit p.m.
Set Residential Rent	8,044	154.15	670.29
Set Commercial Rent	0		

Actual Loan	5,472,941	
Affordable Loan	6,756,778	Assuming net income meets Year 1 loan costs
Difference	1,283,837	Equivalent to the capitalised Year 1 net revenue surplus.

M Long Term Cashflow

Loan Repayment Method	Interest Only	NPV Calculation Options	Net Rent + Cap. Val. - Loan
Peak Loan Occurs in Year 1	5,472,941	NPV Discount Rate	3.50%
Revenue First Exceeds Costs	Year 1	Summarise Cashflow Results to Year	45
Loan Repaid by	Year 30		

		Per Unit	Per Person
Max. Annual Deficit: Year	n/a		
Capitalised Yr. 1 Net Revenue Surplus	1,283,837	30,568	8,616
Cum. Surplus at Year 45	7,996,207	190,386	53,666
NPV Net Rent + Cap. Val. - Loan	2,196,159	52,289	14,739
IRR	5.34%		
NPV of Net Rent Only	7,669,100		
NPV of All Capital Receipts	0		

Capital Value of Scheme - Year 1	
Capital Growth Rate p.a.	
Discounted Cap. Value	
Interest Total	3,769,668
Min. Interest Cover: Year 1	123.92%
Target Interest Cover %	115.00%
First met after Year 1 in Year	2
Last Works payment in Scheme Cashflow	Nov-2016

Year	1	2	3	4	5	6	7	8	9
Opening Loan	**5,472,941**	**5,428,007**	**5,374,860**	**5,313,031**	**5,242,027**	**5,161,335**	**5,070,417**	**5,004,284**	**4,929,446**
Average Interest	187,842	186,165	184,198	181,924	179,326	176,385	173,642	171,227	168,505
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	232,777	239,312	246,027	252,928	260,018	267,303	239,775	246,065	252,511
Closing Loan	**5,428,007**	**5,374,860**	**5,313,031**	**5,242,027**	**5,161,335**	**5,070,417**	**5,004,284**	**4,929,446**	**4,845,440**
Gross Resid'l Rent	**337,828**	**347,963**	**358,402**	**369,154**	**380,228**	**391,635**	**403,384**	**415,486**	**427,950**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	6,757	6,959	7,168	7,383	7,605	7,833	8,068	8,310	8,559
s/t	**331,072**	**341,004**	**351,234**	**361,771**	**372,624**	**383,803**	**395,317**	**407,176**	**419,391**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	55,734	57,685	59,704	61,793	63,956	66,195	68,511	70,909	73,391
Maintenance	38,220	39,558	40,942	42,375	43,858	45,393	46,982	48,627	50,328
Services Cost	4,341	4,450	4,561	4,675	4,792	4,911	5,034	5,160	5,289
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	0	0	0	0	0	0	35,014	36,415	37,871
Net Rent	**232,777**	**239,312**	**246,027**	**252,928**	**260,018**	**267,303**	**239,775**	**246,065**	**252,511**
Net Rent + Rec'ts - Inter't	*44,934*	*53,147*	*61,829*	*71,004*	*80,692*	*90,918*	*66,133*	*74,838*	*84,006*
Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cum. Balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Year	10	11	12	13	14	15	16	17	18
Opening Loan	**4,845,440**	**4,751,784**	**4,647,975**	**4,533,491**	**4,407,785**	**4,270,290**	**4,120,414**	**3,957,540**	**3,781,027**
Average Interest	165,460	162,074	158,330	154,210	149,694	144,763	139,396	133,571	127,265
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	259,116	265,882	272,814	279,915	287,189	294,639	302,270	310,084	318,086
Closing Loan	**4,751,784**	**4,647,975**	**4,533,491**	**4,407,785**	**4,270,290**	**4,120,414**	**3,957,540**	**3,781,027**	**3,590,206**
Gross Resid'l Rent	**440,789**	**454,013**	**467,633**	**481,662**	**496,112**	**510,995**	**526,325**	**542,115**	**558,378**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	8,816	9,080	9,353	9,633	9,922	10,220	10,527	10,842	11,168
s/t	**431,973**	**444,932**	**458,280**	**472,029**	**486,190**	**500,775**	**515,799**	**531,273**	**547,211**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	75,960	78,618	81,370	84,218	87,166	90,216	93,374	96,642	100,024
Maintenance	52,090	53,913	55,800	57,753	59,774	61,867	64,032	66,273	68,592
Services Cost	5,421	5,557	5,696	5,838	5,984	6,134	6,287	6,444	6,605
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	39,386	40,962	42,600	44,304	46,076	47,920	49,836	51,830	53,903
Net Rent	**259,116**	**265,882**	**272,814**	**279,915**	**287,189**	**294,639**	**302,270**	**310,084**	**318,086**
Net Rent + Rec'ts - Inter't	*93,656*	*103,809*	*114,484*	*125,706*	*137,495*	*149,876*	*162,874*	*176,513*	*190,821*
Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cum. Balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Year	19	20	21	22	23	24	25	26	27
Opening Loan	**3,590,206**	**3,384,383**	**3,162,833**	**2,924,803**	**2,669,510**	**2,396,138**	**2,103,840**	**1,791,733**	**1,458,901**
Average Interest	120,456	113,118	105,227	96,756	87,677	77,962	67,581	56,504	44,697
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	326,279	334,668	343,257	352,049	361,049	370,260	379,688	389,336	399,208
Closing Loan	**3,384,383**	**3,162,833**	**2,924,803**	**2,669,510**	**2,396,138**	**2,103,840**	**1,791,733**	**1,458,901**	**1,104,390**
Gross Resid'l Rent	**575,130**	**592,384**	**610,155**	**628,460**	**647,314**	**666,733**	**686,735**	**707,337**	**728,557**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	11,503	11,848	12,203	12,569	12,946	13,335	13,735	14,147	14,571
s/t	**563,627**	**580,536**	**597,952**	**615,891**	**634,367**	**653,398**	**673,000**	**693,190**	**713,986**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	103,525	107,149	110,899	114,780	118,798	122,956	127,259	131,713	136,323
Maintenance	70,993	73,478	76,050	78,711	81,466	84,318	87,269	90,323	93,485
Services Cost	6,770	6,940	7,113	7,291	7,473	7,660	7,852	8,048	8,249
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	56,059	58,301	60,633	63,059	65,581	68,204	70,933	73,770	76,721
Net Rent	**326,279**	**334,668**	**343,257**	**352,049**	**361,049**	**370,260**	**379,688**	**389,336**	**399,208**
Net Rent + Rec'ts - Inter't	*205,823*	*221,550*	*238,030*	*255,293*	*273,372*	*292,298*	*312,107*	*332,832*	*354,511*
Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cum. Balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Year	28	29	30	31	32	33	34	35	36
Opening Loan	**1,104,390**	**727,209**	**326,327**	**0**	**0**	**0**	**0**	**0**	**0**
Average Interest	32,128	18,762	4,823	0	0	0	0	0	0
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	409,310	419,644	331,150	0	0	0	0	0	0
Closing Loan	**727,209**	**326,327**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross Resid'l Rent	**750,414**	**772,926**	**796,114**	**819,997**	**844,597**	**869,935**	**896,033**	**922,914**	**950,602**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	15,008	15,459	15,922	16,400	16,892	17,399	17,921	18,458	19,012
s/t	**735,405**	**757,468**	**780,192**	**803,597**	**827,705**	**852,537**	**878,113**	**904,456**	**931,590**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	141,094	146,033	151,144	156,434	161,909	167,576	173,441	179,511	185,794
Maintenance	96,756	100,143	103,648	107,276	111,030	114,916	118,938	123,101	127,410
Services Cost	8,455	8,667	8,883	9,106	9,333	9,567	9,806	10,051	10,302
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	79,789	82,981	86,300	89,752	93,342	97,076	100,959	104,998	109,197
Net Rent	**409,310**	**419,644**	**430,216**	**441,030**	**452,090**	**463,402**	**474,968**	**486,795**	**498,886**
Net Rent + Rec'ts - Inter't	*377,181*	*400,882*	*425,393*	*441,030*	*452,090*	*463,402*	*474,968*	*486,795*	*498,886*
Cashflow	**0**	**0**	**99,066**	**441,030**	**452,090**	**463,402**	**474,968**	**486,795**	**498,886**
Cum. Balance	**0**	**0**	**99,066**	**540,096**	**992,186**	**1,455,588**	**1,930,556**	**2,417,351**	**2,916,237**

Year	37	38	39	40	41	42	43	44	45
Opening Loan	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Average Interest	0	0	0	0	0	0	0	0	0
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	0	0	0	0	0	0	0	0	0
Closing Loan	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross Resid'l Rent	**979,120**	**1,008,493**	**1,038,748**	**1,069,911**	**1,102,008**	**1,135,068**	**1,169,120**	**1,204,194**	**1,240,320**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	19,582	20,170	20,775	21,398	22,040	22,701	23,382	24,084	24,806
s/t	**959,537**	**988,323**	**1,017,973**	**1,048,512**	**1,079,968**	**1,112,367**	**1,145,738**	**1,180,110**	**1,215,513**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	192,297	199,028	205,993	213,203	220,665	228,389	236,382	244,656	253,219
Maintenance	131,869	136,485	141,262	146,206	151,323	156,619	162,101	167,774	173,647
Services Cost	10,560	10,824	11,094	11,372	11,656	11,947	12,246	12,552	12,866
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	113,565	118,108	122,832	127,746	132,855	138,170	143,696	149,444	155,422
Net Rent	**511,246**	**523,880**	**536,792**	**549,986**	**563,468**	**577,242**	**591,312**	**605,684**	**620,360**
Net Rent + Rec'ts - Inter't	*511,246*	*523,880*	*536,792*	*549,986*	*563,468*	*577,242*	*591,312*	*605,684*	*620,360*
Cashflow	**511,246**	**523,880**	**536,792**	**549,986**	**563,468**	**577,242**	**591,312**	**605,684**	**620,360**
Cum. Balance	**3,427,483**	**3,951,363**	**4,488,155**	**5,038,141**	**5,601,609**	**6,178,851**	**6,770,164**	**7,375,847**	**7,996,207**

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Site P2-25 , Burton Road Amalgamated Sites - Epping Forest
Indicative Estimate of Cost
for East Thames HA

Pellings

14 February 2014

Gross Internal floor area		m2	ft2
Affordable Flat Units	21×2B, 12×1B	2,070	22,281
Allowance for communal space @ 20%		414	4,456
Affordable House Units	4×2B, 5×3B	842	9,063
TOTAL GIA		**3,326**	**35,801**

Item	Element		Qty	Unit	Rate £/unit	Total £
1.0	**Demolition**					
1.1	Demolition (garages)		66	Nr	1,200	79,200
2.2	Site clearance		5,800	m²	10	58,000
1.2	Allowance for removal of asbestos roofs		66	Nr	400	26,400
		Sub-total			**say**	**163,600**
2.0	**Affordable Flat units (33 Nr units)**					
2.1	Flats Private areas		2,070	m²	1,350	2,795,000
2.2	Flats communal areas (20% allowed)		414	m²	900	373,000
		Sub-total			**say**	**3,168,000**
3.0	**Affordable House units (9 Nr units)**					
3.1	House areas		842	m²	1,250	1,053,000
		Sub-total			**say**	**1,053,000**
4.0	**Abnormals / E/o and External Works**					
4.1	Private gardens (incl. fencing)		836	m²	40	33,000
4.2	Communal Gardens		2,133	m²	30	64,000
4.3	Access road, parking and turning		924	m²	65	60,000
4.4	Pedestrian paving		551	m²	50	28,000
4.5	Cross over / highways adaptions		2	Nr	400	1,000
4.6	Allowance for contaminated ground		0	item		Excl.
4.7	Boundary treatment (fencing/walls)		569	m	160	91,000
4.8	Allowance for achieving CfSh Level 3		42	Nr	4,500	189,000
		Sub-total			**say**	**466,000**

INDICATIVE CONSTRUCTION COST				**4,850,600**
CONTINGENCY @ 5%				242,500
CONTRACTORS DESIGN FEES @ 8%				407,400
PRELIMS AND OVERHEADS AT 15%				788,700
		£/m2	£/ft2	
TOTAL INDICATIVE CONSTRUCTION COST	(rounded)	**1,894**	**176**	**6,300,000**

Clarifications and Assumptions
Estimate based on Pellings Feasibility drawing 612.023/P2-25 and standard ETG specifications
GIA is approximate due to early stage of design
Costs are based on a Q3 2014 start on site
Costs are based on a Single Stage Competitive D&B procurement route
Costs are based on a Contractor 'best programme' contract period
All units assumed to achieve Code for sustainable Homes Level 3
It is assumed that a traditional construction (concrete strip foundations, brick/block walls, timber floor structure, sloped tiled roofs) will be used
Contractors design fees are based upon appointment with planning consent under JCT D&B contract
Assumed no Party Wall or Rights of Lights issues

Exclusions
Clients professional fees (including statutory fees)
VAT
Hazardous material removal
Excludes any off-site works
Provision of loose fittings and furnishings
Costs of compliance of any conditions imposed by TFL or other statutory bodies
Costs of Section 106, S108, S278 Agreement(s) or Community Infrastructure Levy charges

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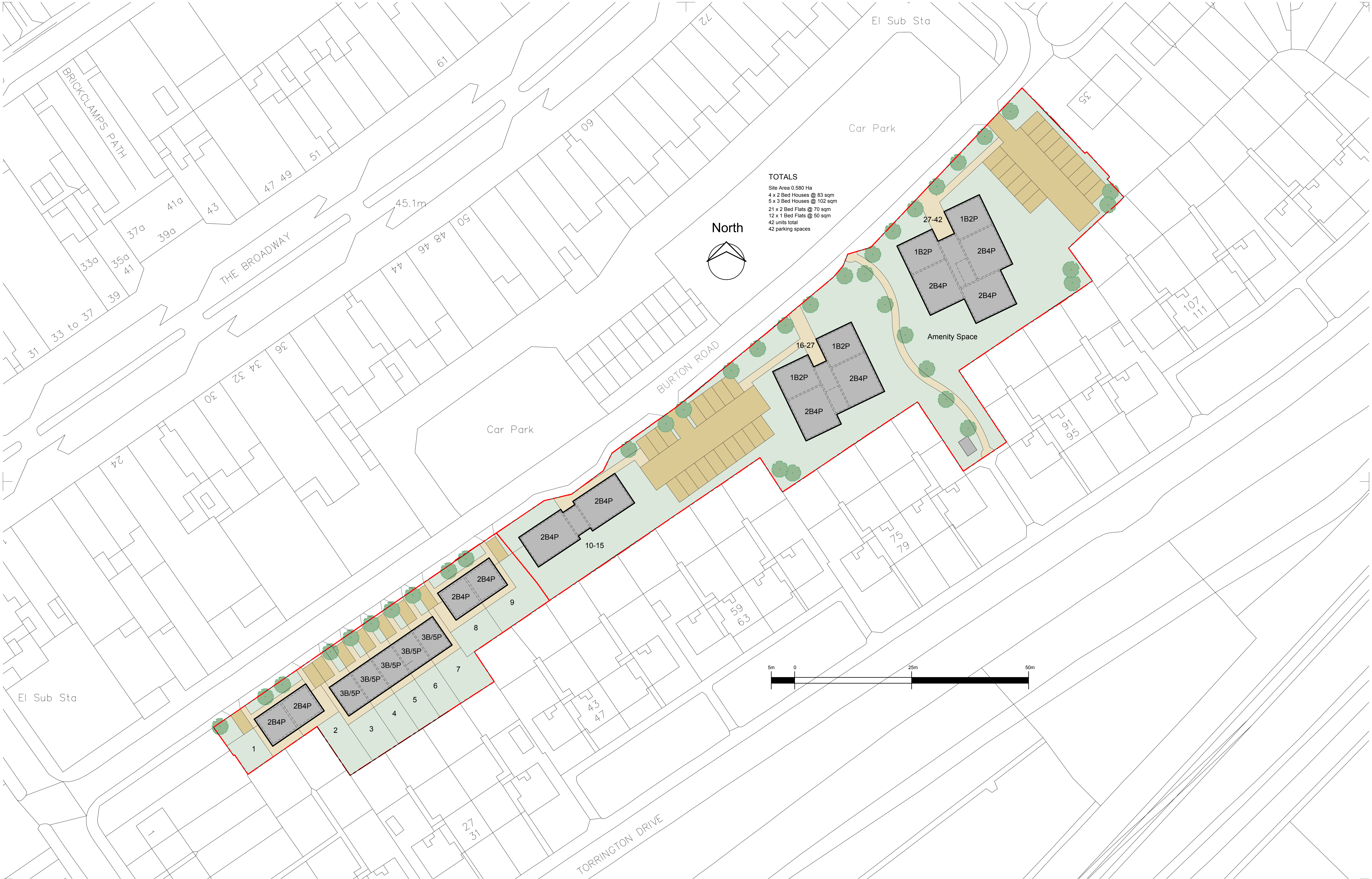

NOTES:

Report all discrepancies, errors and omissions
Do not scale from this drawing.
Verify all dimensions on site before commencing any work or preparing shop drawings.
All materials, components and workmanship are to comply with all the relevant British Standards, Codes of Practice, and appropriate manufacturers recommendations that from time to time shall apply.
For all specialist work, see relevant drawings.

PRELIMINARY

Rev	Date	Description	Name
-	-/-/-		

Pellings

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Architecture & Planning ■ Building Surveying ■ Project Management ■ Cost Consultancy ■ CDM Co-ordination

CLIENT East Thames HA	PROJECT EFDC House Building Programme
TITLE Proposed Plans Burton Road Amalgamated Site	DATE FEB 2014 · SCALE 1:500 @A2 · DRAWN JP · CHK
	DRAWING No 612 023 P2-25

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Pellings

East Thames Housing / Epping Forest District Council
Housing Delivery Programme

Feasibility Report (56 unit scheme)

Site: Site of garages, former depot, hardstanding and open grassed areas, Burton Road, Debden, Loughton IG10 3TA

Ref: IJC/srs/612.023/P2-25 **Rev D**
Date: April 2014

Pellings

Contents

Appendices

1.0 **BACKGROUND**

1.1. On 4th February this Committee approved report CHB-009-2013/14 recommending progress to detailed planning for the erection of a minimum of 31 affordable homes on the former Council depot, two garage sites and grassed area at Burton Road, Loughton and adjoining land to the south west.

1.2. The ‘adjoining land to the south west’ was previously the subject of discussions with the Special Advisor to the Archdeacon of Harlow regarding the possibility of the provision of a small Church with associated community facilities. This proposal has not as yet come forward and as this land is adjacent to the site owned by the Council, East Thames has been asked to consider a feasibility study to extend the development site to incorporate this additional piece of land.

1.3. In addition, the south west area of land also contains an area of land that is leased to Stobart Properties Limited and sub-let by them to Sainsbury’s Properties Limited. This leasing arrangement is in the process of surrender and as such, similarly to item 1.2 above, this section of land has been incorporated into the feasibility study.

1.4. A potential layout for all the Council owned land and a summary financial appraisal for the erection of an option comprising 56 units is included within this report.

2.0 **Introduction and Confirmation of Brief**

2.1. Pellings LLP are appointed as part of East Thames Group Technical Team in respect of delivery of Development Agent services to Epping Forest District Council for a six year housing delivery programme.

2.2. Following initial appraisal by EFDC, 59 sites have been identified as having possible development potential, with a further number of sites in reserve.

2.3. Pellings LLP have been instructed to progress feasibility studies to all 59 sites and this will assist in establishing the extent and timing of the overall programme.

2.4. Our instructions are in accordance with our fee tender of 13 August 2012, against the previously prepared tender documentation, and email confirmation of 9 April 2013.

2.5. We have been provided with information from the Masterplanning report (Debden Town Centre and Broadway; Development Options – August 2008) of the surrounding area, and such information has informed our proposals.

3.0 **Existing Site and Surroundings**

3.1. The site is located within the town centre of Debden, Loughton, 100m north of the train station. It is situated between suburban housing with gardens to the south, and a town centre car park and three storey parade with commercial premises on the ground floor, and flats above, to the north.

3.2. The site essentially consists of a long strip of land and it is situated between residential flats to the rear and an access road (including bus waiting area and bus stop) directly in front. It comprises of an unused garage site (and former Council depot) on its eastern side, a path and grassed area with some small trees in the middle, a hard surfaced parking area and further garage site (partly used) on the western side. At its western and eastern ends the site adjoins the rear gardens of neighbouring houses.

3.3. The site slopes down slightly from north to south, with the adjoining flats to the south in Torrington Drive being sited at a lower level than the town centre buildings. Neighbouring houses and flats are two storey terraced with front and rear gardens, and, within the town centre, within three storey parades.

3.4. There is a pedestrian Right of Way through the site, running North to South.

3.5. There are some trees on the site although it is felt that these are generally not of significant value.

4.0 Proposals

4.1. Read in conjunction with drawings 612.023/P2-25D attached at Appendix A.

4.2. The proposals are :

621.023.P2-25D – Erection of 2 x 2 bed houses, 16 x 3 bed houses, 14 x 1 bed flats, 20 x 2 bed flats, 4 x 2 bed flats (recessed 4 storey) with a total of 28 car parking spaces; the houses to have individual gardens and the flats to have communal amenity space.

4.3. Proposals maintain the Right of Way referenced above.

5.0 Planning Issues and Risks

Relevant Planning Policies/Considerations

5.1. The adopted Development Plan for Epping Forest District Council is the Combined Local Plan 1998 and Local Plan Alterations 2006.

5.2. The site is not located in a Conservation Area. It is located in the Debden Town Centre Boundary in the Epping Forest District Council Combined Local Plan 1998 and Local Plan Alterations 2006. The site does not lie in a Flood Zone on the Environment Agency Flood Map.

5.3. Policy TC3 of the Epping Forest District Council Combined Local Plan 1998 and Local Plan Alterations 2006 indicates that residential uses may be appropriate within smaller and district centres but the policy does suggest that residential uses should be avoided on the ground floor and that new development should not prejudice the vitality and viability of town centres. A Development Options Report for Debden Town Centre produced for the Council in August 2008 identifies 2 and 3 storey town houses with residential uses on all floors as being appropriate for the site.

5.4. Policy ST4 (Road Safety) states that planning permission will only be granted where there will be no adverse effects on the highway, traffic congestion or harm to the character or appearance of the area.

5.5. It will be necessary to undertake a Parking Survey and to prepare a Transport Statement to demonstrate that the loss of the garages/parking areas and proposed development would not cause any parking shortfalls or harm to highway conditions or the amenities of the area.

5.6. The site is located in the settlement of Debden and the proposal would be consistent with policy CP7 which encourages the efficient use of existing built-up areas by the ‘recycling of vacant, derelict, degraded and under-used land to accommodate the development' and the 're-use of urban sites, which are no longer appropriate to their existing or proposed use in the foreseeable future, for alternative land uses'.

5.7. The proposal would comply with policy H4A which states the need for a range of dwellings, including an appropriate proportion of smaller dwellings, to meet identified housing need on a site-by-site basis.

5.8. The development of family homes with rear gardens and one and two bedroom flats would be in keeping with the character and appearance of the area and may comply with Epping Forest's design policies and guidance.

5.9. It would be proposed to replace any trees requiring removal.

5.10. A Planning Officer has indicated that there may be potential overlooking but that this cannot be assessed fully until detailed drawings are received.

6.0 Impact/Implications of Statutory Services

6.1. We have undertaken statutory services enquiries to the following:

- Southern Gas
- Cable and Wireless
- Virgin Media
- Thames Water
- BT
- National Grid
- Scottish and Southern Energy
- Environment Agency
- UK Power Networks

6.2. Responses received to date are from the Environment Agency, National Grid, UK Power Networks, Virgin Media and Thames Water.

6.3. The Environment Agency has not pointed out any watercourses which cross the site.

6.3.1. National Grid: From drawn information given no apparatus appears to be located on the site, although there is a statement in text that there may be low pressure gas apparatus on the site. We would not envisage that this should affect proposals at this stage.

6.3.2. UK Power Networks: There do not appear to be any installations on the site.

6.3.3. Virgin Media: No apparatus appears to be located on the site.

6.4. Thames Water: No drains or sewers are located on any part of the site.

6.5. It should be noted there are a number of responses to enquiries that, at time of preparation of this report, have not yet been received.

7.0 Site Access and Buildability Issues

7.1. The site is accessed from existing site roads and there would not appear to be any particular difficulties for the normal level and size of construction traffic associated with a development of this nature.

7.2. Areas should be available for contractor's site set up and accommodation, although potentially restrictions on contractors access and operatives may be more onerous than for the outlying other 'garage' type sites and accordingly preliminary costs may be slightly higher.

7.3. The site is close to the Town Centre and has retail elements nearby and, accordingly, any appointed contractor should use all best endeavours to act in a considerate manner and within normal working hours.

7.4. The site has possible contamination sources from existing garages, and accordingly, suitable site investigation will need to be undertaken ahead of any proposals to take this site forward and specific recommendations made to deal with any contamination found, whether by capping or removal from site.

8.0 Neighbourly Matters and Party Walls

8.1. As above, the proposed development site is within a primarily residential area and the appointed contractor should act in a considerate manner. It is proposed that restrictions on working hours, noise levels, requirement for resident liaison and similar matters will be included within contract documentation.

8.2. From the proposals on Drawing 612.023/P2-25D, Party Wall matters will be relevant to development, particularly to No. 35 Burton Road.

8.3. Confirmation of ownership will be required in due course.

8.4. Such Party Wall matters may be undertaken ahead of the build contract by direct appointment by EFDC, or included as a requirement for the contractor to deal with within the build contract. This later approach, however, would carry increased risk to programme and cost.

9.0 Proposed Procurement Route

9.1. It is understood that development works will be procured by way of the East Thames Housing Group existing contractor framework arrangements.

9.2. It is proposed that works shall be procured on a Design and Build basis with the contractors taking forward RIBA Stage D planning consent drawings into detailed design and construction delivery on site.

9.3. Schemes shall be designed to a set of Employer's Requirements to be subsequently confirmed but which substantially shall be formed from existing East Thames Housing Group Design Standards and Employer's Requirement documentation.

9.4. It is proposed that all site preparation works will be included within individual contract packages including any required demolitions, adjustment of statutory services, highways works and boundary maintenance/reinstatement/provision.

9.5. On completion of the feasibility studies for the whole programme, further recommendations will be made in terms of how works are packaged to ensure size of work packages are optimised for ensuring maximum economies for East Thames Housing Group and EFDC.

9.6. It is considered, at this stage, that this may be by way of a mix of different sized contractors dependent upon the numbers and geographical location of individual works packages.

9.7. Works will be administered by Pellings LLP as Employer's Agent acting in accordance with East Thames Housing Group terms of appointment and the over arching requirements of the Development Agency agreement.

9.8. Due to the relative size of this scheme in relation to the remainder of the programme, letting of this project as an independent contract should be considered.

10.0 Impact on Parking

10.1. The Council's currently adopted parking standards are contained within Essex County Council's Parking Standards Design and Good Practice Guide – September 2009. These revised standards were adopted by the Council as statutory planning guidance in February 2012.

10.2. Flats and houses have the same parking standard as follows:

- 1 bedroom accommodation – 1 space per dwelling
- 2 bedroom accommodation and above – 2 spaces per dwelling
- Visitor parking – 0.25 spaces per dwelling (rounded up to the nearest whole number)

10.3. The proposals provide parking at less than the above standards but it is considered that given the town centre location and high level of public transport accessibility the proposed parking provision would meet the needs of future residents and not result in excessive overspill parking detrimental to the safety of surrounding highways or the amenities of neighbouring residents. A Planning Officer has commented that 'the level of parking provision proposed in the revised scheme is much more appropriate and I find it acceptable. I do not foresee any highway safety issues arising from the proposal.'

10.4. However, should the site move forward to planning application stages, it is recommended that a Transport Statement be undertaken, including parking surveys, to demonstrate that the loss of the garages will not give rise to any planning or highway problems.

10.5. Within both schemes new vehicular accesses are proposed to the site onto Burton Road. It may be necessary to agree the re-location of the existing bus stop/stands in front of the site. We would expect the cost of making good would be borne by the Epping Forest Housing Services while the cost of the new bus stop/stand would have to be negotiated with the County Council.

11.0 Costs

11.1. It is considered that a budget of £………….. for 612.023/P2-25D should be allowed for this scheme, inclusive of contractor design fees, but exclusive of professional fees and VAT. Please refer to Appendix F.

12.0 Recommendations and Conclusions

12.1. Subject to an overall lifetime cost appraisal, we conclude that the site appears to have economic development opportunities and we recommend is considered for taking forward to planning application stage, with a view to incorporating into the overall programme.

Signed: .... **Date:** ....

Pellings LLP

Appendix A

Development Proposals

Drawing 612.023/P2-25D

Appendix B

Site Photographs

Appendix B - Site Photographs

1.

2.

3.

4.

5.

6.

Appendix C

Existing Site Plan

Appendix D

Statutory Services Information

Appendix E

Information on Possible Contamination

Information on possible contamination has been forwarded by Epping Forest District Council by way of email of 25nd May 2013, giving information on potential contamination across all the primary sites.

This clarifies possible ground contamination derived from asbestos, made ground, hydrocarbons, petroleum hydrocarbons and the like.

It is likely that any Planning Consent will carry a Condition that all contamination issues are to be remediated.

Accordingly, we recommend that initial site investigation is undertaken for all sites that move forward to Planning Applications.

Appendix F

Cost Build-up

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East Thames Group

Appraisal for Rent & Sale

SDS ProVal **Version 9.13 Nov-2012**

Saved file path: Q:\Development\Applications\Proval\Working Provals\Epping Forest House Building

Scheme Name **Burton Road, Debden Option 3**

Date **31 Mar 2014**

Address

Funding Year **2013/2014**

Local Authority Epping Forest

LA Number 361 County Essex

Another Desciption

Project/File Ref.

Appraisal by georg.herrmann

Scheme Description

Sketch Drw'g No.

Site Area (acs) 0.00 ha

Seller

Appraisal Version 1

Units 56

Comments *See also Commentary in Rent Summary*

A Unit Details

	A	B	C	D	E	F	G	H	TOTALS
Unit Description									
Net Area m²	**50.00**	**70.00**	**75.00**	**83.00**	**102.00**				**4,198.00**
Bedrooms	1-bed	2-bed	2-bed	2-bed	3-bed				**m²**
Persons	2	4	4						124
Units	**14**	**20**	**4**	**2**	**16**				**56**
Commercial - y?	n	n	n	n	n				
Flat (not house) -y?	y	y	y	n	n				
Shared Accom. - y?	n	n	n						
Habitable Rooms	2	3	3	3	4				170
Storeys	3	3	3	2	3				
Value at Jan' 1999									
Market Sales Value									**0**
Product Type	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent				
Catalyst Dev. Type	New Build	New Build	New Build	New Build	New Build				
Other Description									
Sales % at Outset									
Res' Sold Equity	0	0	0	0	0	0	0	0	0
Res' Unsold Equity	0	0	0	0	0	0	0	0	0
Initial Commercial Sales	0	0	0	0	0	0	0	0	0

Confirm Gross Floor Area

	Net m²	Adjust by % and/or by m²	Gross m²	Gross ft²
Residential Floor Area	4,198.00	480.00	4,678.00	50,353.99
Commercial Floor Area	0.00		0.00	0.00
Total Floor Area	**4,198.00**		**4,678.00**	50,353.99

Habitable Rooms Summary

Residential Rent	170
Residential Sale	0
Other	0
Total	**170**

B Acquisition & Works Cost

ACQUISITION	Input Type	Input	Total	VAT %	Average per Unit	Average per Person	Memorandum Information
Use Value from Land Appraisal, y/n?							
		VAT Total	0		0	0	
Acquisition Total			**0**		0	0	

WORKS	Input Type	Input	Total	VAT %	Average per Unit	Average per Person	Memorandum Information
works	Per Gross m²	1,265	5,917,670		105,673	47,723	
Enabling Works	Lump Sum	164,600	164,600		2,939	1,327	5.46%
Abnormals							Year 30
Externals	Lump Sum	292,232	292,232		5,218	2,357	
cont, o/h, profit, design	Lump Sum	1,506,498	1,506,498		26,902	12,149	
Use Total from Land Appraisal, y/n?							
		VAT Total	0		0	0	
Works Total	1,877 /m² nfa	1,685 /m² gfa	**7,881,000**		140,732	63,556	

Acquisition & Works Summary			Total	Average per Unit	Average per Person
Total	1,877 /m² nfa	1,685 /m² gfa	**7,881,000**	140,732	63,556

A&W as % of Market Sales Value

Optimisation

Target % for A&W/Market Sales Value

Account Codes

Acquisition

Works

Dev. Interest

Net Loan

Acquistion Total Entered	0
Market Value, if Different	
Land Discount	0

For optimisation of Total Scheme Costs see Section F

C Development Subsidy

	Grant Input by Product Type	Grant Per Unit
Affordable Rent	27,000	

Received during development period		Total	Av'ge per Res' Unit	Average per Person	% TSC as Section F
As Defined by Product Type Table		1,512,000	27,000	12,194	
Input by %		0			
Input by Sum	Per Unit	0			
Other Sum	Description				
Total		1,512,000	27,000	12,194	16.92%

Sources of Subsidy		
	HCA	1,512,000
Other	LA	
Other	RCGF	
Other	Total Other	0
	TOTAL	1,512,000

Confirm Grant to Set Aside When Staircasing
Expected SHG to be Set Aside 0

Enter SHG to Set Aside (if applicable)

D Development Fees

Use Fees in Land Appraisal, y/n?	n
Or User Defined Fees & Interest %	n
Or Analyse Fees below, y/n?	y

VAT Rate 20.00%

Description	Input Type for Sums	Input Sum	Input Type for %	Input %	VAT - y?	Account Codes	Gross Total
East Thames fees							0
Feasibility	Lump Sum	1,375			n		1,375
ETG fees to achieve PP			% Aq & Wks	2.20%	n		173,067
ETG fees construction phase			% Aq & Wks	6.30%	n		496,503
Site Surveys			% Wks Cost	1.25%	n		98,513
Planning survey			% Wks Cost	0.25%	n		19,703
Party Wall Surveyors	Lump Sum	10,000			n		10,000
S 106	Lump Sum	75,000			n		75,000
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
						Development Fees Total (excl. interest)	874,161

E Scheme Timing

Include Interest, y/n? y
Cashflow Start (mmm-yyyy) Apr-2014 **Month No. 1**
Interest %, Negative Bal's 3.50%
Interest %, Positive Bal's 3.50%

Note
The following timings define a default interest calculation.
To enter user-defined sums, enter Cashflow Start date then manually adjust Development Cashflow and set cell at end of this section accordingly

Development Subsidy	Receipts Spread Method	By equal amounts	Receipt Start Month No.	to	Receipt End Month No.	
100% of Total	1,512,000	1,512,000	14	May-2015	14	May-2015
Second Sum		0				
Balance	0	0				
Total		1,512,000				

Development Subsidy Summary	
As Prod. Type	1,512,000
All Other (Total)	0
Total Dev. Subsidy	1,512,000

Acquisition Costs			Payment Month No.
No payment details req'd.		0	
		0	
Balance	0	0	
Total		0	

Acquisition Summary	
Acquisition Total	0

Works Costs	Cost Spread Method	By S-curve	Expdt. Start Month No.	to	Expdt. End Month No.	
100% of Total	7,881,000	7,881,000	14	May-2015	32	Nov-2016
Second Sum		0				
Balance	0	0				
Total		7,881,000				

Works Summary	
Works Total	7,881,000

Development Fees	Cost Spread Method	By equal amounts	Expdt. Start Month No.	to	Expdt. End Month No.	
100% of Total	874,161	874,161	1	Apr-2014	32	Nov-2016
Second Sum		0				
Balance	0	0				
Total		874,161				

Dev. Fees Summary	
Fees Total	874,161

Initial Sales		Spread Method	By equal amounts	First Sale Month No.	to	Last Sale Month No.
Overall Sales Period - Residential						
Overall Sales Period - Commercial						

Sales Summary	
Residential	0
Commercial	0

Substitute User-defined Interest - y/n?	y
Default Interest not Selected	0
User-defined Interest Cost	180,077

Development Period 32 months
First Event Apr-2014
Last Event Nov-2016
As defined on the Scheme Cashflow

F Total Scheme Cost

		% TSC
Acquisition & Works as Section B	7,881,000	88.2%
Development Fees as Section D	874,161	9.8%
User-defined Interest Cost	180,077	2.0%
Other Costs or Savings(-)		
Other Costs or Savings(-)		
Total Scheme Cost (TSC)	8,935,238	100.0%

TSC as % of Market Sales Value

Analysis of RSL Funding		Per Unit	Per Person	% of TSC
Receipts from Initial Sales	0			
Advance Rent Income	0			
Loan Adjustment	0			
RSL Capital Contribution	0			
Net Loan	7,423,238	132,558	59,865	83.1%
Total RSL Funding	7,423,238	132,558	59,865	83.1%
Analysis of Subsidy & Other Funding				
As Prod. Type	1,512,000	27,000	12,194	16.9%
Other	0			
Other Sum	0			
Total Other Funding	1,512,000	27,000	12,194	16.9%

Optimisation

Target % for TSC/Market Sales Value 90.0%

Alternative Solutions:

Total saving in TSC required		0	0 per unit
or	Affordable Acq. Total	0	0 per unit, or per hab. room
or	Affordable Wks. Total	0	per unit, or per gross m²

Optimisation results for Acq.and Wks. assume that development fees & interest remain at 11.8% of TSC

G Private Finance

Private Finance Requirement at Year 1		% of TSC	% of MSV
Total Scheme Cost - as Section F	8,935,238	100.0%	0.0%
Development Subsidy - as Section C	1,512,000	16.9%	0.0%
Receipts from Initial Sales	0		
Advance Rent Income	0		
Loan Adjustment			
Capital Contribution at Year 1			
Net Loan, before Sales (Section J)	7,423,238	83.1%	0.0%

Loan Repayment Method

Annuity y/n? n Interest Only Method Chosen

Leave blank

Value:Loan Ratios & Affordable Loan Values

Current Market Sales Value	0
NPV of Net Rent Only	10,605,582
User Specified Value	
Current Market Sales Value:Net Loan %	0.0%
NPV of Net Rent:Net Loan %	142.9%
User Specified Value:Net Loan %	0.0%

Apportionment of Net Loan & Long Term Interest Rates

		Loan A	Loan B	
Loan A: % Apportionment		100.00%	0.00%	
Loan Amounts		7,423,238	0	
		Interest Rate %	Interest Rate %	Effective Rate %
Year 1 to	45	3.50%		3.50%

Value:Net Loan, Target %

Affordable Loan on NPV Value

Affordable Loan on User Spec. Value

H Inflation

Base Inflation Rate 2.50%

Inflation is applied from Year 2 onwards. Set all periods to Year 45.

Inflation Margins & Periods for Income

			Margin on Base Rate	Effective Inflation Rates
Residential Tenant Rent				
Period 1	Year 1 to	45	0.50%	3.00%
				0.00%
Commercial Rent - n/a				
	Year 1 to	45		
Ground Rent				
Period 1	Year 1 to	45		2.50%
				0.00%
Services (Charges & Costs)				
Period 1	Year 1 to	45	0.00%	2.50%
				0.00%
Market Sales Values (Residential) - n/a				
	Year 1 to	45	0.00%	0.00%
				0.00%
Market Sales Values (Commercial) - n/a				
	Year 1 to	45		0.00%
				0.00%

Inflation Margins & Periods for Allowances

			Margin on Base Rate	Effective Inflation Rates
Management				
Period 1	Year 1 to	45	1.00%	3.50%
				0.00%
Maintenance				
Period 1	Year 1 to	45	1.00%	3.50%
				0.00%
Reinstatement				
Period 1	Year 1 to	45		2.50%
				0.00%
Another Allowance				
Period 1	Year 1 to	45	0.00%	2.50%
				0.00%
Major Repairs				
Period 1	Year 1 to	45	1.50%	4.00%
				0.00%

I Rent Allowances & Periods

Set allowances as at Year 1 of Long Term Cashflow and all periods to Year 45, ignoring future sales

	A	B	C	D	E	F	G	H	Weighted Averages at Year 1
Product Type	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent				
Commercial									
Number of Units	14	20	4	2	16				Units Available
Res' Shared Equity?	n	n	n	n	n				
Prop. Ava'ble for Rent?	y	y	y	y	y				56

Managing Agent % of Gross Rent (excl. Ground Rent & Service Charges) less voids

		A	B	C	D	E	F	G	H	
Year 1 to	45									0.00%
Add VAT to M. Ag.										

Default value for information, Shared Equity 0
Default value for information, Rent 275

RSL Management Per Unit Per Annum

		A	B	C	D	E	F	G	H	
Year 1 to	45	1,327	1,327	1,327	1,327	1,327				1,327

Maintenance Per Unit Per Annum — Default value for information, Rent 691

		A	B	C	D	E	F	G	H	
Year 1 to	45	910	910	910	910	910				910

	A	B	C	D	E	F	G	H
Product Type	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent			
Res' Shared Equity?	n	n	n	n	n			
Prop. Ava'ble for Rent?	y	y	y	y	y			

Services Cost Per Unit Per Annum

		A	B	C	D	E	F	G	H	
Year 1 to	45	110	110	110	79	79				100

Reinstatement Cost Per Unit Per Annum

		A	B	C	D	E	F	G	H	
Year 1 to	45									0

Another Allowance Per Unit Per Annum

		A	B	C	D	E	F	G	H	
Year 1 to	45									0

Default value for information, Shared Equity 0.00%
Default value for information, Rent 4.25%

Voids & Bad Debts % of Gross Rents & Service Charges

		A	B	C	D	E	F	G	H	
Year 1 to	45	2.00%	2.00%	2.00%	2.00%	2.00%				2.00%

Major Repair Sinking Fund Options

Option 1

% Selection — % User Input — Year 1 to 45 — 0.80% on 4,865,120

User Input 4,865,120

Option 2

Per Unit, Per Annum, Com. Rented Units Only — Year 1 to 45

Option 3

Per Unit, Per Annum, Res. Rented Units Only — Year 1 to 45

Sinking Fund at Year 7 — 49,247

Defer the Start of the Sinking Fund to Year 7

Memorandum Information

Options 2 & 3 can be used together. With these options shared equity units and units fully sold at the outset are excluded.

J Sales & Other Capital Receipts

1. Other Capital Receipts in Long Term Cashflow

All capital income is deemed to be received at the end of the year entered.

Lump Sum Description

Infla'd Sum Description

2. Unit & Ground Rent Sales

All sales are deemed to be received at the end of the year entered. For Sales & Equity Shares at the outset, enter in Section A

For staircasing shared equity units, use the Shared Equity Report

	A	B	C	D	E	F	G	H	Total for all Units
Product Type	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent				
Units	14	20	4	2	16	0	0	0	
Commercial									
Market Sales Value	0	0	0	0	0	0	0	0	
Available for Sale									
Sell units at end of Year									
Value for Sale at Yr. 1	0	0	0	0	0	0	0	0	
Rec'd at Year of Sale	0	0	0	0	0	0	0	0	0
Total Received	0	0	0	0	0	0	0	0	
Sell Gr'd Rents at Year									
Capital'd %	0	0	0	0	0	0	0	0	0

Set Ground Rents in Section L. Inflation is applied to Year 2 onwards.

K Cost Rent at Year 1

No. of Weekly Rent Periods p.a. 52.18

Loan Interest is on the full Net Loan. The long term cashflow uses an averaged interest after receiving rent.

	Year 1
Loan Interest	259,813
Managing Agent	0
RSL Management	74,312
Maintenance	50,960
Services Cost (S.C.)	5,602
Reinstatement Cost	0
Another Allowance	0
Major Repairs	0
Voids etc. 2.0%	7,973
Total Cost at Year 1	**398,661**

Total Cost at Year 1, Per Unit Type - ***rents are pro rata net floor area***

Type	Commercial	Rent p.w. excl. S.C.	S.C. p.w.	Total p.w.	Total p.m.
	n	89.69	2.11	91.80	399.18
	n	125.57	2.11	127.68	555.18
	n	134.54	2.11	136.65	594.18
	n	148.89	1.51	150.41	654.00
	n	182.98	1.51	184.49	802.21
		0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00
Averages	134.48 per week (ex. S.C.)		584.74 per month (ex. S.C.)		
	136.43 per unit per week		593.24 per unit per month		
93.60 per net m² (ex. S.C.)			94.96 per net m² (incl. S.C.)		

Loan Interest is on the Opening Loan. The long term cashflow uses an averaged interest after receiving rent. Therefore Cost Rent is overstated.

NB For calculating the Total Cost at Year 1, Voids and Managing Agent costs use a unit average. These costs will vary with the actual rent and with the Managing Agent and Voids percentages for each dwelling type.

L Set Rents & Service Charges for Long Term Cashflow

Cost Rent & S.C., p.w.	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total at Year 1**
Product Type	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent				
Commercial									
Target - April 2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Rent Cap	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Service Cost p.w.	2.11	2.11	2.11	1.51	1.51	0.00	0.00	0.00	5,716
Cost Rent p.w. excl. S.C.	89.69	125.57	134.54	148.89	182.98	0.00	0.00	0.00	392,944
Total Cost Rent p.w.	91.80	127.68	136.65	150.41	184.49	0.00	0.00	0.00	**398,661**

Commercial Rents n/a

Year 1 to									0

These Options n/a

Set Initial Rent Free Period (months) [ ] months
Rent Review Period, i.e. rent fixed for [ ] years

Preferred Yield % on Unsold Equity, n/a 2.75%

Residential Shared Equity units only
Unsold Equity Share %
Cost Rent % of u/s Eq'ty
Rent p.w at 2.75% Yield

Local Housing Allowance

Residential Rents n/a

Year 1 to	45	119.58	165.58	165.58	165.58	180.00			462,260
		based on £650 and £900 market rents							

Set all service charges received per week

Year 1 to	45								0

Set Ground Rents received per annum

Year 1 to	45								0

Rent Yields as at end of Year	1	**Gross**	**Net**
Total All Revenue Income, ex. voids at Year 1		453,015	322,141
Compared with Market Value at Year 1	0		
Compared with Total Scheme Cost of	8,935,238	5.07%	3.61%
Compared with Acquisition Cost of	0		

Rent Yields as at end of Year		**Gross**	**Net**

Residential at Start of Year 1	
Gross Rent	462,260
Market Value	0
Yield	
Commercial at Start of Year 1	
Gross Rent	0
Market Value	0
Yield	

NPV of Gross Rent & S.C. ex. Voids, divided by Open'g Loan, p.a.	5.4%	at Year 1
NPV of Net Rent less loan interest, divided by Open'g Loan, p.a.	2.1%	

NPV Period & Discount Rate: 45 years at 3.50%, as defined in Section M

Calculation of Affordable Loan Based on Net Income at Year 1

Total Set Rent	462,260
Service Charges	0
Ground Rents	0
Managing Agent	0
RSL M'ngm'nt & Maint.	125,272
Services Cost	5,602
Reinstatement Cost	0
Another Allowance	0
Major Repairs	0
Voids & Bad Debts	9,245
Net Income at Year 1	**322,141**

	Per Unit p.a.	Per Unit p.w.	Per Unit p.m.
Set Residential Rent	8,255	158.20	687.89
Set Commercial Rent	0		

Actual Loan	7,423,238	
Affordable Loan	9,350,757	Assuming net income meets Year 1 loan costs
Difference	1,927,519	Equivalent to the capitalised Year 1 net revenue surplus.

M Long Term Cashflow

Loan Repayment Method	Interest Only		
Peak Loan Occurs in Year 1	7,423,238	NPV Calculation Options	Net Rent + Cap. Val. - Loan
Revenue First Exceeds Costs	Year 1	NPV Discount Rate	3.50%
Loan Repaid by	Year 30	Summarise Cashflow Results to Year	45

		Per Unit	Per Person		
				Capital Value of Scheme - Year 1	
				Capital Growth Rate p.a.	
Max. Annual Deficit: Year	n/a			Discounted Cap. Value	
Capitalised Yr. 1 Net Revenue Surplus	1,927,519	34,420	15,545		
Cum. Surplus at Year 45	11,460,588	204,653	92,424	**Interest Total**	4,959,123
NPV Net Rent + Cap. Val. - Loan	3,182,344	56,828	25,664	Min. Interest Cover: Year 1	126.49%
IRR	5.46%			Target Interest Cover %	115.00%
NPV of Net Rent Only	10,605,582			First met after Year 1 in Year	2
NPV of All Capital Receipts	0			Last Works payment in Scheme Cashflow	Nov-2016

Year	1	2	3	4	5	6	7	8	9
Opening Loan	**7,423,238**	**7,355,775**	**7,276,740**	**7,185,474**	**7,081,286**	**6,963,456**	**6,831,231**	**6,733,856**	**6,624,228**
Average Interest	254,678	252,172	249,257	245,910	242,107	237,822	233,813	230,266	226,287
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	322,141	331,207	340,524	350,098	359,937	370,047	331,189	339,894	348,815
Closing Loan	**7,355,775**	**7,276,740**	**7,185,474**	**7,081,286**	**6,963,456**	**6,831,231**	**6,733,856**	**6,624,228**	**6,501,700**
Gross Resid'l Rent	**462,260**	**476,128**	**490,412**	**505,124**	**520,278**	**535,886**	**551,963**	**568,522**	**585,578**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	9,245	9,523	9,808	10,102	10,406	10,718	11,039	11,370	11,712
s/t	**453,015**	**466,606**	**480,604**	**495,022**	**509,873**	**525,169**	**540,924**	**557,152**	**573,866**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	74,312	76,913	79,605	82,391	85,275	88,259	91,348	94,546	97,855
Maintenance	50,960	52,744	54,590	56,500	58,478	60,524	62,643	64,835	67,105
Services Cost	5,602	5,742	5,886	6,033	6,184	6,338	6,497	6,659	6,825
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	0	0	0	0	0	0	49,247	51,217	53,266
Net Rent	**322,141**	**331,207**	**340,524**	**350,098**	**359,937**	**370,047**	**331,189**	**339,894**	**348,815**
Net Rent + Rec'ts - Inter't	*67,463*	*79,035*	*91,266*	*104,188*	*117,830*	*132,225*	*97,375*	*109,628*	*122,528*
Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cum. Balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Year	10	11	12	13	14	15	16	17	18
Opening Loan	**6,501,700**	**6,365,597**	**6,215,215**	**6,049,820**	**5,868,649**	**5,670,906**	**5,455,762**	**5,222,354**	**4,969,783**
Average Interest	221,853	216,940	211,524	205,578	199,077	191,991	184,293	175,951	166,934
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	357,956	367,322	376,918	386,749	396,819	407,135	417,701	428,522	439,604
Closing Loan	**6,365,597**	**6,215,215**	**6,049,820**	**5,868,649**	**5,670,906**	**5,455,762**	**5,222,354**	**4,969,783**	**4,697,113**
Gross Resid'l Rent	**603,145**	**621,239**	**639,876**	**659,073**	**678,845**	**699,210**	**720,187**	**741,792**	**764,046**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	12,063	12,425	12,798	13,181	13,577	13,984	14,404	14,836	15,281
s/t	**591,082**	**608,815**	**627,079**	**645,891**	**665,268**	**685,226**	**705,783**	**726,956**	**748,765**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	101,280	104,824	108,493	112,291	116,221	120,288	124,499	128,856	133,366
Maintenance	69,453	71,884	74,400	77,004	79,699	82,489	85,376	88,364	91,457
Services Cost	6,996	7,171	7,350	7,534	7,722	7,915	8,113	8,316	8,524
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	55,397	57,613	59,917	62,314	64,806	67,399	70,094	72,898	75,814
Net Rent	**357,956**	**367,322**	**376,918**	**386,749**	**396,819**	**407,135**	**417,701**	**428,522**	**439,604**
Net Rent + Rec'ts - Inter't	*136,103*	*150,382*	*165,395*	*181,171*	*197,743*	*215,144*	*233,408*	*252,571*	*272,670*
Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cum. Balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Year	19	20	21	22	23	24	25	26	27
Opening Loan	**4,697,113**	**4,403,370**	**4,087,541**	**3,748,570**	**3,385,360**	**2,996,769**	**2,581,610**	**2,138,647**	**1,666,596**
Average Interest	157,210	146,744	135,500	123,442	110,531	96,726	81,988	66,271	49,531
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	450,953	462,573	474,471	486,652	499,121	511,886	524,951	538,322	552,006
Closing Loan	**4,403,370**	**4,087,541**	**3,748,570**	**3,385,360**	**2,996,769**	**2,581,610**	**2,138,647**	**1,666,596**	**1,164,121**
Gross Resid'l Rent	**786,967**	**810,576**	**834,894**	**859,940**	**885,739**	**912,311**	**939,680**	**967,871**	**996,907**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	15,739	16,212	16,698	17,199	17,715	18,246	18,794	19,357	19,938
s/t	**771,228**	**794,365**	**818,196**	**842,742**	**868,024**	**894,065**	**920,887**	**948,513**	**976,969**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	138,034	142,865	147,865	153,040	158,397	163,941	169,679	175,617	181,764
Maintenance	94,658	97,971	101,400	104,949	108,622	112,424	116,358	120,431	124,646
Services Cost	8,737	8,956	9,180	9,409	9,644	9,885	10,132	10,386	10,645
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	78,847	82,001	85,281	88,692	92,240	95,929	99,766	103,757	107,907
Net Rent	**450,953**	**462,573**	**474,471**	**486,652**	**499,121**	**511,886**	**524,951**	**538,322**	**552,006**
Net Rent + Rec'ts - Inter't	*293,743*	*315,829*	*338,971*	*363,210*	*388,591*	*415,159*	*442,963*	*472,051*	*502,475*
Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cum. Balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Year	28	29	30	31	32	33	34	35	36
Opening Loan	**1,164,121**	**629,834**	**62,291**	**0**	**0**	**0**	**0**	**0**	**0**
Average Interest	31,721	12,792	216	0	0	0	0	0	0
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	566,008	580,335	62,507	0	0	0	0	0	0
Closing Loan	**629,834**	**62,291**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross Resid'l Rent	**1,026,814**	**1,057,618**	**1,089,347**	**1,122,027**	**1,155,688**	**1,190,359**	**1,226,070**	**1,262,852**	**1,300,737**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	20,536	21,152	21,787	22,441	23,114	23,807	24,521	25,257	26,015
s/t	**1,006,278**	**1,036,466**	**1,067,560**	**1,099,587**	**1,132,574**	**1,166,552**	**1,201,548**	**1,237,595**	**1,274,722**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	188,126	194,710	201,525	208,578	215,879	223,434	231,255	239,349	247,726
Maintenance	129,009	133,524	138,197	143,034	148,040	153,222	158,585	164,135	169,880
Services Cost	10,912	11,184	11,464	11,751	12,044	12,345	12,654	12,970	13,295
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	112,223	116,712	121,381	126,236	131,286	136,537	141,998	147,678	153,586
Net Rent	**566,008**	**580,335**	**594,993**	**609,987**	**625,325**	**641,013**	**657,056**	**673,462**	**690,237**
Net Rent + Rec'ts - Inter't	*534,287*	*567,543*	*594,777*	*609,987*	*625,325*	*641,013*	*657,056*	*673,462*	*690,237*
Cashflow	**0**	**0**	**532,486**	**609,987**	**625,325**	**641,013**	**657,056**	**673,462**	**690,237**
Cum. Balance	**0**	**0**	**532,486**	**1,142,473**	**1,767,799**	**2,408,811**	**3,065,868**	**3,739,330**	**4,429,566**

Year	37	38	39	40	41	42	43	44	45
Opening Loan	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Average Interest	0	0	0	0	0	0	0	0	0
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	0	0	0	0	0	0	0	0	0
Closing Loan	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross Resid'l Rent	**1,339,759**	**1,379,952**	**1,421,351**	**1,463,991**	**1,507,911**	**1,553,148**	**1,599,743**	**1,647,735**	**1,697,167**
Gross Comm'l Rent	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	26,795	27,599	28,427	29,280	30,158	31,063	31,995	32,955	33,943
s/t	**1,312,964**	**1,352,353**	**1,392,924**	**1,434,711**	**1,477,753**	**1,522,085**	**1,567,748**	**1,614,780**	**1,663,224**
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	256,396	265,370	274,658	284,271	294,221	304,518	315,176	326,208	337,625
Maintenance	175,826	181,979	188,349	194,941	201,764	208,826	216,135	223,699	231,529
Services Cost	13,627	13,968	14,317	14,675	15,042	15,418	15,803	16,198	16,603
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	159,729	166,118	172,763	179,673	186,860	194,335	202,108	210,192	218,600
Net Rent	**707,386**	**724,918**	**742,837**	**761,151**	**779,866**	**798,989**	**818,526**	**838,483**	**858,867**
Net Rent + Rec'ts - Inter't	*707,386*	*724,918*	*742,837*	*761,151*	*779,866*	*798,989*	*818,526*	*838,483*	*858,867*
Cashflow	**707,386**	**724,918**	**742,837**	**761,151**	**779,866**	**798,989**	**818,526**	**838,483**	**858,867**
Cum. Balance	**5,136,953**	**5,861,870**	**6,604,707**	**7,365,858**	**8,145,725**	**8,944,713**	**9,763,239**	**10,601,722**	**11,460,588**

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Indicative Estimate of Cost
for East Thames HA

Site P2-25, Burton Road Amalgamated Sites - Epping Forest (Rev B)

Gross Internal floor area	Nr	m2	ft2	
Affordable Flat Units	38	2,880	31,000	] see below for
Affordable House Units	18	1,798	19,354	] accom schedule
TOTAL GIA	**56**	**4,678**	**50,354**	

Item	Element	Qty	Unit	Rate £/unit	Total £
1.00	**Enabling Works**				
1.01	Demolition of existing garages	66	Nr	1,200	79,200
1.02	Allowance for removal of asbestos	66	nr	400	26,400
1.03	Site clearance	5,900	m²	10	59,000
				Sub-total	**164,600**
2.00	**Affordable Flat units (3nr units)**				
2.01	Flats Private areas	2,400	m²	1,350	3,240,000
2.02	Flats communal areas (20% allowed)	480	m²	900	432,000
				Sub-total	**3,672,000**
3.01	**Affordable House units (2nr units)**				
3.01	House areas	1,798	m²	1,250	2,247,500
				Sub-total	**2,247,500**
4.00	**Abnormals (Extra Over allowances)**				
4.01	Allowance for contaminated ground		item		Excluded
4.02	Extra Over for wall:floor ratio (> 120%)		m²	250	no allowance
4.03	Allowance for enhanced external wall finish		m²	30	no allowance
4.04	Extra for wheelchair unit adaptations		nr	3,500	no allowance
4.05	Allowance for a lift to serve all the flats		nr		Excluded
4.06	Allowance for achieving CfSH Level 4 - Flats		nr		no allowance
4.07	Allowance for achieving CfSH Level 4 - Houses		nr		no allowance
				Sub-total	
5.00	**External Works**				
5.01	Private gardens (incl. fencing)	1,511	m²	40	60,440
5.02	Communal Gardens	1,998	m²	30	59,940
5.03	Allowance for designated play space		item		Excluded
5.04	Access road, parking and turning	410	m²	65	26,650
5.05	Pedestrian paving	335	m²	50	16,750
5.06	Cross over / highways adaptions	1	item	30,000	30,000
5.07	Boundary treatment (fencing/walls)	568	m	160	90,952
5.08	External bins store (say)	2	nr	2,500	5,000
5.09	Cycle storage rack (say)	1	item	2,500	2,500
				Sub-total	**292,232**

		£/m2	£/ft2	
INDICATIVE CONSTRUCTION COST		**1,363**	**1,363**	**6,376,332**
CLIENT FF&E (white goods, etc.)	item			excluded
TELECOMMS / ICT / SECURITY	item			excluded
CONTRACTOR'S PRELIMINARIES			12%	765,160
CONTINGENCY			5%	357,075
CONTRACTOR'S DESIGN FEES			6%	382,580
Totals				**7,881,146**

	£/unit (ave)	£/m2	£/ft2	
TOTAL INDICATIVE CONSTRUCTION COST	**2,627,000**	**1,685**	**157**	**7,881,000**

Refer Overleaf for Clarifications, Assumptions and Exclusions

Accommodation Schedule

Flats/Maisonettes				
1B 2P Flat	14 Nr	50 m²	700	
2B 4P Flat	20 Nr	70 m²	1,400	
2B 4P Penthouse	4 Nr	75 m²	300	
	38 Nr		2,400	
Allowance for communal space		20%	480	2,880
Houses				
2B 4P House	2 Nr	83 m²	166	
3B 5P 3 storey House	4 Nr	102 m²	408	
3B 5P House	12 Nr	102 m²	1,224	1,798
	18 Nr			4,678

Clarifications and Assumptions

Estimate based on Pellings LLP Feasibility drawing ref 612.023 P2-25 revision B
GIA is approximate due to early stage of design
Costs are based on a Q3 2014 start on site
Costs are based on a Single Stage Competitive D&B procurement route
Costs are based on a Contractor 'best programme' contract period
All units assumed to achieve Code for sustainable Homes Level 3
Cost include for OH&P @ 7%
It is assumed that a traditional construction (concrete strip foundations, brick/block walls, timber floor structure, sloped tiled roofs) will be used
Contractors design fees are based upon appointment with planning consent under JCT D&B contract
Assumed no Party Wall or Rights of Lights issues
Assumed no demolitions or Asbestos removal required
Nominal allowance of 20% for communal space in residential apartment blocks
No allowance has been made for a passenger lift
No allowance has been made for designated child play space

Exclusions

Clients professional fees (including statutory fees)
VAT
Excludes any off-site works
Provision of loose fittings and furnishings
Costs of compliance of any conditions imposed by TFL or other statutory bodies
Costs of Section 106, S108, S278 Agreement(s) or Community Infrastructure Levy charges

NOTES:

Report all discrepancies, errors and omissions
Do not scale from this drawing.
Verify all dimensions on site before commencing any work or preparing shop drawings.
All materials, components and workmanship are to comply with all the relevant British Standards, Codes of Practice, and appropriate manufacturers recommendations that from time to time shall apply.
For all specialist work, see relevant drawings.

PRELIMINARY

Rev	Date	Description	Name
-	--/--/--		

Pellings

Pellings LLP
24 Widmore Road Bromley Kent BR1 1RY
t 020 8460 9114 f 020 8313 0019 e bromley@pellings.co.uk
www.pellings.co.uk

Architecture & Planning ■ Building Surveying ■ Project Management ■ Cost Consultancy ■ CDM Co-ordination

CLIENT: East Thames HA	PROJECT: EFDC House Building Programme
TITLE: Proposed Plans Burton Road Amalgamated Site	DATE: FEB 2014 / SCALE: 1:500 @A2 / DRAWN: JP / CHK:
	DRAWING No: 612 023 P2-25 D

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Report to the Council Housebuilding Cabinet Committee

Epping Forest
District Council

Report reference: CHB-017-2013/14
Date of meeting: 17 April 2014

Portfolio:	**Housing**
Subject:	**Bid for HCA Grant to subsidise the Council Housebuilding Programme**
Responsible Officer:	**Paul Pledger, Asst. Director (Housing Property and Development) (01992 564248)**
Democratic Services Officer:	**Jackie Leither (01992 564756)**

Recommendations:

(1) That East Thames be authorised, in consultation with the Director of Communities to submit a bid to the Homes and Communities Agency (HCA) for Affordable Housing Grant as part of the Affordable Homes Programme 2015-18, before the 30 April 2014 deadline, initially to fund the number of homes agreed by the Cabinet Committee earlier in the meeting in Phase 2 of the Council's housebuilding programme on behalf of the Council;

(2) That, subject to a successful grant application, East Thames to prepare an application on behalf of the Council for HCA Investment Partner Status so that the funding can be drawn at the appropriate time.

(3) That it be noted, due to the amount of time between the meeting and the 30 April deadline to submit a bid to the HCA for Affordable Housing Grant, the Chairman of Council has agreed to waive the call-in procedure for this item.

Executive Summary:

Following the launch of its 2015-18 Affordable Homes Programme Bid Prospectus by the Homes and Communities Agency (HCA), the Council now has the opportunity to bid for Affordable Housing Grant to subsidise the Council's housebuilding programme. The prospectus signals the start of the bid round, which will close at 12 noon on 30 April 2014. The Prospectus prescribes that any bids must be made based on an executive decision. This report sets out the advantages and disadvantages of making a bid for HCA grant.

Reasons for Proposed Decision:

In order for the HCA to consider any bids for affordable housing grant, they require the bid to be supported by an executive decision of the Board or other authorised Committee.

Other Options for Action:

1. Not to submit an application for grant and to self-fund the programme.

Background

1. In January 2014, the Homes and Communities Agency (HCA) launched its 2015-18 Affordable Homes Programme, which aims to increase the supply of affordable homes in England by contributing to the delivery of 165,000 new homes by March 2018, the majority of which will be made available at affordable rent to meet local needs.

2. The publication of the prospectus signals the start of the bid round, which will close at noon on 30 April 2014. All bids must be made online via the Investment Management System (IMS).

3. It should be noted that applications can be submitted by any Registered Providers, of which the Council is one. However, should an application for affordable housing grant be successful, it is a requirement that the Council must qualify as an HCA Investment Partner. The qualifying criteria to achieve Partner Status is yet to be published.

4. Funding bids are assessed by the HCA against four main criteria:
    a. Value – in terms of subsidy per home and per person housed (assessed against regional efficiency targets)
    b. Quality – judged against the HCA design and quality standards
    c. Deliverability – with particular emphasis on planning status
    d. Policy fit – taking into account national, regional and local strategies.

5. East Thames has experience in successfully securing affordable housing grant for its own investment programme in previous bid-rounds. As the Council's Development Agent, it is recommended that East Thames be authorised, in consultation with the Director of Communities to submit bids on the Council's behalf, depending on the Committee decision with regard to the acceleration of the Council housebuilding programme earlier in th meeting .

6. In anticipation of the Cabinet Committee deciding to make an application for Affordable Housing Grant, East Thames have completed a set-up transaction with the HCA on behalf of the Council and established an IMS log-in PIN so that a bid can be made before the 30 April deadline. The next stage is to establish what grant rates the Council would wish to request from the HCA and an overall bidding strategy. Some of this is explored in more detail in a separate report on accelerating the Council housebuilding programme elsewhere on the agenda.

7. Further documentation will need to be prepared in relation to design and training standards that the HCA expects. These standards have not been published by the HCA yet but East Thames is monitoring this situation and will work with the Council to deliver these statements on time.

8. Once the bid is submitted the HCA expect to confirm successful bids by Mid July 2014. It is recommended that should the Council's bid be successful, then East Thames be authorised to lead on the process of gaining investment partnership status with the HCA.

9. The advantage to bidding for grant from the HCA is that, if successful they will provide additional funding for EFDC schemes. This will allow the Council's own money to be used to deliver additional affordable homes elsewhere in the district.

10. There are some disadvantages to receiving funding from the HCA. These include;

- The grant will be time-limited and therefore schemes will need to be completed within the timescales agreed with the HCA. It should be noted that Phase 2 is due to be completed within the timescales set. However, if there are delays, and the deadline is not met, it would result in a reputational issue with the HCA.

- There will be other conditions attached to the grant, including design, sustainability and security conditions. It should be noted that these are already built into the standards already adopted by the Council.

- The HCA acts as a regulator for affordable housing and EFDC will be audited on its development programme and process if the HCA grant funds schemes. Although this is a time consuming task East Thames will prepare audit files for the schemes that meet the HCA's audit criteria.

11. It is recommended that East Thames be authorised, in consultation with the Director of Communities to submit a bid to the Homes and Communities Agency (HCA) for grant as part of the Affordable Homes Programme 2015-18, before the 30 April 2014 deadline, initially to fund the number of homes agreed by the Cabinet Committee earlier in the meeting in Phase 2 of the Council's housebuilding programme on behalf of the Council.

12. Due to the limited amount of time between the meeting and the 30 April deadline, to submit a bid to the HCA for Affordable Housing Grant, the Chairman of Council has agreed to waive the call-in procedure for this item.

Resource Implications:

There is no resource expense to the Council to submit a bid. However, by submitting a bid it opens the opportunity for the Council to benefit from HCA Affordable Housing Grant as subsidy towards the Council's housebuilding programme

Legal and Governance Implications:

The HCA Bid process requires an executive decision in order for a bid to be considered.

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

The HCA have been consulted on the Council's proposals in principle.

Background Papers:

- Report on accelerating the Council housebuilding programme elsewhere on the agenda.
- HCA Affordable Homes 2015-18 Programme Bid Prospectus

Impact Assessments:

<u>Risk Management</u>

There are no risks associated with this report or the decisions therein

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

Homes & Communities Agency

AFFORDABLE HOMES PROGRAMME 2015-18

Prospectus

January 2014

Affordable Homes Programme 2015-18

Contents

Ministerial Foreword

In June 2013 this Government underlined its long term commitment to affordable housing, by providing £3.3bn of public money which, alongside around £20bn of private investment, will support the delivery of 165,000 additional affordable homes from April 2015. This builds on the already strong track record of this Government, with over 170,000 affordable homes built over the last three years.

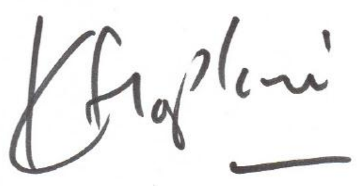
Every penny of public money must be spent wisely, to deliver the most benefit for our citizens. That is why we overhauled the model for funding affordable housing in the current programme. As a result, we now get more than twice as many homes from each pound of tax payers' money we spend on grant, compared to the 2008–2011 programme.

That drive to increase efficiency must continue into the new programme, so that we are able to help the highest possible number of people to access a high quality, affordable home. In particular, we expect more providers to undertake the active asset management which is already undertaken by the best, including a programme of disposals of vacant high value and costly-to-maintain stock to fund new affordable homes. I know this is a challenge for housing providers. But our grant funding, alongside the long-term social rent policy we announced in the summer, provides the platform that providers need to plan and to secure funding. So I am confident that the sector will rise to this challenge.

Local authorities have a particularly important role in providing land for development. Councils such as Plymouth and Cheshire West and Chester already have ambitious plans to use local authority land to help deliver more homes. As part of our 'something for something' deals under the new programme, I expect all councils to seek to identify suitable land to support the schemes put forward for funding.

Of course it is not just about numbers. We need to build the right types of homes, in the right places. Over the last few years it has become increasingly clear that in many places our affordable housing stock does not meet the changing needs of households. So this time, I intend to make sure that we support areas to build more of the homes that are in greatest need and shortest supply. In many places, this will mean more one and two bedroom homes for smaller households who need to move to more suitably sized accommodation.

Finally, I hope this new prospectus encourages more social landlords to start building. If we are to meet the needs of our communities, we need everyone with capacity to build to use this. I therefore hope that **all** affordable housing providers will read this document and think carefully about what they could do to help us provide the new homes our communities need.



Kris Hopkins MP, Minister for Housing

Chapter 1: The 2015-18 Affordable Homes Programme

Programme aims

1. £2.9bn capital grant funding has been made available nationally to fund affordable housing over the three year programme period, 2015–18. £1.7bn is the amount available (outside London) for which this prospectus invites bids. A separate programme for London will be administered by the Greater London Authority. For information on how arrangements will work in London, providers should refer to separate documentation produced by the Greater London Authority.

2. The programme seeks to:

   - Increase the supply of new affordable housing – for Affordable Rent and affordable home ownership (shared ownership). Products are described in Chapter 6;

   - Maximise the number of new affordable homes delivered with the available grant funding, supplemented by bidders' own contributions;

   - Build homes that address the demographic challenges facing social housing, including the need for more one and two bedroom homes that match the needs of smaller households;

   - Maximise delivery within the programme period and deliver new affordable homes by March 2018; and

   - Encourage providers with capacity who do not currently develop, or who could do more, to bring that capacity into use, utilising the skills and expertise of existing delivery partners as appropriate. In addition to accessing capacity, our aim is to drive good value for money through the competitive process.

Changes

3. The 2015-18 Affordable Homes Programme has much in common with the 2011-15 Affordable Homes Programme. This includes the products that will be funded using bidders' own resources to support delivery (including through the application of asset management flexibilities to generate capacity through conversions and/or disposals). Differences include our approach towards bidding (through either the firm only or the mixed route, which are described in Chapter 3) and retaining a proportion of funding for future market engagement. There will also be a focus on ensuring that the homes we fund help address any mismatch between the existing stock and the needs of households, for example by building more one and two bedroom homes in areas where tenants under-occupying social homes do not have the option of moving to a suitably-sized home. We also want to build on other priorities: encouraging bidders to seek efficiencies (including procurement efficiencies), and maximising the number of providers with capacity who can efficiently and effectively deliver new supply, particularly through partnership working.

Invitation to bid

4. This Prospectus invites bidders to submit bids to the Homes and Communities Agency to increase the supply of new affordable housing (Affordable Rent and affordable home ownership, shared ownership homes). The bidding routes for doing so are set out in Chapter 3.

5. This invitation to bid is open until noon on Wednesday 30 April 2014.

Chapter 2: The funding model

6. The following cost contributions should be fully utilised, where available, to contribute to the delivery of new supply, and to reduce the call on capital grant funding:

    - Borrowing capacity generated by the net rental income stream of the new properties developed;
    - The additional borrowing capacity that can be generated from the conversion of social rent properties to Affordable Rent (or other tenures) at re-let;
    - Cash generated through the sale of existing stock (disposals);
    - Other sources of cross subsidy, including surpluses from existing stock and activities, Recycled Capital Grant Funding and Disposal Proceeds Funding and income from developing new properties for outright sale;
    - Other sources of funding or means of reducing the costs such as free or discounted public land, including local authority land, and local authority contributions such as from the New Homes Bonus; and
    - The benefit of Government backed guarantees.

7. Bidders will be required to set out the contributions they can make to support their proposals to deliver new supply. The contribution that a provider is able to make from its own resources and from the borrowing supported from new properties, conversions and existing social rent homes will be greater for those providers that operate efficiently, across both their management and maintenance operations. Providers that operate efficiently will be in a position to achieve higher net operating income levels which support their financial capacity – allowing them to be more competitive in their delivery of new supply. We will expect efficient organisations to be able to bid competitively for capital grant funding. Bidders who do so, and as a result are able to offer good value for money for the grant funding requested are likely to be advantaged in this element of the assessment.

8. The Homes and Communities Agency will take account of the Regulator's public judgements on the value for money standard, and will pay particular attention to the value for money of any provider's bids where the provider's governance judgement has been downgraded because the provider is not considered to have met the Value for Money standard.

Income from new properties

9. The 2015-18 Affordable Homes Programme continues the approach introduced in the current 2011-15 Affordable Homes Programme, and assumes that the main new supply product that will be delivered will be new Affordable Rent homes, and, where appropriate, affordable home ownership (shared ownership) homes. The income generated and contribution to the costs of supply is expected to be maximised, including charging rent at up to 80% of market rents.

10. Further detail of the products that are eligible for capital grant funding under the 2015-18 Affordable Homes Programme is provided in Chapter 6. Agreement for providers to charge Affordable Rent for new properties will be given through signing a contract with the Homes and Communities Agency.

Active asset management

11. The 2015-18 Affordable Homes Programme is intended to build on the “something for something” approach introduced in the 2011-15 Affordable Homes Programme. Bidders are expected to maximise the contribution they can bring forward to support delivery, and supplement available capital grant funding, including through the use of active asset management.

12. Under the current Affordable Homes Programme, some providers have taken a more active approach than others to using sales and conversions to maximise financial capacity for investment in new housing. In the 2015-18 Programme, we will expect all Registered Providers to take a strategic and rigorous approach to considering vacant properties, as part of their active asset management strategies, and whether they could be used to support the generation of capacity through sales or conversions which can be applied to the delivery of new homes, in order to help more people in need.

13. The former Housing Minister, Mark Prisk MP, described the Government’s expectations for the new programme in a speech on 27 June[1]. He said that: *‘In considering bids for grant, we will expect providers to bring forward ambitious plans for maximising their own financial contribution. And we will expect this to include a rigorous approach to efficiency, along with ambitious plans to maximise cross-subsidy from the existing stock….Under the next programme we expect providers to take a rigorous approach in looking at every re-let and asking how it could best help build more homes to help more families. I expect the result to be a significant change in the numbers of homes that are either converted to Affordable Rent or sold when they become vacant.’*

Disposals

14. The approach set out by the former Minister requires landlords to understand the economic value of each of their homes, so that an active decision can be made, as and when each property becomes vacant, about how it can best be used to support the organisation to deliver more homes to help more people. We will therefore expect bidders to explain how many properties they are planning to sell to fund the programme and why they have chosen not to dispose of more. As part of this submission, providers should include evidence of how they identify properties with high market values or which are costly to maintain, and their approach to decide whether to hold, sell or convert these properties to another tenure.

15. Providers will need to obtain consent in advance from the Regulator for specific disposals of social housing where this is required by law. Where there is a planned programme of disposals providers can agree a ‘programme approach’ to obtaining consent rather than requiring consents for individual properties. Guidance is available on the HCA’s website . If the Regulator’s usual requirements for consent have been met, consent for specific disposals will not be unreasonably withheld, and will take account of the indicative disposals agreed at initial contract stage. Where allocations are made and contracts signed based on an agreed level of capacity to be generated from disposals, this will constitute in principle agreement to indicative disposal plans.

16. Restrictions on using conversions in London to support new supply out of London (or vice versa) also apply to capacity generated by disposals.

[1] https://www.gov.uk/government/speeches/housing-speech-by-mark-prisk

Conversions to Affordable Rent

17. The conversion of existing stock to Affordable Rent is a crucial element in generating additional financial capacity and it is expected that, wherever available, it will be integral to bidders' proposals for funding new supply. Agreement for providers to convert existing properties will only be given (through signing a contract with the Homes and Communities Agency) where the provider commits to using that additional financial capacity for new supply.

18. Where a provider has the potential for conversions to create an income stream to support additional borrowing, we will expect them to include proposals for conversions as part of their funding bid. This will supplement financial capacity which can be generated from other sources, and ultimately lead to improved value for money for the new Homes and Communities Agency funding requested. Bidders who do so, and who are able to offer good value for money for the grant requested, are likely to be advantaged in this element of the assessment. Where providers' proposals include very limited, or no, capacity from this flexibility, we will wish to understand, and explore, the constraints which limit their ability to create an income stream from conversions. We will consider the value for money achieved through generating funding capacity from other sources available to them, and how that compares to other bids which can be supported through conversion capacity.

19. We anticipate that in the main, conversions will be to Affordable Rent. However, it may be that alternative approaches are appropriate or will generate higher capacity. For example, where there is demand for home ownership and/or where social rents are already close to 80% of market rents and conversion to Affordable Rent will not generate significant additional capacity, providers may wish to put forward proposals to convert units to shared ownership.

20. Providers are encouraged to consider converting any remaining Intermediate Rent or Rent to HomeBuy properties, at re-let, to Affordable Rent or affordable home ownership.

21. Conversions to support delivery of new supply under the 2015-18 Affordable Homes Programme will be in addition to any conversions already agreed under the 2011-15 Affordable Homes Programme and/or the 2013-16 Affordable Homes Guarantees Programme (where applicable). Conversions will be expected to occur within the 2015-18 programme period.

22. Bidders are strongly encouraged to maximise the contribution they can make from conversions to support the delivery of new homes under the 2015-18 Affordable Homes Programme, taking account of their experience in achieving conversions under current programmes where applicable. Bidders' approach to conversions and how they will seek to best use and apply the asset management flexibilities that are available will be considered as part of bid assessment.

23. Bidders' proposals should be based on the borrowing capacity it is anticipated can be generated from the rental stream uplift associated with the conversion of existing social housing stock. We will also capture the anticipated number of re-lets and the proposed number of properties to be converted, as well as the rent before and after conversion. We recognise that the numbers of re-lets and conversions may vary in practice. However, capturing this data will allow us to consider whether the rent differentials and borrowing capacity generated appear to be realistic and consistent (compared to data from other bidders and from the current programme).

24. The data captured will also allow us to consider the proportion of re-lets bidders propose to convert and, where necessary, we may seek clarification of proposals to understand the extent to which they are reasonable, achievable and sustainable, taking account of the need to maximise cross subsidy from a range of sources, and the experience of undertaking conversions as part of current programmes.

25. Where necessary, we will seek to understand how individual provider experience of undertaking conversions in the 2011-15 programme, has informed any changes in approach to conversions in the period 2015-18.

26. Providers should note that capacity generated from conversions outside London cannot be used to support (additional) new supply under the 2015-18 Affordable Homes Programme inside London. Similarly, capacity generated from conversions inside London cannot be used to support new supply outside London. In bidding for grant or permission to undertake conversions to the Homes and Communities Agency as a result of this prospectus which is only relevant to (additional) new supply under the 2015-18 Affordable Homes Programme outside London, providers should not include any assumptions about capacity generated from conversions in London.

27. In line with the 2011-15 Affordable Homes Programme, the contract will focus on the capacity to be generated by conversions. Flexibility will be applied where the mix and rate of conversion varies from that originally proposed.

Other sources of capacity

28. Providers can, and do, cross subsidise their development programmes from a range of sources, and such cross subsidy is strongly encouraged to support bids for the 2015-18 Affordable Homes Programme. Those sources might include:

- Surpluses generated from existing stock on current rent levels. Those surpluses will be greater in organisations who drive efficiencies in their operations;

- Current Recycled Capital Grant Fund and Disposals Proceeds Fund, and anticipated increases in those funds from future forecast relevant events; and

- Cross subsidy generated from the development and sale of new open market homes.

29. The Homes and Communities Agency will consider the extent to which cross subsidy is contributing to the delivery of new supply, taking account of the provider's existing financial capacity and the Recycled Capital Grant Fund (for which funding new supply is a priority use) and Disposals Proceeds Fund available in assessing bids.

Other sources of funding

30. Local authorities are strongly encouraged to consider the contribution that they can make to support providers bringing forward housing supply and meeting local needs through the use of their own land holdings, as well as through their negotiation of Section 106 agreements to deliver affordable housing.

31. Where local authority land can be brought forward at nil consideration, it is anticipated that this will reduce the call on capital grant funding. It also signals clear support that the proposed scheme meets local strategic priorities, as well as an expectation that the

scheme has a high degree of certainty of delivery. Taken together, it is anticipated that the provision of local authority land at nil consideration will have a positive impact on the assessment criteria applied by the Homes and Communities Agency, and consequently allow capital grant funding for affordable housing in the area to be supported.

32. Local authorities are also encouraged to consider the application of other sources of funding such as from the New Homes Bonus, or Community Infrastructure Levy (for associated infrastructure costs) to support the delivery of new supply. Such support will also be taken as a strong signal of local strategic fit, and should improve the value for money of the new capital grant requested which will be taken as positive factors in Homes and Communities Agency assessment of bids.

Reducing the costs of new supply

33. Bidders should seek to bear down on the costs of new supply wherever possible. Given constrained public finances, as well as making the best use of the range of sources of funding for new supply, reducing costs will allow those sources of funding to deliver more new homes. The Homes and Communities Agency wishes to see providers consider and maximise value for money by bearing down on the costs of new supply.

34. Under the 2011-15 Affordable Homes Programme we outlined the expectation that the new delivery model would give providers greater certainty over the sources of funding and proposed volume of development over the period of the Programme. Providers have been expected to apply this certainty to reduce costs through innovative and efficient procurement approaches when securing their development pipelines. Proposals for new supply under the 2015-18 Affordable Homes Programme will be expected to build on and supplement good procurement approaches, and continue to focus on driving down the costs of new supply. Further detail is contained in the sections on achieving efficiency and procurement savings in Chapters 3 and 5.

35. To maintain a strong focus on the management of costs under the 2015-18 Affordable Homes Programme, we will require providers to work with us on an open book basis, sharing their cost data on specific projects. The Homes and Communities Agency will publish comparable cost data on a regular basis.

Access to guarantees

36. Building on the 2013-16 Affordable Homes Guarantees Programme, new supply Affordable Rent and affordable home ownership housing may be delivered through a combination of the various cost contributions, including both grant and guarantees.

37. Bidders who wish to access guarantees should apply to the Government's Affordable Housing Guarantee scheme delivery partner, Affordable Housing Finance. In order to apply for guarantees alone, it will not be necessary to bid to the Homes and Communities Agency separately. However successful applicants will have to enter into a short form agreement with the Homes and Communities Agency to be able to charge an Affordable Rent on the resulting new properties.

38. If a bidder wishes to access grant funding, and/or undertake conversions to deliver new supply, alongside the guarantee, they must submit a bid to the Homes and Communities Agency in line with this bidding guidance.

39. If an application for guarantee debt funding is made, where grant is also needed (alongside asset management flexibilities) we will expect that to be reflected in the amount of grant requested.

40. Applications for guarantees must be made before March 2016, with starts on site occurring within a year of successful application.

Chapter 3: Bidding requirements

Setting up the programme – bidding for and allocating capital grant funding

41. The 2011-15 Affordable Homes Programme moved, for the first time, to making allocations for the full 4-year programme period at the outset, including allowing offers which were, initially, indicative of the supply that would be delivered. Our approach sought to respond to provider requests for certainty about allocations over a longer timeframe.

42. There have been advantages to such an approach; the ability for the Homes and Communities Agency to know, from the outset of the programme, which providers are responsible for delivery and that a programme is in place to deliver overall Government aspirations. However, the experience of the 2011-15 Affordable Homes Programme has also shown that it is important to ensure that indicative allocations are progressed to firm schemes at an early stage to ensure that delivery can be achieved.

43. We wish to take account of our experience of delivering the 2011-15 Affordable Homes Programme, and of individual provider delivery performance in formulating the programme delivery model for the three year programme period. That revised approach is set out in the following sections.

Bidding routes

44. The 2015-18 Affordable Homes Programme will offer two bidding routes:

- A mixed (indicative and firm scheme) approach; and
- A firm scheme only approach.

45. We intend to agree with bidders in advance whether they may bid under the mixed route.

Mixed route (firm schemes and indicative proposals)

46. Existing Investment Partners delivering affordable housing under the 2011-15 Affordable Homes Programme who wish to submit a mix of firm scheme bids and indicative proposals under the 2015-18 Affordable Homes Programme will need to agree that route in advance with the Agency. We invite providers to notify us of their intention to do so by 3 February 2014.

47. In agreeing whether a prospective bidder (including bidders working in partnership arrangements) may proceed through the mixed route, we will take account of scale and delivery to date under the current Affordable Homes Programme – including delivery over the first two and a half years of the programme (compared to the originally contracted programme), as well as actual delivery to the end of Quarter 3 2013/14 against forecasts. Quarter 3 outturn will be compared to the forecasts in the Investment Management System at the start of year and at close 30 September 2013. We will confirm whether bidders may proceed to bid through the mixed route by 10 February 2014.

48. Under the mixed route, bidders will be able to submit bids for a mix of both named, firm schemes and proposals which are indicative at this stage only where the total

allocation proposals for firm schemes exceeds £5m. Where bids include indicative proposals, these must not constitute more than 50% of the total units bid for. Our assessment will consider the extent to which individual firm schemes *and* individual indicative proposals meet our assessment parameters (see Chapter 4). In agreeing a provider's allocations, the proportion represented by indicative proposals will not exceed 50% (by number of homes to be delivered). Thus, if only some of the firm schemes bid for are to be taken forward for allocations, indicative proposals supported will not exceed 50% (by number of units) of the total, and may be lower than 50% based on our assessment of those indicative proposals.

49. Across the programme as a whole, our intention is not to allocate to more than 30% indicative units. Indicative programme funding will not be allocated where the final allocation for firm schemes falls below £5m.

50. Where allocations are made for indicative proposals, these must be progressed to firm schemes **by no later than 30 May 2016**. This will improve the visibility of provider delivery plans and enable the Homes and Communities Agency to more effectively manage the delivery of the programme.

51. Through allowing bids for, and allocating to, indicative proposals, we want to continue to offer providers some flexibility to respond to development opportunities as they arise (responding to provider feedback from the 2011-15 Affordable Homes Programme). However, this must be balanced with moving to certainty over programme delivery at a sufficiently early stage and at scale within the programme period to ensure that providers have well planned programmes which will maximise prompt delivery.

Firm scheme only route

52. Bids under this route must be for firm, named schemes only. Any bidder may bid through the firm scheme only route, and will not need prior agreement to do so. Any bidder who is new to the programme will be required to bid through this route. This route will be available to bidders where our view of delivery performance means that we are unable to agree that they proceed via the mixed route. Bidders may decide for themselves that they prefer to bid through the firm scheme only route.

53. Bids for firm schemes will be expected to include:

***Minimum requirements**:*

- The name of the scheme; and
- The x,y co-ordinates.
- Details of ownership or control by the bidder (for example. ownership of the land, or an option);
- Planning stage reached (for example planning application submitted/outline planning achieved/detailed planning achieved); and
- Tender stage reached (for example. scheme tendered/contractor selected/contract signed).

54. Forecast dates for start on site (and completion) will be taken into account in our assessment of deliverability. Schemes with earlier delivery dates will be advantaged in

assessment. We will expect forecast delivery dates for schemes which receive allocations to follow through into the contracted position as contracts are signed, and will reserve the right to withdraw any allocation offered where there is significant delivery slippage. This will allow allocations to be re-distributed to schemes with greater certainty of delivery. Withdrawal of an allocation will not preclude a scheme being brought back into the programme at a later stage once delivery becomes more secure – either through funding from slippage arising elsewhere in the programme, or through funding held back for future market engagement (see below).

55. Our assessment will consider each individual firm scheme bid and, where the mixed route is being used, each individual indicative proposal. This may lead to allocations being offered for some, but not all, of the firm schemes bid for and, where applicable, some, but not all, of the indicative proposals brought forward. We do not undertake to allocate to bids in their entirety, and providers should take account of this in their bidding approach, including the amount of grant requested for individual firm schemes and individual indicative proposals.

56. Where allocations are made for some, but not all firm schemes, and/or some, but not all, indicative proposals, we recognise that this will impact the capacity to be applied from asset management flexibilities and other sources of funding (such as Recycled Capital Grant Fund). We will expect such capacity to be applied on at least a pro rata basis to the agreed allocations, and will finalise the amounts involved in signing the contract. Where there may be scope to raise and apply capacity beyond that included initially in the contract we will include that in regular contract review discussions, including consideration of scope to bring forward additional new supply (and apply capacity) to take up slippage where it exists, or opportunities for future market engagement.

Payment

57. Payment under the 2015-18 Affordable Homes Programme will be on a per scheme basis. We will pay 50% at start on site and 50% upon practical completion except for schemes procured under off the shelf contracts. In addition, separate start on site and practical completion payments are not available to unregistered providers (including house-builders), who will be paid 100% of the funding at practical completion of the scheme, which avoids the need to take cumbersome additional security.

Allocating the available grant funding

58. The Homes and Communities Agency is inviting bids through this prospectus for £1.7bn of grant funding.

59. Subject to receiving sufficient good quality bids which meet our assessment criteria, it is our intention to allocate up to a maximum of 75% of the capital grant funding available at the outset of the programme. We intend to hold back around 25% of the capital grant available for future market engagement.

60. Our approach is intended to strike a balance between wishing to give providers certainty of funding at the outset to allow them to plan their programmes to maximise early delivery, and ensure that the lead in time to the start of the programme is put to good use in progressing schemes which will deliver promptly within the programme period, while recognising the nature of development programmes where schemes may come forward and firm up at varying rates throughout the programme period.

61. In operating future market engagement, it is our intention to allow bids to be submitted for the remaining funding available on an ongoing basis once the programme has commenced. Further details on how market engagement will operate, including any timetables and end dates will be published nearer the time. Where bids are received from partners with existing programme allocations, delivery of existing allocations will be taken into account in our assessment of new bids submitted.

62. Our approach to market engagement is also intended to assist smaller organisations, including community led organisations, with financial capacity and/or access to land, by allowing time to work up scheme proposals for delivery, including through working with and accessing the skills and expertise of existing delivery partners. The amount held back for future market engagement will be available to all bidders. Proposals will need to have achieved an allocation by no later than 30 May 2016 to ensure sufficient time remaining for delivery within the programme period. We will also seek to use the market engagement route to allocate any slippage funding arising from indicative allocations which have not progressed to named firm schemes by 30 May 2016. Indicative proposals which do not show progress towards delivery as a firm scheme in good time to meet this date are likely to result in the allocation for that proposal being withdrawn.

Bid requirements

63. Bids are sought for schemes which:

- Offer good value for money (taking account of both grant requested and anticipated costs, as well as the extent to which bidders have applied their own resources, including through utilising flexibilities available to generate capacity);

- Have a good and demonstrable prospect of delivery within the programme timeframe; and

- Meet local needs and priorities in their proposed locations, including building homes that address the demographic challenges facing social housing and any mismatch between existing stock and household needs (for example, by building more one or two bedroom homes in areas where there is a shortage of these).

Our assessment will take account of the extent to which bids meet these parameters.

Value for money

64. Chapter 2 above outlines the range of cost contributions which providers will be expected to fully utilise to reduce the call on grant funding required. The value for money of the capital grant requested, and the contribution from other sources of funding will be key elements of bid assessment.

Achieving construction and procurement efficiency savings

65. Best practice in construction and procurement will drive down the initial and whole-life cost of building affordable homes, reduce risk in a volatile market and help deliver better quality homes. Best practice will be created and owned by providers, responding to commercial drivers and social objectives.

66. The Homes and Communities Agency aims to help performance by recognising and promoting effective innovation, offering appropriate challenge (including through comparison with other sectors), and evidencing the affordable housing sector's achievement. For example, homes started within the Affordable Homes Programme in 2012/13 had real average build costs 15% cheaper than a 2009/10 baseline (though with wide variation around this average) and this was achieved without compromising quality or sustainability requirements. These are savings which efficient providers are able to reinvest in their business, including in more new supply.

67. The construction industry and Government, in partnership, have published *Transforming Construction: An Industrial Strategy for Construction* (Department for Business, Innovation and Skills: June 2013). This sets out a joint ambition for 2025, including a 33% reduction, from 2009/10, in both the initial cost of construction and the whole life cost of assets. The Homes and Communities Agency want to ensure its programme aligns with this vision.

68. The industry-led *Offsite Housing Review* was published in February 2013. The Review concluded that offsite construction offers a route to delivering homes built to higher sustainability standards, as well as other potential advantages including build quality and speed of delivery, both of which are of key importance for affordable housing. The Homes and Communities Agency welcomes providers looking to realise the benefits of Offsite Manufacture.

69. In the 2015-18 Affordable Homes Programme we are looking to see bids where competitive grant levels are driven by efficient build costs. Our specific requirements are set out below:

    - Bidders are asked to specify estimated overall construction costs, and where costs are high (against national and local averages) we will seek to understand the drivers for this before a scheme is included in the Programme; we will continue to ask for an elemental breakdown of construction costs as and when schemes reach start on site.

    - Bidders (including those with a 2011-15 Framework Delivery Agreement in place) are asked to submit concise information (via structured questions through our on line systems) on how they plan to achieve efficiency in construction and procurement. Annex A describes the types of construction innovation and procurement methods known to be potentially effective and efficient. This information will be used in assessment of construction cost outliers and for the development of best practice case studies. Delivery against the approach outlined will be reviewed annually through contract review meetings.

70. The Homes and Communities Agency will consider the value for money of anticipated scheme costs of bids (both firm and indicative schemes). Scheme costs (including m2 build costs) will be compared to evidence from the 2011-15 Affordable Homes Programme and to all other bids received for the 2015-18 Affordable Homes Programme, both nationally and at Operating Area and sub-geography level. We will

wish to understand the reasons for any outliers on build costs (regardless of the impact on the amount of grant bid for).

Competing for schemes

71. Intensive competition to secure schemes is likely to drive up costs in the period up to submitting proposals and is strongly discouraged. The 2015-18 Affordable Homes Programme delivery model requires the application of funding from a range of sources, and we do not wish to see that funding utilised to pay for unnecessary increases in land or works costs through higher profit margins. We will seek to identify overlapping bids from multiple bidders for the same firm scheme [through x,y co-ordinates]. We will wish to support the bid which is furthest advanced in securing the particular scheme (and therefore offers best certainty of delivery), subject to meeting our assessment criteria, including Value for Money.

72. Our expectation is that successful bidders will be in a position to plan their programmes and delivery timetable, making the most of the lead in period to the commencement of the programme, to ensure that back loading of delivery is minimised, and therefore that competition to secure sites which may drive up prices is also minimised.

73. Where allocations are agreed for indicative proposals (see the “bidding routes” at Chapter 3), providers will be required to progress these to named, firm schemes by no later than 30 May 2016. Where providers are not able to convert indicative proposals into firm schemes, at the latest by this milestone, we will withdraw allocations and re-allocate via ongoing market engagement. In re-allocating, we will take account of the provider’s track record of successful delivery of the programme to that point.

Use of public land

74. Where public land is being provided for free or for minimal consideration, providers carrying out developments on land owned by the public sector should aim to minimise other forms of subsidy such as Homes and Communities Agency funding.

Section 106 schemes

Funding for Section 106 schemes

75. Our expectation is that S106 schemes will be delivered at nil grant input for both Affordable Rent and for affordable home ownership.

76. For Affordable Rent, our assumption is that the price paid will be no more than the capitalised value of the net rental stream of the homes.

77. For affordable home ownership, we will expect the price paid to include reasonable assumptions about the likely value of homes and the initial average share to be offered (which we expect to allow a range of shares to be sold to meet a range of incomes of potential purchasers). The price paid should also be based on reasonable assumptions about the rent to be charged on the unsold equity in the home.

78. Detailed scheme specific scrutiny will be undertaken where:

- Any grant is sought; or

- Where it is the intention to use Recycled Capital Grant Fund or Disposals Proceeds Fund monies.

79. We expect the Homes and Communities Agency funding (or the use of Recycled Capital Grant Fund or Disposals Proceeds Fund) to be agreed on S106 schemes only very exceptionally. Open book provision of data about the economics of the scheme will be required from both the developer and the long term owner of the affordable housing (if they are different). We will test the economics of individual schemes through our Development Appraisal Tool, and reserve the right to request other information to inform our decision making if necessary. More detail on the Homes and Communities Agency's Development Appraisal Tool can be found here on its website, including the tool itself. If Homes and Communities Agency funding is requested on S106 sites we would expect, as part of the appraisal, to see evidence that this will result in provision of additional affordable housing which would not otherwise be delivered, including by reference to the local planning authority's viability assessment.

Treatment of nil grant Section 106 schemes in our value for money assessment

80. We will wish to be sure that homes due to be delivered through S106 agreements at nil grant have a strong and realistic prospect of delivery. We will therefore only accept such schemes into agreed provider delivery programmes where they constitute named, firm schemes. Such schemes may be added to providers' programmes over the programme period, as they become firm.

81. We therefore intend to assess the value for money of bids based on the grant requirement for schemes where funding is requested. That assessment will exclude nil grant S106 schemes. This approach acknowledges that we do not wish to encourage bids which include nil grant schemes which may, at the time of bidding, be at a more speculative stage. It will also allow a comparative value for money assessment to be undertaken with bidders who may have more restricted access to nil grant schemes.

82. However, as S106 schemes to be delivered without capital grant funding (the normal expectation) are firmed up, providers are strongly encouraged to add these to their ongoing programme delivery proposals.

83. In particular, it is a requirement that schemes where an Affordable Rent is to be charged must be included in a contract with the Homes and Communities Agency. We will also expect providers who enter into a contract with the Homes and Communities Agency to record all affordable homes delivered with nil grant. This will allow consistency of data and monitoring of delivery of such homes.

84. As we move to market engagement, the addition and delivery of nil grant schemes within the programme period will be taken as a strong indicator of good delivery and will be viewed positively in assessment of future market engagement bids.

Delivery

85. Bidders will be expected to demonstrate that bids for both firm schemes and indicative proposals will offer good prospects of delivery within the timescales forecast at bid stage. For firm schemes, bidders will be asked to provide the information outlined at Firm Scheme Only route above – and may be required to evidence the stage reached

in delivery to support assessment.

86. Early forecast delivery dates (for both firm schemes and indicative proposals), where those are considered to be realistic and demonstrably achievable will be prioritised in assessment, and will be expected to be maintained through to contracting and scheme delivery.

Meeting local needs

87. The 2015-18 Affordable Homes Programme is intended to be shaped by local affordable housing needs and we will seek views from local authorities about schemes bid for.

88. Local authority priorities are expected to include identification of the range of needs groups which new supply is intended to assist. In setting out such priorities, local authorities will have had regard to the statutory equalities requirements they have as public bodies.

89. Providers should ensure that their schemes take account of the needs identified by local authorities (including any equality priorities where appropriate) through the housing mix they contain.

90. This should include consideration of the appropriate size mix of affordable housing needed in local areas, taking account of demographic changes and any mismatch between the existing stock and the needs of households. In areas where there is a particular shortage of smaller homes for under-occupying tenants to move to, we would expect local assessments of needs and bids to reflect this, by including a high proportion of one and two bedroom properties. Local needs may also include ongoing requirements for family homes or the provision of sheltered housing. It is possible that need might be met, in part, through re-allocation of properties which are currently under-occupied, by providing opportunities for households who are under-occupying to move to a smaller home.

91. Bidders and local authorities are expected to work closely together to ensure that the mix of housing offered by the individual bidder and long-term provision of affordable housing is appropriate for the local area and range of needs identified.

92. For the purposes of this programme, it is not expected that local authority priorities will include a preference for social rent over Affordable Rent – the intention of the programme is to provide new Affordable Rent homes (and, where appropriate, affordable home ownership homes). In general, Government policy does not support the argument that only rents at or close to social rent levels are capable of meeting local needs – particularly when support for housing costs through Housing Benefit and Universal Credit is taken into account.

93. While the local authority will be key in identifying local priorities and needs, the Homes and Communities Agency also recognises the role played by Local Enterprise Partnerships in providing strategic economic leadership for their areas, understanding the drivers and barriers to growth and identifying key priorities for their areas through, for example (in the case of Local Enterprise Partnerships), the preparation of Strategic Economic Plans and European Structural and investment Fund Plans and the deployment of the Local Growth Funds and EU Structural Funds. We therefore see it as important to engage in an ongoing strategic dialogue with Local Enterprise Partnerships in respect of the allocation of Affordable Homes Programme 2015-18

funding to ensure, as far as possible, that there is a close alignment of delivery priorities during the lifetime of the programme.

94. For the 2011-15 Affordable Homes Programme we did not split available funding into budgets for different Homes and Communities Agency Operating Areas, and do not intend to do so for the 2015-18 Affordable Homes Programme. We will use this flexibility to allow providers to make effective use of their capacity and ensure that we can drive value for money across the country outside of London.

95. However, we expect bidders, where they receive allocations (for firm schemes and for indicative proposals) to be able to deliver those allocations in broadly the same minimum geography for which the allocations are initially made. Where bidders have a programme of allocations under the current 2011-15 Affordable Homes Programme, we expect them to take account of geographic patterns of delivery within that programme, and build on that experience in deciding where to bid for the 2015-18 Affordable Homes Programme. We do not anticipate having to make significant changes to the initial geographic profile of allocations as delivery progresses.

96. Where there are gaps in the geographic coverage following initial allocations, we will seek to address those (where possible, and where bids meet our assessment criteria) through ongoing market engagement.

97. However, where gaps in provision arise as a result of a lack of local authority support for delivery of Affordable Rent which prevents bidders from bringing schemes forward in specific areas, we will not be able to fill those gaps. Local authorities that work closely with providers to deliver affordable homes in line with the requirements of this prospectus should expect to secure higher levels of local affordable housing. Local authorities that put barriers in the way of delivery, for example by seeking to impose conditions on providers that are inconsistent with the requirements of this prospectus, (for example, setting onerous conditions on undertaking conversions or disposals) that would add to the costs of delivery, should expect to see fewer schemes funded in their area.

98. The scope for individual providers to generate the overarching financial capacity required to support schemes through conversion of re-lets will not be uniformly distributed between areas, and may not match those areas with new supply opportunities. Providers will need to take a flexible and strategic approach to generating financial capacity through conversions. A requirement to ring-fence capacity for reinvestment in new supply within a particular area does not allow the affordable housing funding model to work in practice. The Homes and Communities Agency will not apply such a ring-fence and cannot support individual local authorities in doing so, other than through the restrictions outlined above on financial capacity generated in and out of London.

99. We expect providers to have discussed their proposed approach to disposals with their local authority partners. Where disposals requiring specific statutory consent are proposed, the Regulator will expect providers to meet all relevant requirements before seeking disposal consent.

Schemes requiring demolition

100. This prospectus invites bids for new affordable homes. George Clarke, the Government's Independent Empty Homes Advisor, set out in his recommendations for housing regeneration areas that refurbishing and upgrading existing homes should always be the first and preferred option, and that demolition should always be the last

option[2]. Ministers have affirmed their own preference for refurbishment rather than demolition[3].

101. Where demolitions of derelict existing structures are required, those are expected to be principally for redundant structures such as garages and other non-housing. Where demolitions of existing housing stock are needed, these are expected to be on a small scale – for example where required to open up access to developable land, or where the housing being demolished is demonstrably no longer suitable nor viable for further use. We would generally expect such proposals to be based on demolition and re-provision of a single landlord's own housing stock. It is not intended that funding will be available for schemes which require multi-landlord, area-wide demolition. Schemes on previously cleared land (regardless of the previous use), are acceptable. In such circumstances, bids will be considered for the provision of new homes.

Other bid requirements

Design and Quality

102. The Government's consultation on its Housing Technical Standards Review closed on 22 October but the outcome is not yet known. An addendum to this prospectus will be published when there is further information about the Review. In the meantime, in working up schemes and indicative proposals, bidders should take their own view of their approach to standards. They may choose to consider the options outlined in the housing standards consultation paper to help inform this view, alongside their own internal design briefs and their own consideration of the needs of their residents.

103. Some elements in the Review are already Building Regulations, which bidders will need to comply with. Other elements proposed in the Review *may* become a requirement of Building Regulations in time, such as those on water, and accessibility, but bidders should not assume this is a given.

104. For specialist or supported housing for older and vulnerable people this may include consideration of good practice such as the Housing our Ageing Population Panel for Innovation principles and the Homes and Communities Agency's non-mainstream housing design guidance.

105. Providers may also wish to discuss their proposals with their local planning authority. In doing so they should bear in mind the Review proposed there will be a national policy expectation that local planning authorities limit the use of discretionary standards in future only to those which are proposed by the Review, for housing of all tenures.

106. We will take account in our value for money assessment of bidders' proposals on a comparative basis to consider how individual scheme proposals compare to the aggregate of bids received. Our aim is to ensure that, so far as possible, value for money assessments are made on a broadly comparable basis, for example, by considering the average m2 per person housed of a scheme, and taking that into account in our view of the value for money of the grant requested.

107. Where providers are considering applying for Feed in Tariffs for eligible low carbon installations, they should consult the guidance on Feed in Tariffs and grants available

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[2] George Clarke's 10 recommendations for housing regeneration areas can be found at: https://www.gov.uk/government/news/91-million-cash-to-tackle-over-6000-empty-and-derelict-homes
[3] See Mark Prisk's Written Ministerial Statement of 10 May 2013 at c13WS in Hansard.

from the [Department for Energy and Climate Change] and [Office for gas and electricity markets].

108. Where providers are considering applying for Renewable Heat Incentive payments, they should consult guidance available from the Department for Energy and Climate Change.

Chapter 4: Assessment

109. The overall objective of assessment is to make allocations to providers for the supply of new affordable homes that:

- Meet local needs and priorities in their proposed locations including building homes that address the demographic challenges facing social housing and any mismatch between existing stock and household needs (for example, by building more one and two bedroom homes in areas where there is a shortage);

- Offer good value for money (taking account of both grant requested and anticipated costs, as well as the extent to which bidders have applied their own resources, including through utilising flexibilities available to generate capacity). Good value for money proposals are likely to be enhanced where providers are efficient across their operating base, and where they seek to achieve procurement efficiencies in the delivery of new supply;

- Have a good and demonstrable prospect of delivery within the programme timeframe; and

- Confirm Registered Providers should continue to meet the Regulator's Governance and Viability standard.

Meeting local needs

110. The assessment process will consider how bids meet local needs and priorities and will verify fit with local authorities in whose area new supply is proposed, in particular where firm schemes are identified. Local authorities will be asked to confirm whether the firm scheme or indicative proposal is supported and meets local needs.

111. Where a local authority indicates that it does not support a bid or indicative proposal, subject to the reasons for that lack of support being robust and linked to the bidding requirements of this prospectus (for example, demonstrably not meeting any local need), it is unlikely that the bid would be considered further or supported. As outlined above, a view that Affordable Rent prevents an authority from meeting local need would not be considered a robust reason not to support a bid.

112. Discussions with local authorities will also include understanding the alignment of bids with the strategic economic priorities of the Local Enterprise Partnership. Fit with local priorities will be considered to be particularly strongly evidenced where there is a clear fit with demand for particular sizes of accommodation; where land at reduced or nil cost is offered (and this improves both value for money and deliverability); and/or where other sources of funding (such as New Homes Bonus or Community Infrastructure Levy to support infrastructure) are being made available to support bids.

113. Strong evidence, including from the 2011-15 Affordable Homes Programme that a local authority and local providers have been able to work well together to support delivery of new affordable housing within the parameters of the programme, will be considered to offer particularly strong local fit.

114. We wish to encourage partnership working as outlined at Chapter 5 below – to access capacity and make efficient and effective use of skills and experience in delivering development programmes. Bids which include a range of types of provision (including, for example, rural provision, provision for the elderly, supported housing) and in

partnerships involving a range of providers, including specialist or small scale providers, are more likely to offer a good fit with local needs through offering a variety of housing provision.

Value for money (50%)

115. We do not intend to set a grant rate for the programme and no such grant rate can be extrapolated from dividing the capital grant available by the total number of homes which it is Government's aspiration to deliver (as set out in the Spending Round announcements), given that the total number of homes includes a proportion that are expected to be delivered without capital grant funding). A straightforward division of the funding available by the total number of homes to be delivered will not therefore lead to a grant rate for the programme. However, seeking to maximise the number of homes to be delivered with the available funding is a key aim of the programme. We are seeking to drive value for money through the competitive bidding process and expect bidders to submit bids which make best use of the other sources of funding that may be available to them, consistent with maintaining strong financial viability and meeting the Regulator's viability standard.

116. The Homes and Communities Agency will assess bids to establish whether they offer value for money comparative to other bids and bidders. Our assessment will take account of the grant requested and the costs of provision. We will use the metrics outlined below to identify outliers (based on how grant or costs compare to bids from other providers and to current grant or costs achieved through the 2011-15 Affordable Homes Programme) to ensure that we can understand the reasons, if any, for those outliers. We will also consider the extent to which sources of funding other than Homes and Communities Agency funding are (i) available to the bidder and (ii) are being applied to support the delivery of new affordable homes. The metrics outlined will feed into an initial ranking of bids.

117. The primary metric for assessment of value for money will be grant per unit, compared to the Homes and Communities Agency Operating Area average (and the national average) of the bids received. In general, lower grant requirements will score more highly. However, in considering comparative value for money, we recognise that in some cases, there will be reasons why scheme costs or the resources available to bidders may vary. We will seek to take account of the reasons for outliers in our assessment. Although we do not accept that particular forms of housing are inherently more expensive than others, there may be instances where a particular scheme, for example in a rural location or a scheme for very specialist supported or elderly provision, involves higher costs than the average for the bidder or area. Wherever possible, we will seek to take account of genuine comparators (such as other rural or older persons' specific schemes) and may seek further information from the bidder to understand whether there are genuine reasons for higher costs or grant requirements.

118. Our intention is that bidders will not be systematically disadvantaged where there are some higher cost/higher grant bids within their proposed programme. We do not intend to take a pro rata approach to overall programme allocations based on average value for money. However, the outcome of assessment may be a decision not to allocate to individual schemes which are outliers, particularly where the reasons for being an outlier are considered to be weak.

119. As noted, a key aim of bid assessment will be to reasonably maximise the supply of new affordable housing over the programme period. Thus the extent to which we are able to accommodate higher cost or higher grant schemes will need to take account of the overall numbers of homes which may be delivered with the capital grant available.

120. In addition, very low grant schemes will not *automatically* pass assessment. We will want to be assured that any schemes with very low grant levels offer strong certainty of delivery and that any very low grant rates do not constitute a risk to the delivery of the programme as a whole, given the likely difficulty in being able to find a replacement for any schemes that do not deliver within the timescales.

121. Indicators that will form a part of our assessment scoring are:

- Grant per unit compared to the overall Operating Area average (used to identify outliers, and in assessment of value for money);
- Grant per unit compared to the national average (used to identify outliers);
- Grant per unit compared to an appropriate comparable average (e.g. rural, supported housing);
- Grant per person compared to the overall Operating Area average (used to identify outliers);
- Grant as a percentage of total scheme cost (used to identify outliers, and in assessment of value for money. Note that a low total scheme cost driven by low build cost is welcomed, not penalised);
- Works cost per m^2 compared to the area average (used to identify outliers); and
- m^2 per person compared to the area average (used to identify schemes which appear to be abnormally small, or abnormally large).

122. As noted in Chapter 3, nil grant units will not be included in the value for money calculations.

Delivery (50%)

123. In order to promote a continued pipeline and prevent any hiatus between programmes, the Homes and Communities Agency wants to encourage bidders to bring forward schemes which can be built out early in the programme period. We want to minimise the risks presented by a heavily back loaded programme and we will aim to do so by advantaging bids in our assessment that can demonstrate both starts and completion of schemes in the early part of the programme. It is expected that forecast delivery dates will be carried through to the contracting and delivery stages. Significant slippage against forecast dates (on either firm schemes or indicative proposals) may result in an allocation being withdrawn and the grant re-allocated. The contract will contain provisions which allow for this. Withdrawal of an allocation due to slippage will not result in a scheme being precluded from being brought forward again for an allocation through ongoing market engagement once delivery becomes more certain.

124. The Homes and Communities Agency's assessment of deliverability will take account of the level of planning achieved where having already achieved full planning permission will be advantaged in our view of deliverability.

125. The status of land ownership will also feed into the assessment, with schemes being proposed on land already in the provider's ownership or being offered at nil consideration by the local authority scoring more highly. Local authority views will be

sought on all schemes. Strong support from the local authority, including both planners and housing officers, will also be seen as a good indicator of deliverability.

126. Scheme proposals with forecast start and completion dates in the first year of the programme, where those are considered to be realistic and robust, will be advantaged within this assessment heading. Our view of the realism and the robustness of early delivery forecasts will be informed by evidence of good delivery against forecasts for bidders who had allocations through the 2011-15 Affordable Homes Programme.

127. For providers with agreement to take a mixed approach, assessment of individual indicative proposals will take account of previous track record of delivery in the geography in which the proposal is located.

Programme building

128. All bids that have not been rejected because of lack of local authority support will be ranked at Operating Area level based on our assessment of value for money and of deliverability. Taking account of available funding and the number of homes to be delivered in 2015-18, this will lead to a proposed initial list of firm schemes and indicative proposals for each Operating Area.

129. The proposed list will be reviewed to ensure that an appropriate programme can be built which covers the needs of the area and which can, so far as possible, offer good geographic coverage. This may involve adding (or removing) bids from the proposed programme for the area. For example schemes, or indicative proposals may be added where those have a particularly strong local fit, or fill a recognised need not being filled through the programme proposed.

130. Any changes to the initially ranked programme to remove specific bids would only be undertaken, for example, where the proposed programme is considered to lead to an oversupply of a particular type of provision in an area, or lead to an enhanced delivery risk due to over dependence on one or a small number of providers.

Clarification

131. We expect bidders to submit their best bids at initial bid stage. In a small number of cases we anticipate that, during assessment, there may be a need for discussion and clarification with bidders. Where required, such discussions will be held with bidders across their proposed areas of operation, led by a Homes and Communities Agency contract manager. The Homes and Communities Agency may request bidders to submit revisions to bids and/or further information before offers of allocations can be finalised, and, subsequently, a completed contract.

132. Only where required, discussions will seek to:

- Explore with bidders the potential for cost savings where costs appear to be outliers relative to other bids received with no apparent explanation as to why this should be the case;

- Consider whether grant requirements can be reduced where the scope to make cost contributions from the provider’s own capacity do not appear to be being well utilised;

- Ensure opportunities to maximise Recycled Capital Grant Fund and Disposal Proceeds Fund contributions have been fully utilised; and

- Ensure opportunities to work with non-developing Registered Providers with development capacity have been explored.

133. If required, such discussions will run concurrently with our assessment period and conclude by the end of the assessment period 20 June 2014. Homes and Communities Agency Operating Area teams will undertake this dialogue with bidders as appropriate. Dialogue with bidders may take the form of individual meetings, telephone or email communication. The Homes and Communities Agency reserves the right to choose whether to seek further clarification from bidders at its absolute discretion.

134. However, bidders should note that our expectation is that they will submit their strongest bids at the outset. Doing so will enable early agreement of allocations within the assessment period. Where there is a need for additional clarification, this may lead to bids being rejected if assessment cannot be concluded within the time available. The timescale for reaching allocation decisions is intended to allow providers a long lead in period to commence delivery of new allocations. Those bidders who bring forward strong bids from the outset which meet our assessment criteria are likely to benefit from having allocations agreed at the initial stage, maximising the time available for setting up and achieving programme delivery.

Role of the Regulator

135. As outlined in Chapter 2, the funding model for the Affordable Homes Programme, relies upon development costs being funded from a range of sources of finance including borrowing. This has the potential to impact loan covenants, including gearing ratios (and will apply across the whole of a provider's proposed programme, including that to be delivered for both the Homes and Communities Agency and Greater London Authority). Therefore, the advice of the Regulator on Registered Providers' ability to continue to meet the Governance and Viability standard will be key in the Homes and Communities Agency's decision on whether to proceed to contract. The Regulator's assessment of the impact of bids will need to consider the full impact of bids to both organisations and neither can be judged in isolation from the other.

136. The Regulator is currently reviewing providers' compliance with its Value for Money standard in the light of the sector's recent Value for Money statements. As part of this work the Regulator will be identifying where it has concerns about a provider's approach to value for money and will flag this in its Regulatory Judgements. Non-compliance with the value for money standard may lead to a downgrade in a provider's governance grading. The Regulator will be undertaking this work in Quarter 3 of 2013/14 and the early part of Quarter 4, so when making decisions on allocations, the HCA will take account of the Regulator's views as expressed in these judgements.

137. We are keen to promote the long-term drive towards efficiency and value for money in the sector. It is likely that organisations which are achieving value for money across all their activities will also be able to deliver value for money in their bids to the Homes and Communities Agency, so when making investment decisions the Homes and Communities Agency will want to take into account the Regulator's assessment of providers' performance against the value for money standard.

138. The Regulator will assess bids as they are submitted and provide advice to the Homes and Communities Agency's investment team on whether the Registered Provider(s) involved in delivering the bid are:

- Currently in compliance with the Regulator's Governance and Viability standard. This will reflect the Regulator's current assessment of compliance and will not be based on information submitted as part of the bids; and

- Likely to be able to continue to meet the viability element of the Governance and Viability standard if the full bids submitted result in allocations, taking account of the impact in addition to any existing programme agreement.

139. In assessing the impact of proposals on future viability, the Regulator will consider a range of factors including the deliverability of conversion and/or disposal assumptions, funding requirements, sales risk and interest cover and gearing. Where Registered Providers submit offers to both the Homes and Communities Agency and the Greater London Authority, the Regulator will assess the combined impact of these offers on future viability.

140. The Regulator's review of bids received will form part of the overall assessment process for the 2015-18 Affordable Homes Programme. Registered Providers will need to submit relevant information direct to the Regulator including an updated financial forecast return. Completed Financial Forecast and Returns should be submitted to FAEnquries@hca.gsi.gov.uk. This should be the latest version of the financial forecast return template which contains specific information requirements relevant to the 2015-18 Affordable Homes Programme bids.

141. The Regulator will also consider any requests for statutory consent to specific social housing disposals that Registered Providers are ready to submit alongside bids and will consider a programme approach to these consents where that is appropriate. Providers considering the programme route should discuss this approach with the Regulator as soon as possible.

Consents

142. It is recognised that providers may not be in a position to identify specific properties for disposal at the point that offers are made and agreed with the Homes and Communities Agency. The Homes and Communities Agency will expect providers to have discussed their plans with local authorities before bids are submitted. Similarly, the Regulator will expect providers to meet its requirement for consultation with a local authority before seeking disposal consent.

143. Where a provider's plans include disposals for which specific consent will be required but the provider is not yet in a position to seek consent, the Regulator will – where possible – alert the Homes and Communities Agency to any potential barriers to consent eventually being given. Whilst the Regulator will not be able to guarantee that consent will be given when it is eventually sought, subject to their usual requirements for disposal being met, consent will not be unreasonably withheld.

144. Providers who do not have an existing Framework Delivery Agreement under the 2011-15 Affordable Homes Programme may only begin to convert existing social rented homes at re-let to agreed new tenures (including Affordable Rent) once a contract for 2015-18 has been signed with the Homes and Communities Agency.

Chapter 5: Provider and programme requirements

Who can bid?

Partnership working

145. The Homes and Communities Agency wants to take advantage of the full range of affordable housing providers and access the capacity (both financial capacity and access to land holdings) of organisations that have not previously brought forward development programmes under previous funding rounds. At the same time, we are keen to ensure that development is undertaken or supported through routes which make best use of demonstrable skills and experience, including the ability to undertake the administrative requirements of delivering allocations (such as programme monitoring and reporting) and to promptly claim and account for outputs which have been delivered in line with the Homes and Communities Agency requirements.

146. Where the principle of partnership working (with a lead investment partner) has been developed, and where such partnerships include smaller Registered Providers, community, specialist and rural providers, we would strongly encourage providers to maintain such partnership working arrangements, and in addition, to identify new partnership members who may be able to bring additional capacity to a bid. We wish to encourage providers with financial capacity (including scope to convert existing homes at re-let to generate further capacity) to participate in the 2015-18 Affordable Homes Programme.

147. As outlined above, we also wish to encourage providers with such capacity to access the skills and experience for example, of existing investment partners, to ensure that appropriate development, programme management and monitoring skills are deployed to support timely and efficient delivery. Working in a partnership arrangement can offer the advantage of a wider programme management approach to delivery, so that, for example, if there is slippage in individual scheme delivery, alternative proposals may be brought forward or accelerated to take up that slippage. A demonstrable track record of delivery against forecasts will be taken into account in assessment of additional bids submitted through ongoing market engagement.

148. New members may be identified both at the initial bids stage and during the course of the programme period. Where new partnership members who are Registered Providers are identified, the new Registered Provider will be subject to review by the Regulator at that time. For example, a new partnership member might be best placed to bring forward firm schemes to deliver new supply originally included in the contract as indicative. All indicative proposals must become firm schemes by no later than 30 May 2016.

149. Providers are particularly encouraged to include smaller, rural, specialist (including supported housing and housing for older people) and community based organisations in consortia arrangements either at the outset, or during the course of the contract so that proposals will better reflect local need.

150. Lead partners will be expected to work closely with other partnership members throughout the contract period to deliver the supply envisaged. In particular, lead partners will be responsible for collating and providing information from partnership members to the Homes and Communities Agency on delivery of the various parameters included in the contract.

151. As outlined above, it is considered that one of the advantages of partnership working is the ability to take a programme management approach to delivering allocations, such that if delivery of a scheme or indicative proposal falls through or is delayed, there may be options across the range of partnership members to bring forward alternatives. We will wish to strike a balance in our approach to contract management.

152. We will take account of successful delivery at partnership level in assessing further allocations through ongoing market engagement or when re-allocating slippage, including where bids will support further pipeline schemes to be brought forward.

Community-led

153. Where bids from community-led organisations are being considered, for the reasons set out above, such bids may be best delivered by working within a Registered Provider led development partnership which can also offer economies and more efficient procurement.

154. Any organisations, including community groups wishing to build their own homes, who intend to bid directly will need to achieve Investment Partner status with the Homes and Communities Agency (see Investment Partner status section below) in due course. This will include the need to demonstrate access to the technical skills and capacity (including administrative capacity) to deliver and draw down funding for the scheme bid for.

155. Unregistered providers must become a Registered Provider if intending to be the landlord of grant funded schemes. Community-led organisations, which are unregistered and not proposing to work with a Registered Provider partner, are first requested to make contact with the community lead in the relevant Homes and Communities Agency Operating Area office for further advice on eligibility and the submission process before making any bid.

156. Where a community-led organisation wishes to bid directly, the Homes and Communities Agency will want to explore the timescales needed to achieve registration and to ensure that the scheme can be delivered within the timeframes of the programme. If it is jointly considered that the timescales for achieving these requirements may put the project in jeopardy, options to work with an existing Registered Provider to support delivery can be explored. Unregistered providers considering registering should start discussions with the Regulator's registration team as early as possible.

157. Bids direct from unregistered community-led organisations will be expected to satisfy the supplementary eligibility criteria for community-led development as part of the bid assessment process.

Local authorities

158. Local authorities with Housing Revenue Account borrowing headroom are able to bid in response to this Prospectus, in line with the timetable outlined at Chapter 8 below.

Limit rent

159. The Government has implemented a process to allow properties let on Affordable Rent terms by local authorities to be treated outside of the Rent Rebate Subsidy Limitation scheme.

160. To claim Housing Benefit subsidy above the limit rent for Affordable Rent properties provided under this programme, an authority must show the auditor of their subsidy claim form a letter signed by their Section 151 Officer, addressed to the Department for Communities and Local Government which:

- Lists the addresses of all Affordable Rent properties – broken down between existing homes that have been converted to Affordable Rent, and newly built homes let at Affordable Rent;
- Confirms that the rents will not rise except in line with Government policy;
- Confirms any properties re-let have had their rents re-set, if needed, to ensure they remain at no more than 80% of market rent;
- Confirms that all income derived from the higher rent has been spent or will be spent – and only spent – on new affordable housing; and
- Confirms the amount of capacity generated by conversions of existing properties to Affordable Rent is no greater than that specified in their delivery agreement with the Homes and Communities Agency.

161. The arrangements for local authorities who wish to develop new Affordable Rent properties without recourse to grant funding will continue to apply. In order for those properties to be exempt from the Rent Rebate Subsidy Limitation scheme local authorities must follow the process outlined in a letter sent from the Department for Communities and Local Government to local authority Chief Executives on 28 July 2011. The contents of that letter are replicated at Annex C.

162. Arms-Length Management Organisations are able to submit bids under the 2015-18 Affordable Homes Programme.

House-builders/private sector developers (who are not Registered Providers)

163. House-builders and private sector developers may opt to submit bids to receive funding allocations direct. However, we will expect house-builders and private sector developers to have carefully considered whether they are the most appropriate body to receive grant funding directly given the premise of the programme being built upon accessing conversion capacity and other sources of income. House-builders and private sector developers who bid directly will need to be able to evidence that sufficient cross subsidy is available to support schemes through the ultimate landlord being able to apply a range of sources of income.

164. As outlined in Chapter 3, all bidders who wish to access the mixed (firm and indicative) bidding route will have to achieve the Homes and Communities Agency's pre-agreement to do so. That agreement will be based on delivery performance over the course of the 2011-15 Affordable Homes Programme, including to the end of Quarter 3 2013/14.

165. The majority of house-builders work on the principle of agreed transfer at the point of practical completion. We will therefore expect house-builders to be able to name transferees for schemes they are bidding for.

Provider level requirements

Registered Provider status

166. Bidders who intend to be the landlord of all completed properties must be Registered Providers or intend to become Registered Providers. Full details of how to register are available on the Homes and Communities Agency's website.

167. Providers should note the indicative timescales for registration included in the Regulator's guidance are for illustrative purposes only and timescales can be longer or shorter depending upon the volume of applications being processed at the time of application. Providers will need to demonstrate as part of their bid that they are likely to achieve Registered Provider status within a short timescale to ensure that they will be able to achieve delivery of new supply within the timeframes envisaged. Bidders that are considering whether to register to become Registered Providers of Social Housing are encouraged to talk to the Regulator's Registration team at the earliest opportunity.

Investment Partner status

168. Existing Homes and Communities Agency Investment Partners are not required to submit a new qualification questionnaire. Investment Partner performance is reviewed annually and those already qualified through the 2011-2015 Affordable Homes Programme will have had their partner status confirmed for the current financial year and will be subject to a further review following the outcome of delivery performance in 2013/14.

169. As outlined in Chapter 3, programme delivery by existing partners including to Quarter 3 2013/14 will inform our agreement to allowing bids to be submitted under the mixed (firm and indicative) route.

170. Organisations that are not already qualified as Investment Partners with the Homes and Communities Agency will need to submit an application for qualification (unless they are joining an existing, qualified, investment partnership). Assessment of applications for Investment Partner status considers an applicant's financial and technical capacity to undertake an agreed programme of new supply, and the organisation's good financial standing. Providers must have achieved Homes and Communities Agency Investment Partner status before payment under a completed contract can be made. Where new providers are joining an existing, qualified, investment partnership, the key check that will be required is to ensure that the provider has the financial capacity to undertake their proposed programme.

Information requirements

Bid information

171. Providers must submit their bids using the Homes and Communities Agency's Investment Management System New bidders are able to apply for IMS access by telephoning our IT service desk 01908 353604 or email our service desk at servicedesk@hca.gsi.gov.uk.

172. Bids must contain sufficient information to clearly establish that they are different from firm schemes (or pipeline schemes which will deliver indicative allocations) under the 2011-15 Affordable Homes Programme and 2013–16 Affordable Homes Guarantees Programme or other Homes and Communities Agency programmes. Bidders will be expected to certify that there is no overlap between the 2015-18 Affordable Homes Programme and any of the preceding programmes, particularly the 2011-15 Affordable Homes Programme and 2013-16 Affordable Homes Guarantees Programme.

173. Firm scheme bids must include the minimum information requirement set out in Chapter 3 for each identified firm scheme.

174. Firm scheme bids will include the anticipated unit mix and size, tenure (Affordable Rent and shared ownership) and any specific provision being offered (supported housing, housing for older people) and where known, the specific needs being addressed (for example wheelchair accessible housing for disabled people) as well as whether the scheme is in a rural area.

175. Indicative proposals will include the outline mix and anticipated size to be delivered, as well as tenure, minimum geography and whether delivery will be in a rural area.

176. For the 2015-18 Affordable Homes Programme, the Homes and Communities Agency will continue to pay particular attention to delivery in population settlements of 3,000 or less. In order to classify whether a scheme is rural the Agency relies upon the Department for Environment, Food and Rural Affairs Government wide rural definition. The Rural – Urban classification has from 2012/13 been updated to include 2011 census data. It is this revised 2011 census data that will be fed in to our Investment Management System from the outset of the 2015-18 Affordable Homes Programme, at the level of output area, which will determine the rural classification of provider schemes. The rural urban classification can be found online.

177. All bids and proposals must outline the estimated scheme costs, and the amount and sources of funding (including the grant requested) to meet those costs.

178. All bids and proposals should outline the anticipated, realistic, timing of delivery (expected month of start on site and completion).

179. All bids should include any named firm schemes where homes are to be delivered at nil grant through S106 agreements which require no additional funding over the price paid based on the principles outlined above (i.e. capitalised rental stream for Affordable Rent or reasonable assumptions on initial receipts and borrowing from the capitalised rental stream for affordable home ownership).

180. The level of information requested is intended to help the Homes and Communities Agency:

- Establish that bids and proposals for new supply meet identified needs and will address local priorities;

- Allow comparison of provider bids (particularly comparative value for money) and provide assurance that the cost of delivering new supply can be met from the range of funding sources proposed;

- Test that proposals are realistic and that identified firm schemes are demonstrably likely to deliver and be able to demonstrate that indicative schemes will become firm schemes by no later than 30 May 2016;

- Establish that proposals are clearly additional to plans needed to achieve delivery of existing agreed programmes; and

- Identify the role of individual providers within consortia bids.

General information

Conversion information

181. Conversion proposals should outline the number and location (based on the agreed geographies outlined below) of homes to be converted to Affordable Rent and other tenures at re-let, and the proportion of anticipated annual re-lets this represents. We expect this to be supported by an analysis of historic void rates and, where applicable, experience of undertaking conversions needed to generate capacity for the 2011-15 Affordable Homes Programme and 2013-16 Affordable Homes Guarantees Programme.

182. The estimated average existing and new rent levels (and service charge) and the additional borrowing capacity generated should be provided. The assumptions which underpin the estimates of financial capacity, including those made about the guarantee and the borrowing rate assumed, should be included in the details provided to the Regulator which back up the financial forecast return.

Supplementary requirements

183. The supplementary information outlined below should be provided in written statements through our online systems except where otherwise specified.

Active asset management

184. All Registered Providers will be asked to submit a confirmation statement in the Investment Management System that they have taken a rigorous approach to considering the contribution that vacant properties can make to the delivery of new supply as part of their active asset management strategies.

Achieving procurement efficiencies

185. The Government has set targets for the reduction in the costs of new provision, through innovation and supply chain efficiencies.

186. All providers (including those with a 2011-15 Framework Delivery Agreement in place) will be asked to submit short statements on how they plan to achieve efficiency in construction (see Annex A) and procurement (see Annex B). Delivery against the approach outlined will be reviewed annually through contract review meetings.

Employment and skills

187. The Homes and Communities Agency is committed to work with providers to understand the impact of this programme on their employment and skills strategies. All providers will be asked to submit high level indicative quantitative information on apprenticeships created or safeguarded and employment opportunities created for 16-23 year olds as a direct result of this programme.

Meeting the needs of a range of communities

188. This programme is intended to meet the needs of a diverse range of housing needs. We encourage bidders to put forward bids that address the diverse needs identified by local authorities in the areas they are bidding in order to meet those local authorities' strategic priorities and equalities obligations. These are likely to include housing which is suitable for older people, people with disabilities, and people with other needs for specialist housing.

Financial information and viability

189. Providers who are already registered with the Regulator should provide, direct to the Regulator, an updated version of the financial forecast return which includes the financial information relevant to the bid being proposed. A schedule of the key current and proposed programme assumptions on which the financial forecast return is based and banking covenant information will also be required and should be submitted to: FAEnquiries@hca.gsi.gov.uk. These requirements will apply to individual Registered Providers, including where their proposals are being made as part of a consortium.

190. By submitting bids, Registered Providers will be giving consent that relevant financial information provided to the Regulator may be shared with Homes and Communities Agency's Investment team on a confidential basis.

Registered Provider Board approval

191. We expect Registered Providers to confirm that their Boards have approved, at least in principle, the offer submitted. A copy of the relevant Board paper and minute will be required to confirm this and should be submitted direct to the Regulator.

192. Providers who are *not* registered with the Regulator who need to become Homes and Communities Agency's Investment Partners will need to submit a qualification questionnaire which tests prospective partners for technical ability to deliver, financial ability to deliver and the financial standing of the provider. The Homes and Communities Agency as part of its financial assessment will require the last two years audited financial statements if available and any other information necessary to gain comfort as to the providers' financial standing and ability to deliver.

193. For registered and unregistered providers, the Homes and Communities Agency's Investment team and the Regulator reserve the right to make additional financial checks and request further financial information if necessary.

Chapter 6: Range of products

194. Affordable Rent is expected to be the main element of bids. But we want providers to respond appropriately to a range of local needs and development opportunities. We will therefore consider the inclusion of affordable home ownership in proposals, where it is a local priority and offers value for money. Provider offers for affordable home ownership will only be accepted where these form part of an overall programme that includes Affordable Rent.

195. All bidders should note that **only** schemes that will bring forward affordable housing products as defined in this Prospectus will be eligible for funding.

Affordable Rent

196. It is expected that homes for rent which are funded with capital grant funding from the 2015-2018 Affordable Homes Programme will be let at Affordable Rent. While bids which include Affordable Rent at less than 80% of local market rent will be considered, in very specific circumstances, such as where an Affordable Rent at 80% of local market rent would exceed the Local Housing Allowance, we will generally expect providers to charge rents of up to 80% of market rents to maximise financial capacity.

Rent setting

197. Providers should have regard to the Government's policy on Affordable Rent which confirms that the rent level should be no more than 80% of gross market rent (service charge inclusive) which is based on a valuation in accordance with a method recognised by the Royal Institution of Chartered Surveyors. Gross market rents are generally expressed inclusive of any service charges. An Affordable Rent, set at up to 80% of the gross market rent, should take account of the service charge for a property (where applicable). In establishing whether the rent to be charged is 80% of the gross market rent, the individual characteristics of the property should be taken into account, such as its location and size.

198. For both new supply and conversions Registered Providers will be required to assess the market rent (using the definition of the International Valuations Standard Committee as adopted by the Royal Institution of Chartered Surveyors) that the individual property would achieve and set the initial rent at up to 80% of that level (inclusive of service charges).

199. There are some circumstances however, where a target rent could exceed 80% of market rent. In such circumstances the target rent will constitute a floor for the rent to be charged. Where this is the case bids should indicate that these are Affordable Rent properties to which the target rent "floor" has been applied. The Homes and Communities Agency reserves the right to test the calculation used for rents in such circumstances.

200. For more detail on the Affordable Rent product providers are directed towards the Affordable Rent Chapter of the Affordable Housing Capital Funding Guide which includes details on rents to be charged and tenancy arrangements.

Rent increases

201. The 2013 Spending Review confirmed that the Government will consult on a formula for annual rent increases from 2015-16 onwards of Consumer Price Index + 1 percentage point each year for 10 years. Bidders should bid on this basis, pending finalisation of the policy.

202. This is a change from the current policy, which has an annual increase formula of Retail Price Index + 0.5 percentage points for Affordable Rent. A consultation on changes to rent policy was published on 31 October 2013. The Government will confirm its policy on rents, following consultation, in due course.

203. Landlords of Affordable Rent properties are required to rebase the rent on each occasion that a new tenancy agreement is issued (or renewed) for an Affordable Rent let (except where the property is re-let to the same tenant as a consequence of a probationary tenancy coming to an end). This requirement, which overrides the annual rent increase limit, is designed to ensure that the rent set at the beginning of each new tenancy is no higher than 80% of the market rent. For further details on Affordable Rent please refer to the Affordable Housing Capital Funding Guide Affordable Rent Chapter.

Social rent

204. Social rent provision will only be supported in very limited circumstances. For example, social rent could be considered where decanting existing social tenants into new homes is necessary.

205. In all cases providers, supported by the relevant local authorities, will have to make a strong case to demonstrate why Affordable Rent would not be a viable alternative. All such cases will be considered on their individual merit.

Affordable home ownership

206. Affordable home ownership (shared ownership) has a role to play in helping first time buyers who may be excluded from purchasing a home by affordability or deposit constraints. The Homes and Communities Agency will consider proposals from providers which include affordable home ownership (shared ownership) as part of the overall mix where such schemes have the support of the local authority and fit with the local housing market. For the purposes of the 2015-18 programme, bids will be considered for affordable home ownership where the form of affordable home ownership is shared ownership as described in the Affordable Housing Capital Funding Guide.

207. Bids that only include proposals for affordable home ownership, with no Affordable Rent within the overall proposal, will not be considered.

208. Further guidance on shared ownership is available in the Affordable Housing Capital Funding Guide.

209. For the purposes of bidding for the 2015-18 Affordable Homes Programme, funding will be made available, subject to assessment, for shared ownership. This may include variant forms of shared ownership known as Home Ownership for people with Long term Disabilities and Older Persons Shared Ownership. Both are described in the Affordable Housing Capital Funding Guide. No other alternative home ownership

models will be considered for funding under the 2015-18 Affordable Homes Programme.

210. Bidders are asked to note that the Government's Help to Buy scheme is the only form of Government funded equity loan product. Funding for equity loan products will not be available outside of that programme.

211. In addition to the options listed above, the Homes and Communities Agency will continue to fund Right to Acquire and Social HomeBuy in response to demand from providers and their tenants. Further details of these products, which are unchanged from the 2008-11 National Affordable Homes Programme are available in the Affordable Housing Capital Funding Guide.

Supported housing and housing for older people

212. Bids which include proposals for supported housing and housing for older people are encouraged. We expect that local commissioning bodies working with their housing partners will identify the type(s) of provision that will most appropriately meet the locally identified needs to fit with, and complement, existing services and supported housing locally. We will particularly wish to ensure that supported housing meets local needs and that there is local strategic prioritisation for the proposed housing and associated services.

213. Bidders submitting bids for supported housing and housing for older people will be expected to:

- Have developed where appropriate a strategic approach to the provision of housing without support where tenants are ready to move on;
- Have identified any necessary revenue funding source associated with the accommodation or the client group; and
- Have in place exit plans or alternative uses for the building should commissioning priorities change in future.

214. Bidders submitting proposals for older persons housing or some specialist supported housing types should consider the typology, location and design of the accommodation to ensure it can continue to meet the needs of the relevant client group(s). This may include evolving good practice and consideration of the Housing Our Ageing Population Panel for Innovation principles and the Homes and Communities Agency's non-mainstream housing design guidance.

215. Best value for money is likely to be derived from schemes designed to respond flexibly to evolving service management models and resident and commissioning requirements, allowing future changes at minimal additional cost. We will particularly wish to ensure that supported housing meets local needs and that there is local strategic prioritisation for the proposed service. Where necessary, we may seek detailed information about the nature of the accommodation, associated support services and strategic prioritisation of an individual scheme.

216. In all cases, funding from the Affordable Homes Programme is only available for the provision of accommodation and cannot fund other services.

217. Further information about housing for vulnerable and older people is available on the Homes and Communities Agency website.

218. Bidders are asked to note that there should be no overlap between schemes bid under the 2015-18 Affordable Homes Programme, and those funded under Round 1 for affordable housing or bid through later phases of the Care and Support Specialised Housing Fund or the Department of Health's Hostels scheme. However, schemes may have different elements or phases each funded from different programmes which complement each other – for example, supported housing on a scheme funded from the Care and Support Specialised Housing Fund and funding for general needs homes sought from the 2015-18 Affordable Homes Programme.

Other groups or forms of housing

219. Providers should note that there is no separate funding for empty homes, homelessness accommodation (other than the Department of Health's hostels scheme) or for the provision of traveller pitches. However these are all legitimate forms of Affordable Rent provision that could be included in 2015-18 Affordable Homes Programme bids. Assessment of such bids will be undertaken in line with the assessment criteria outlined in Chapter 4 of this document. Particular requirements for these types of provision can be found on the Homes and Communities Agency website. Bidders should note that bids for traveller pitches should be for the provision of new pitches only. As with other types of accommodation, we do not expect to receive bids for schemes on Green Belt land or other land with special environmental protections.

Routes and forms of provision

220. The following scheme types are all acceptable forms for new supply:

- New build including Acquisition and Works, Off the Shelf and Works only schemes;
- Rehabilitation including Acquisition and Works, Existing Satisfactory, Purchase and Repair and Works only schemes; and
- Re-improvement of Registered Provider owned stock but not Major Repairs.

221. For further information on all of the above please refer to the Affordable Homes Capital Funding Guide Procurement and Scheme Issues section 3.

Works to existing stock

222. We expect works to existing stock to be funded through providers' existing business plans, and only by exception will the Homes and Communities Agency consider requests for funding to support major repairs where such repairs are essential for the property to remain habitable, and the provider demonstrably does not have access to resources of its own to undertake such works. The Homes and Communities Agency will also consider proposals for re-improvements.

223. In both cases, such funding is only possible for rented properties funded under the pre-1988 Housing Act procedures, and some supported housing funded under the 1988 Housing Act but prior to the 1996 Housing Act. Further details (including revisions to the definitions of the types of work which are eligible for funding) are contained in the Repair Chapter of the Affordable Housing Capital Funding Guide.

224. An example of where we have previously made funding available for this purpose has been our investment in almshouse charities, to ensure that these homes are refurbished and modernised to a standard that allows them to continue to remain habitable, where the individual charities do not have access to resources to undertake the work without assistance.

Affordable Housing Capital Funding Guide

225. References are made throughout this Prospectus to the Affordable Housing Capital Funding Guide, where detailed guidance is available on the requirements for the range of products outlined in this document. That detail supplements but does not alter the information provided in this Prospectus. Information will be posted on the Homes and Communities Agency website and providers are advised to check the website regularly.

Homes let at an Affordable Rent for a fixed term

226. The Spending Round in June 2013 announced a new scheme designed to help people who need a limited period of support through a sub-market rent before they are able to achieve their aspiration of home ownership. The £400m fund for that scheme is in addition to the funding for which this prospectus invites bids. More details on the scheme will be published in due course.

Chapter 7: Contract and programme management

227. As outlined above, bids which offer early (and certain) delivery of starts and completions will be prioritised in assessment. In all cases, delivery timetables set out at bid stage will be expected to be carried through into the contracting and delivery phase of setting up the 2015-18 programme. Where there is significant slippage compared to bids (which will have influenced assessment and allocation decisions) we may withdraw an allocation, and intend to ensure that the contract will allow for this.

228. Withdrawal of individual scheme allocations will not preclude a further allocation being made (from slippage or through ongoing market engagement) where delivery becomes more certain.

229. Bidders who receive allocations for indicative proposals should note that they must be able to convert these into firm schemes by no later than 30 May 2016 and this will be reflected in the terms of the Framework Delivery Agreement. Earlier forecast delivery will be prioritised in assessment. We will monitor progress against forecast delivery for indicative schemes, including the date at which they are anticipated to become firm, and may withdraw allocations if there is significant slippage against that anticipated date.

230. Changes in the range of contract parameters will continue to be dealt with through quarterly reviews with each provider. Quarterly contract reviews will consider (i) actual delivery achieved (of new supply and of conversions/disposals), and (ii) a forward look at new supply proposals to be delivered and anticipated conversions/disposals. Data will be provided on an open book basis. A strategic review of the operation of the contract will be undertaken, jointly with providers, on an annual basis.

231. Assessment of bids submitted through ongoing market engagement will take account of the delivery performance of bidders compared to forecasts, up to the point that bids are being assessed.

232. It will not be possible at any stage during the programme period to respond to changes in contract parameters by increasing the amount of funding for a scheme or for an indicative proposal. If additional funding is needed - for whatever reason - such additional funding would have to be generated from a provider's own resources or capacity (where that is achievable without adversely impacting their financial viability).

Contract

233. Providers will be required to enter into a standard form contract with the Homes and Communities Agency for the delivery of new affordable homes and conversion of social rent homes at re-let to new tenures. Contracts may vary marginally to take account of consortia delivery arrangements, or of the specific organisational type, but each of these does not depart significantly from the standard form.

234. Annexes to the standard form contract will record the anticipated outputs. This information will be taken from the information on the Investment Management System at the point at which allocations are confirmed.

235. The proposed Heads of Terms for the standard form contract will be published on our 2015-18 Affordable Homes Programme web pages in due course.

Reporting and information requirements

236. These are outlined in the standard form of contract.

Transparency on costs and funding

237. To encourage value for money, and in line with the approach under the 2011-15 Affordable Homes Programme and 2013-16 Affordable Homes Guarantees Programme, we will publish information on the initially agreed allocations under the 2015-18 Affordable Homes Programme and thereafter provide updates on a quarterly basis. This will include information on scheme costs and the sources of funding meeting those costs. This will be a valuable source of data for providers and support the continual drive for improved efficiency.

Transparency on spend

238. It will be a condition of the framework contract that providers in contract for total allocations of more than £3m from across their affordable homes programmes delivering outputs in 2015-18 must publish quarterly all expenditure in excess of £500 relating to delivery of schemes which form part of the framework contract. The Homes and Communities Agency will require certification from the provider, as part of quarterly reviews, that relevant spend details have been published, including an outline of the approach taken to redactions affected by commercial confidentiality or data protection considerations

Chapter 8: Timetable

Milestone	Date
Launch of bid round	27 Jan 2014
Close of bid round	noon Wednesday 30 April 2014
Clarification and assessment of bids	01 May-20 June 2014
Moderation of bids	23-30 June 2014
Clearance of recommendations for allocations	early July 2014
Announcement of successful allocations	mid-July 2014

Chapter 9: Minimum geography

239. Where agreement is reached with a partner to bidding through the mixed route, bids for indicative proposals must identify (as a minimum) delivery within a specific Minimum Geography. Minimum geographies have been determined by Homes and Communities Agency's Operating Areas in consultation with relevant local authorities and others and were introduced at the start of the 2011-15 programme. In most Operating Areas the minimum geography for the 2015-18 Affordable Homes Programme is largely unchanged, but there have been some minor amendments to take account of movement of local authorities within Local Investment Partnerships.

HCA Operating Area	**Minimum level of geography for package offers bids**	**Areas for minimum level of geography**
East and South East	Counties	Buckinghamshire, Cambridgeshire, East Sussex, Essex, Hertfordshire, Kent, Norfolk, Suffolk, Surrey, West Sussex
Midlands	Areas	Bedfordshire, Luton and Milton Keynes, Birmingham and Solihull, Black Country, Coventry and Warwickshire, Herefordshire and Shropshire and Telford and Wrekin, Leicester, Leicestershire and Rutland, Lincolnshire, Northamptonshire, Nottinghamshire and Derbyshire, Stoke and Staffordshire, Worcestershire
North East, Yorkshire and The Humber	Local Enterprise Partnerships and Housing Market Areas	North East Local Enterprise Partnership Area; Tees Valley Local Enterprise Partnership; South Yorkshire; Northern Housing Market Area; West Yorkshire; North Yorkshire, The Humber
North West	Local Investment Plans	Cheshire, Cumbria, Greater Manchester, Lancashire and Fylde Coast, Lancashire – Pennine Lancashire, Merseyside, Mid-Lancashire (including Ribble Valley)
South West	Local Investment Plans	Berkshire East, Berkshire West, Bournemouth, Poole and Dorset, Cornwall and the Isles of Scilly, Devon, Exe Authorities, Gloucestershire, Isle of Wight, North Hampshire, Oxfordshire, Plymouth, Partnership for Urban South Hampshire, Somerset, Swindon, Torbay, West of England, Wiltshire

Annex A: Examples of construction innovation

Offsite Manufacture

240. Offsite manufacture aims to add value through factory manufacture and assembly. The objective is to deliver to the construction site elements that are to an advanced state of completion thus reducing site activity. In some cases this may be time frame; Super Insulated Panels; open panels; or three dimensional volumetric modules. Potential benefits might include:

- Reduction of construction time can be achieved as buildings, or elements thereof, are manufactured concurrently with site preparation;
- The amount of site disruption is decreased as less work is performed on site;
- As most of the work is performed in the factory, manufacturing efficiencies can be gained and materials purchased in larger quantities;
- It can avoid issues of skills shortages such as brick and block laying;
- It can lead to improvements in on site health and safety; and/or
- It can provide improved energy performance.

On-site new technologies

241. Such as:

- Thin-joint masonry;
- Insulated concrete formwork;
- Tunnel-form construction; and/or
- On-site timber frame factories.

Standard House Types

242. By utilising standard house types the process of construction and the components required can also be standardised making procurement and construction more efficient.

Component Standardisation

243. Through the standardisation of components long term relationships can be built with suppliers making procurement more efficient. With the security of longer term relationships suppliers can provide discounts they might not otherwise be able to offer and this also enables the supplier to provide advice on use and maintenance of components as well as innovations to meet the specific needs of the client.

Building Information Modelling

244. Building Information Modelling is a process of managing an asset through its entire life-cycle, underpinned by the creation, collation and exchange of shared intelligent and structured data often illustrated through 3D models.

245. The benefits that can be gained through the use of Building Information Modelling depend on the level to which the client engages. To maximise benefits we would expect projects to be using this at level 2, which involves file based collaboration and library management and can be achieved through a series of different process and tools. Level 2 Building Information Modelling is a series of domain specific models (e.g. architectural, structural, services etc.) with the provision of a single environment to store shared data.

Annex B: Examples of procurement efficiency

Aggregation / commoditisation in procurement

246. By aggregating schemes (within a programme and/or with that of other providers) it is possible to increase the size and scope of the procurement. Combining this with the standardisation of components can build a level of on-going business with suppliers that can allow them to offer savings in costs.

247. Where the components have been commoditised and there is a lack of meaningful differentiation, and as such are sold on the basis of price and not brand, it is possible to build relationships where suppliers are more likely to offer lower prices through bulk purchasing.

Supply chain engineering

248. Supply chain engineering is based on analysis and comprehension of the essential principles of production and distribution systems. Working with suppliers to evaluate and optimise production systems, logistic networks and management policies can increase the effectiveness of demand and supply chains.

249. This might include:

- Integration of the activities that cover the whole production spectrum from customers' requirements to payment;
- Flexibility in the face of customer demand changes; and
- Reduction in production costs.

Cost-led procurement

250. The client puts in place a framework agreement with one or more integrated supply chain teams (encompassing designers, constructors, specialist suppliers and manufacturers). Teams are selected on their ability to work in a collaborative environment to deliver below the cost ceiling on the first project through continuous improvement, and achieve cost reductions on subsequent projects while maintaining the required quality outcomes. This is commonly referred to as target cost procurement and is often linked to a risk sharing mechanism whereby savings can be shared in a prescribed ratio.

251. There is early market engagement, and through competition, two to three integrated framework supply teams are then given the opportunity early in the life of projects to develop their bids with the client team, allowing them to bring their experience to bear to innovate and drive cost reductions. Provided at least one of the supply teams can beat the cost ceiling, it is then selected on the relative scored attractiveness of its commercial and physical proposition and of its team members before being awarded the contract to deliver the project.

Two stage open book

252. The Two Stage Open Book model sees the client invite suppliers on an existing framework agreement to bid for a project contract on the basis of an outline brief and cost benchmark. A number of contractor-consultant teams compete for the contract in a first stage with bidders being chosen based on their capacity, capability, stability, experience and strength of their supply chain, and fee (profit plus company overhead). The winning team then works up a proposal on the basis of an open book cost that meets the client's stated outcomes and cost benchmark as a second stage. A key outcome of this model should be to further reduce supply chain bidding costs. This is often linked to a risk sharing mechanism whereby savings can be shared in a prescribed ratio.

Integrated supply chain supporting product innovation

253. An integrated supply chain allows clients and manufacturers to look into business processes across multiple suppliers to follow materials and components wherever they are; expanding traditional supply chain management beyond tracking materials, information and finances as they move from supplier to manufacturer to end user.

254. By engaging with suppliers right at the beginning of the supply chain, the end user can involve them in the design of the final product and take advantage of their knowledge to bring about innovations and efficiencies.

Project Bank Accounts

255. Project Bank Accounts enable the supply chain to receive payment from a single bank account rather than through the main contractor. Effectively the employer makes direct payments to the subcontractors. This mitigates the risk to the employer and subcontractors of insolvency in the contractor's supply chain by ensuring that all participating subcontractors receive timely payment of monies due to them. It is hoped that the reduction in risk and greater efficiencies will lead to an overall reduction in costs. This is linked to the fair payments campaign.

Integrated Project Insurance

256. The client holds a competition to appoint the members of an integrated project team who will be responsible for delivery of the project, which will be delivered under a new form of insurance that covers cost overruns up to an agreed liability cap. The project is supported from the outset with an assurance team that ensures the right project cost plan has been agreed and which monitors and reports to the insurer on the key project risks including the levels of integration achieved by the team. Scoring may include elements assessing competence, capability, proven track record, maturity of behaviours, and fee declaration. The chosen team then works up a preferred solution that will deliver the outcome defined by the client, with savings against existing cost benchmarks.

Annex C: Letter from DCLG to councils on building new council housing using Affordable Rent

28 July 2011

To the Chief Executive of English local housing authorities

BUILDING NEW COUNCIL HOUSING USING AFFORDABLE RENTS

This letter will be of interest to any English local housing authority considering building new council homes for Affordable Rent, but without other financial support from central Government. (We are writing separately to authorities awarded financial support under the 2011-15 Affordable Homes Programme.)

This letter will be of less relevance to non-stock holding authorities, authorities whose council house rents are already 80% or more of market rents, and authorities who will have little or no capacity to increase borrowing in the short term under the forthcoming self-financing settlement.

Background

The Government's policy on Affordable Rents is to enable the building of more new affordable housing and thereby help tackle un-met housing need.

To effect this a local authority would charge up to 80% of market rents on new homes it has built and use this additional income to cover the costs of construction.

The maximum rent level for Affordable Rent should be assessed according to the individual characteristics of the property. Local authorities should assess the gross market rent that the individual property would achieve and set the initial rent (inclusive of service charges) at up to 80% of that level. The Tenant Services Authority has issued an explanatory note for private registered providers on RICS approved valuation methods, which may also be useful to local authorities and is available at:
http://www.homesandcommunities.co.uk/sites/default/files/ourwork/regulatory_framework_annex_a.pdf#page=41

It is for local authorities to decide whether to let Affordable Rent properties on flexible or conventional lifetime tenancies. (Provisions in the Localism Bill currently before Parliament will (subject to Royal Assent) enable post-March 2012 local authorities to offer fixed-term flexible tenancies.) In either case at the point the property becomes available for re-letting the local authority should review the rent to ensure that it remains at 80% (or lower) of prevailing market rents.

Government policy is that where an Affordable Rent has been set it should rise each year by no more than the Retail Price Index plus 0.5%. This will apply for the duration of the tenancy and at the end of the initial tenancy rents will need to be re-based to up to 80% of market rents.

Local authorities should offer Affordable Rent properties in line with their lettings and allocation policies.

Please note that we will permit only newly built properties to be treated outside the Rent Rebate Subsidy Limitation scheme. We will not permit existing homes to be excluded unless the local authority has entered into a Framework Delivery Agreement with the Homes and Communities Agency (HCA). This is because the Government does not intend providing additional public subsidy (via Housing Benefit) over and above that announced in the 2011-15 Affordable Homes Programme.

The Limit Rent

We have worked closely with colleagues in the Department for Work and Pensions (DWP) to devise a process of allowing Housing Benefit claimant rents higher than the Limit Rent without loss of subsidy to local authorities whilst at the same time ensuring value for money and guaranteeing new supply.

Because this process requires changes to the DWP's subsidy claim forms, charging a Housing Benefit claimant an Affordable Rent will not be possible until 2012/13.

The Process

The following sets out the process we have agreed with the DWP, the HCA and (for the London Boroughs) the Greater London Authority (GLA). Provisions in the Localism Bill will transfer the powers of the HCA in London to the GLA.

Any local authority intending to charge an Affordable Rent to fund new supply without any other financial support from central Government should set out their proposals in the form of a letter to its HCA Operating Area lead.

The letter should set out:

- The scheme name and its location;
- The number and tenure of the new homes proposed;
- Mix bed sizes;
- Whether any of the new supply is supported housing or in rural locations;
- Total Scheme Costs – including acquisition costs, works and on-costs (including making clear whether the land is already in the ownership of the local authority);
- Proposed new supply rents by tenure;
- An estimate of income from any low cost home ownership first tranche sales;
- The borrowing capacity generated by the additional income (and where this is less than Total Scheme Costs how the local authority is making up the difference); and

- The intended dates of both start-on-site and completion.

The HCA / GLA will then comment on the proposals in a return letter. In particular they will confirm (or otherwise) that the ratio of additional income to anticipated new supply represents value for money given the types of homes local authorities intend building and their location in the country.

To claim rent above the Limit Rent the DWP will amend their subsidy claim forms to include a category on Affordable Rents – this will enable specified properties to be treated outside the Rent Rebate Subsidy Limitation scheme. When the subsidy claim form comes to be audited the local authority will have to show the auditor a letter signed by the authority's Section 151 Officer addressed to Alison Cremin at this Department.

The letter from the Section 151 Officer must:

- list the addresses of all properties on which an Affordable Rent has been charged;

- confirm that the local authority's scheme's finances have been approved by the HCA / GLA;

- confirm that all income derived from the additional rent has been or will be spent - and only spent - on the new council housing;

- confirm that the higher rent set will not rise except in line with Government policy on rises in council house rent (RPI + 0.5% per annum); and

- confirm that where any property has come up for re-let the rent has been re-assessed to ensure it is no more than 80% of prevailing market rents (we appreciate that this will not be relevant in the early years, but confirmation is nonetheless necessary for consistency).

Where the local authority is unable to provide a signed letter from its Section 151 Officer confirming the above or where the auditor selects for inspection a property on which an Affordable Rent is being charged but which is not listed in the Section 151 Officer's letter, then that part of the subsidy claim will have to be qualified resulting in a potential loss of subsidy.

This process will need to be repeated each year that an entry against Affordable Rents has been made on the audit form.

If you have any queries on this letter please contact Alison Cremin (alison.cremin@communities.gsi.gov.uk).

Any queries on Housing Benefit or the Rent Rebate Subsidy Limitation scheme should be sent to Emmanuel Ibiayo (Emmanuel.Ibiayo@dwp.gsi.gov.uk).

homesandcommunities.co.uk
mail@homesandcommunities.co.uk
0300 1234 500

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The Homes and Communities Agency is committed to providing accessible information where possible and we will consider providing information in alternative formats such as large print, audio and Braille upon request.

Publication date: January 2014

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Report to the Council Housebuilding Cabinet Committee

Report reference: CHB-018-2013/14
Date of meeting: 17 April 2014

Epping Forest District Council

Portfolio: **Housing**

Subject: **Future use of garage sites and other surplus sites unsuitable for redevelopment – Council Housebuilding Programme**

Responsible Officer: **Paul Pledger, Asst. Director (Housing Property and Development) (01992 564248)**

Democratic Services Officer: **Jackie Leither (01992 564756)**

Recommendations:

1. That, should any of the development sites identified for Council housebuilding not be developable because:

   i. They do not receive planning permission;
   ii. They are not financially viable for the Council to develop based on a development appraisal; or
   iii. The Cabinet Committee considers for whatever reason, the site should not be developed for Council housing,

   Officers be authorised to consider the following options and submit a separate report to the Cabinet Committee to determine the future use of the site:

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

2. That the Cabinet Committee recommends to the Leader of the Council that the Terms of Reference for the Council Housebuilding Cabinet Committee be varied to empower the Cabinet Committee to determine the future use of garages sites and other Council owned land previously identified and approved by the Cabinet for possible Council housebuilding.

Executive Summary:

The Council's Development Agent is required to undertake a feasibility study for each of the 65 garage and other surplus sites included on a list of potential development garage sites approved by the Cabinet. The future use of any site considered either unsuitable, financially unviable or not receiving planning permission must to be considered and a Policy agreed. Following consultation with the Cabinet Committee, this report sets out the approach the Council will take where sites are found to be unsuitable for Council Housebuilding.

Reasons for Proposed Decision:

Since the Cabinet has agreed to consider the development potential of 65 garage sites, and development is always subject to feasibility, financial viability and planning approval. Where sites are not developable, then their future use must be considered to maximise the Council's benefit of the Asset.

Other Options for Action:

1. To agree any other option for the future use of the sites as the Cabinet Committee deems suitable.

Background

1. The Council Housebuilding Cabinet Committee was consulted, at its meeting in February 2014, on the options that should be considered for any of the 65 under-used garage sites and other Council owned sites previously identified for potential re-development, that either might not achieve planning consent, not be financial viable for the Council to redevelop or where the Cabinet Committee considers it does not want to develop for whatever reason.

2. Having been assessed by East Thames, who is the Council's Development Agent, each site will be considered for its development potential, which includes a detailed feasibility study and financial viability assessment. Each site is then presented to the Cabinet Committee for consideration in consultation with the relevant Ward Councillors.

3. Whilst all sites presented to the Council Housebuilding Cabinet Committee have so far been approved to go forward for planning approval and subsequent development, it is very likely that some sites will either not gain planning consent, or not be put forward by the Cabinet Committee, or there may be unforeseen circumstances that prevents development (i.e. there may be underground services, there are legal issues or for any other reason that may come to light).

4. Each site has its own unique circumstances. Therefore, it is not possible to have a policy that prescribes a future use where Council housebuilding is not possible. For any site that either does not gain planning consent, is not put forward for development by the Cabinet Committee or the development appraisal identifies it is not developable, it is recommended that a further report be brought back to the Cabinet Committee recommending its disposal or other use, based on the range of options as follows:

    a. To sell the site to one of the Council's Preferred Housing Association Partners for affordable housing in return for a capital receipt to fund future Council housebuilding, and the Council gaining nomination rights in line with the terms of the Partnership. This option will provide a capital receipt for the site and would still provide much needed social housing in the district. This option is more likely to be selected where planning permission is not granted for a development put forward by the Council;

b. To sell the site to a private developer for either private residential or commercial use in return for a capital receipt to fund future Council housebuilding. This option will most likely provide the highest capital receipt for the site. However, it is unlikely to provide affordable housing;

c. To divide up the site and sell the land to neighbouring properties for garden use for a capital receipt to fund future Council housebuilding. This will provide a community benefit to residents, reduce the Council's future maintenance liabilities and the Council would benefit from a small capital receipt;

d. To demolish the garages, resurface the land and mark it out for unallocated off-street parking; This would only be proposed in areas experiencing parking problems. It will reduce the Council's future maintenance liabilities for the garages but increase it for parking surfaces. There would also be a capital cost;

e. To sell the land to a Town or Parish Council for other community relates uses including grassed or landscaped amenity space, for a capital receipt to fund future Council housebuilding. This will reduce the Council's future maintenance liabilities and benefit from a small capital receipt; or

f. Retention of the garages and to continue to rent them where possible.

5. Since the decision on how to dispose of sites unsuitable for Council housebuilding is not set out within the Terms of Reference for the Cabinet Committee, it is recommended that the Cabinet Committee recommends to the Leader of the Council that the Terms of Reference be amended to include the following wording:

   "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 housebuilding 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."

Resource Implications:

None at this stage

Legal and Governance Implications:

Within its Terms of Reference, the Housebuilding Cabinet Committee is expected to consider the future use of each garage site for the purpose of Council Housebuilding. However, the Terms of Reference does not extend to or any other alternative use.

Safer, Cleaner and Greener Implications:

The future use of under-utilised garage sites that do not have redevelopment potential, need to be considered so as to make the best possible use of the site and enhance the environment.

Consultation Undertaken:

The Cabinet Committee were consulted on the options to be included in this report at a previous meeting in February 2014.

Background Papers:

Terms of Reference for the Cabinet Committee

Impact Assessments:

Risk Management

Each site will need to have a risk assessment carried out to ensure the future use is both safe and suitable in the short, medium and long-term. Site specific Risk Assessments have yet to be compiled.

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

Report to the Council Housebuilding Cabinet Committee

Epping Forest District Council

Report reference: CHB-019-2013/14
Date of meeting: 17 April 2014

Portfolio: **Housing**

Subject: **Annual Progress Report on Council Housebuilding to the Cabinet**

Responsible Officer: **Paul Pledger, Asst. Director (Housing Property and Development) (01992 564248)**

Democratic Services Officer: **Jackie Leither (01992 564756)**

Recommendations:

(1) That the contents of this Annual Progress Report on Council housebuilding be noted, and presented to the Cabinet

Executive Summary:

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

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 Housebuilding 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.

Background

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 housebuilding 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 HCA's 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 avoids any tenants losing money as a result of the introduction 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. 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.

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 Housebuilding 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 Housebuilding 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 accelerate/maintain the number of affordable homes developed in phases 3-6 at 20 / from 20 to 30) per year, that HCA funding be sought for (28) homes in Phase 2 of the Housebuilding Programme and that HCA funding be sought in future years should 1-4-1 Receipts* *be less than forecast – The final wording is to be agreed by the Cabinet Committee depending on the outcome of the decision on accelerating the Housebuilding Programme]*

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. This includes the Development Strategies requirement to base each financial appraisal on a 30-year payback and with a positive Net Present Value.

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 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 Housebuilding 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. It is anticipated that, once tendered around Easter, the works will commence on site in mid-July 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 xx home scheme at a cost of around £x.xm, which will require a subsidy of £x.xm 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 xx months. [*Costs to be inserted, based on the Phase 2 scheme agreed by the Cabinet Committee*]

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 Housebuilding 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
Phase 2 - £x,xxx,xxx including works & fees, with an estimated subsidy requirement of £xxx,xxx [*Insert the costs associated with the Phase 2 scheme approved by the Cabinet Committee*]
Marden Close and Faversham Hall - £610,000 including works & fees, with no subsidy requirement.

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 Housebuilding 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 Housebuilding 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 housebuilding programme.

Impact Assessments:

Risk Management

There is a comprehensive risk register that has been compiled and is being monitored in respect of the housebuilding 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

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Report to the Council Housebuilding Cabinet Committee

Epping Forest District Council

Report reference: CHB-020-2013/14
Date of meeting: 17 April 2014

Portfolio: Housing

Subject: Development Naming

Responsible Officer: Alan Hall, Director of Communities (01992 564004)

Democratic Services Officer: Jackie Leither (01992 564756)

Recommendations:

That the Leader of the Council be recommended to make a Leader's Decision to include, within the Cabinet Committee's Terms of Reference, the authority to decide, where necessary, on the names of developments undertaken through the Council Housebuilding Programme.

Executive Summary:

Some new Council developments will need to be named for postal and other purposes.

It is therefore suggested that the Cabinet Committee's Terms of Reference be extended through a Leader's Decision to include this provision.

Reasons for Proposed Decision:

It is considered that the Cabinet Committee would be the most appropriate body to undertake this role.

Other Options for Action:

The main options appear to be:

(a) To delegate responsibility to officers;
(b) To request the Housing Scrutiny Panel to undertake this role; or
(b) That responsibility be given to the full Cabinet.

Report:

1. Prior to Council properties developed through the Council Housebuilding Programme being completed, where they do not simply take the name of an existing road or estate, they will need to be named for postal and other purposes.

2. It is proposed that the Cabinet Committee would be the most appropriate body to undertake this role, which of course would need to comply with the requirements of Royal Mail and other consultees.

3. It is therefore suggested that the Leader of Council be recommended to make a Leader's Decision to extend the Cabinet Committee's Terms of Reference to include the following provision:

> *"To agree, where required and appropriate, the names of housing developments delivered through the Council Housebuilding Programme"*

4. If this recommendation is agreed, it is proposed that where the new properties would not simply take the name of the street or estate on which they are located and numbered accordingly – which is more likely to be the most appropriate case for houses – the Cabinet Committee would receive a report, early in the construction period, either recommending a name or proposing a list of names for consideration – together with their rationale.

5. As part of this process, local councils and ward members could be consulted on suggested names to be put forward to the Cabinet Committee for consideration, along with the names proposed by the Project Team and any others.

Resource Implications:

None

Legal and Governance Implications:

A formal decision should be taken on the naming of developments, in accordance with an agreed approach.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

<u>Risk Management</u>

There are minimal risks – other than potential reputational ones.

<u>Equality and Diversity:</u>

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?	N/A
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?

N/A

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

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Report to the Council Housebuilding Cabinet Committee

Report reference: CHB-021-2013/14
Date of meeting: 17 April 2014

Epping Forest District Council

Portfolio: **Housing**

Subject: **Council Housebuilding Programme – Risk Register**

Responsible Officer: **Paul Pledger, Asst. Director (Housing Property and Development) (01992 564248)**

Democratic Services Officer: **Jackie Leither (01992 564756)**

Recommendations:

That the current Programme-wide Risk Register for the Council Housebuilding Programme be noted.

Reasons for Proposed Decision:

The Council's Housebuilding Programme is a major undertaking, involving significant amounts of money and risks, it is essential that the Officer Project Team and the Cabinet Committee record, monitor and mitigate those risks.

Other Options for Action:

(a) Not to have a Risk Register – but it would not be appropriate to contemplate such an option; and

(b) To request amendments to the format or content of the Programme-wide Risk Register.

Report:

1. At its meeting in July 2013, the Council Housebuilding Cabinet Committee considered the first iteration of the Risk Register prepared by East Thames. Since the Council's Housebuilding Programme is a major undertaking, involving significant amounts of money and risks, it is essential that the Officer Project Team and the Cabinet Committee record, monitor and mitigate those risks.

3. Following approval by the Cabinet of individual developments and development packages, East Thames has, and will continue to produce and keep updated Risk Registers for each development/package, which will be monitored by the Project Team at Project Team Meetings.

4. In addition, it is appropriate to have a "Programme-wide" Risk Register, which is a "live document" for the Housebuilding Programme. East Thames, and specifically Pellings LLP, who are the Architects and Employers Agent appointed by East Thames, have updated the Programme-wide Risk Register, taking account of comments made by

Members at the last Cabinet Committee. The current Risk Register can be found at Appendix 1 of this report.

Resource Implications:

If risks are not properly identified or managed, it could result in additional costs to the Council, with the amounts dependent on the issue and its severity.

Legal and Governance Implications:

There is no legal requirement to have and maintain a Risk Register, but it is good governance practice to do so.

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

None

Background Papers:

None

Impact Assessments:

Risk Management

The purpose of the Risk Register is to record, monitor and mitigate risks

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?

N/A

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

Risk ID	Date	Vulnerability	Trigger	Consequence	Likelihood (A, B, C, D)	Impact (1, 2, 3, 4)	Rating	Risk Owner	Existing Controls / Actions to Address Risk	Effectiveness of Controls / Actions	Required further Management Action	Responsibility for Action	Critical Success Factors and Measures	Review Frequency	Key Date
1	26-Jun-13	Basis of house building programme.	Change in Government and/or Local Plan.	Reputational risk.	C	1	C1	All	Establishment of high level demand, design, and financial parameters on which to base the programme together with clear and defined outputs.	Scheme proceeds to comply with Local Plan.	Ongoing review and monitoring.	All	Scheme is completed to Local Plan.	Quarterly	xx
2	26-Jun-13	Land availability.	Land not available within required timeframe.	Scheme may not be able to go-ahead. Increase in cost(s) and delay to programme.	C	1	C1	EFDC	Initial appraisals of existing garage sites demand and opportunity for development undertaken by EFDC.	Land is available within required timeframe and budget.	Ongoing review and monitoring.	EFDC	Land is obtained to enable scheme to proceed.	Quarterly	xx
3	26-Jun-13	Funding availability.	Decrease in funding for the scheme.	Insufficient funds for scheme to proceed as intended.	C	1	C1	EFDC	Continuous monitoring of available funding from a) 1 to 1 RTB replacement, b) Section 106 contributions, c) HCA grant, d) Sale of sites, and e) Third Party funding.	Sufficient funds are available for the scheme to proceed.	Ongoing review and monitoring.	EFDC	Sufficient funds are obtained for the scheme to proceed.	Quarterly	xx
4	26-Jun-13	Financial control	Unknown or unexpected costs. Reduction in budget(s).	Insufficient funds for scheme and/or budget overspend.	B	2	B2	ETG and PLLP	Provision of robust feasibility reports with funding and construction criteria review. Change control mechanisms implemented.	Ensuring sufficient funds are available for the scheme.	Continuous monitoring of anticipated cost(s) against budget.	ETG and PLLP	Ensuring scheme is within budget.	Monthly	xx
5	26-Jun-13	Programme management - impact on programme of site specific reports not being commissioned until post planning permission.	Late and/or untimely commissioning and/or receipt of site specific reports.	Increase in cost(s) and delay to programme.	B	2	B2	PLLP	Prepare Project Executive Plan (PEP) with high level programme. Provide early feasibilities to formulate the whole of the six year programme. Undertake site specific report ahead of or as part of planning application to mitigate delays between planning consent and tender action.	Early identification to site specific risks / issues.	Ongoing review and monitoring.	PLLP	Site specific risks and issues are identified early on in the project to minimise any increase in costs and/or delay to programme.	Monthly	xx

Likelihood: A - Very High | B - High | C - Medium | D - Low / Very Low

Impact: 1 - Major | 2 - Moderate | 3 - Minor | 4 - Insignificant

6	26-Jun-13	Resistance from local community.		Increase in cost(s) and delay to programme.	B	2	B2	All	Engage local community. Encourage use of local labour by contractors and encourage provision of training and apprenticeships. Undertake resident consultation and formulate a publicity strategy.	Local Community are receptive to scheme.	Ongoing review and monitoring.	All	Local Community accept the completed scheme.	Monthly	xx
7	26-Jun-13	Impact on programme of party wall issues.		Increase in cost(s) and delay to programme.	A	2	A2	EFDC and ETG	Establish ownership of properties adjacent to or affected by proposed development. Ensure that party wall notices are issued promptly (possibly outside of the build contract requirements).	Early identification of any party wall issues.	Ongoing review and monitoring.	EFDC and ETG	Any party wall risks and issues are identified early on in the project to minimise any increase in costs and/or delay to programme.	Monthly	xx
8	26-Jun-13	Legal issues including rights of title, boundary ownership, easements on or over the site.		Increase in cost(s) and delay to programme.	A	1	A1	EFDC	Establish clear line of responsibility for each of the legal issues and engagement of EFDC Legal Directorate.	Early identification of legal issues and rights.	Ongoing review and monitoring.	EFDC	Any legal issues and rights are identified early on in the project to minimise any increase in costs and/or delay to programme.	Monthly	xx
9	26-Jun-13	Design parameters	Design criteria and parameters not established and/or established late.	Increase in cost(s) and delay to programme.	B	1	B1	All	Early meeting and engagement with local planning authority to establish design criteria and parameters.	Design criteria and parameters established in good time to enable programme to be met.	Ongoing review and monitoring.	All	Design criteria and parameters established within required timeframe to enable programme to be met.	Monthly	xx
10	26-Jun-13	Overlooking to/from adjoining residents.	Design affects adjoining owner's Right to Light and/or view.	Adjoining owner's Right to Light affected. Possible complaints from adjoining owners. Increase in cost(s) and delay to programme.	B	2	B2	PLLP / ETG	Consideration of appropriate screening or single storey development.	Adjoining owner's Right to Light not affected.	Ongoing review and monitoring.	PLLP / ETG	Adjoining Owner's Right to Light and/or views not adversely affected.	Monthly	xx
11	26-Jun-13	Impact of existing trees	Existing trees may affect the design and/or below ground works.	Increase in cost(s) and delay to programme.	A	1	A1	ETG	Commissioning of Arboricultural report - site specific.	Review Arboricultural report before proceeding with detailed design.	Ongoing review and monitoring.	ETG	Arboricultural report is received and reviewed prior to design.	Monthly	xx
12	26-Jun-13	Impact of ground conditions and contamination.	Ground contamination present. Ground conditions not suitable.	Increase in cost(s) and delay to programme.	A	1	A1	EFDC / ETG	Assessment of initial reports to be undertaken by EFDC to inform desktop study and commissioning of the site investigation requirements.	Review site / ground investigations report before proceeding with detailed design.	Ongoing review and monitoring.	EFDC / ETG	Site investigation report is received and reviewed prior to design.	Monthly	xx

Likelihood: A - Very High | B - High | C - Medium | D - Low / Very Low
Impact: 1 - Major | 2 - Moderate | 3 - Minor | 4 - Insignificant

13	26-Jun-13	Flood risk	Site may lie within / on a flood risk zone.	Increase in flood prevention measures as part of scheme. Increase in cost(s) and delay to programme.	C	1	C1	PLLP	Consider advice of local planning authority and Environment Agency.	Advice from planning authority and Environment Agency taken on-board and reviewed.	Ongoing review and monitoring.	PLLP	Scheme is completed to minimise any potential affects of flooding (within acceptable limits).	Quarterly	xx
14	26-Jun-13	Accurate design at planning application stage	Unknown topography of existing site.	Scheme not designed to accommodate existing topography.	B	2	B2	EFDC / ETG	Commission topographical surveys.	Existing topography is established early and in good time.	Ongoing review and monitoring.	EFDC / ETG	Scheme is designed to take into account existing topography where appropriate.	Monthly	xx
15	26-Jun-13	Transport / traffic / parking assessment	Transport / traffic / parking assessments not undertaken.	Planning application cannot be submitted without transport statements. Delay in programme.	A	2	A2	EFDC / ETG	Commission transport statements to support planning application.	Transport Statement is able to be prepared and submitted with planning application.	Ongoing review and monitoring.	EFDC / ETG	Planning application submitted with suitable transport statement.	Monthly	xx
16	26-Jun-13	Clarity of design parameters	Unclear and/or non-existent design parameters.	Scheme not designed to meet Employer's Requirements.	C	1	C1	ETG / PLLP	Establish consistent set of Employer's Requirements - reference to East Thames Group Design Guidance and requirements of the Essex Design Guide.	Clear design parameters are established early on in the project.	Ongoing review and monitoring.	ETG / PLLP	Design able to proceed with clear design parameters in place.	Monthly	xx
17	26-Jun-13	Inexperienced contractor design team		Contractor design team not able to fulfil their duties and meet the Employer's Requirements.	C	1	C1	PLLP	Include a requirement for the contractor's design team to be clarified at tender stage of each project / phase.	Clarification of the contractor's design team at tender stage.	Ongoing review and monitoring.	PLLP	Contractor's Design Team is able to produce a design that is compliant with the Employer's Requirements.	Quarterly	xx
18	26-Jun-13	Financial control	Unknown or unexpected costs.	Insufficient funds for scheme and/or budget overspend.	A	1	A1	PLLP / ETG	Undertake financial gateway review at each stage of feasibility / design / procurement / construction.	Ensuring sufficient funds are available for the scheme.	Continuous monitoring of anticipated cost(s) against budget.	PLLP / ETG	Ensuring scheme is within budget.	Monthly	xx
19	26-Jun-13	Effect on design of site risks	Unknown or unexpected site risks.	Increase in cost(s) and delay to programme.	A	1	A1	PLLP	Commission surveys early.	Site risks established early.	Ongoing review and monitoring.	PLLP	Site risks identified can be eliminated or minimised.	Monthly	xx
20	26-Jun-13	Loss of control of design through Design & Build procurement	Poorly defined Employer's Requirements.	Increase in cost(s) and delay to programme.	C	2	C2	PLLP	Develop robust set of Employer's Requirements that control design to meet Client's brief.	Employer's Requirements are clearly defined.	Ongoing review and monitoring.	PLLP	Employer's Requirements are fulfilled.	Quarterly	xx
21	26-Jun-13	Poor durability of materials	Materials do not perform as expected.	Increase in future maintenance and life cycle costs.	C	2	C2	PLLP	Using basis of East Thames Group Design Guidance, complement with cost and use exercises where required.	Acceptable results from Cost and Use exercises undertaken (where required)	Ongoing review and monitoring.	PLLP	Future maintenance and life cycle costs are minimised.	Quarterly	xx

Likelihood: A - Very High | B - High | C - Medium | D - Low / Very Low

Impact: 1 - Major | 2 - Moderate | 3 - Minor | 4 - Insignificant

22	26-Jun-13	Design liability provided to end user	Collateral warranties with sufficient cover not in place.	End user liable for design as a result of actions / inactions by the design team.	C	2	C2	PLLP	Ensure that collateral warranties are required from the contractor's design team to end user clients and establish level of professional indemnity insurance.	Collateral warranties obtained from contractor's design team.	Ongoing review and monitoring.	PLLP	End user is not responsible for any design liability.	Quarterly	xx
23	26-Jun-13	Ensure that sustainability criteria supports effective capital cost versus cost in use analysis	Sustainability criteria does not support capital cost versus cost in use analysis.	Scheme is not sustainable and may not achieve relevant compliance.	C	2	C2	PLLP / EFDC	Ensure that Employer's Requirements require the contractor to consider a fabric first approach to thermal performance with bolt-on technologies minimised. Code for Sustainable Homes pre-assessment commissioned early.	Fabric first approach undertaken by contractor.	Ongoing review and monitoring.	PLLP / EFDC	Sustainability criteria achieved.	Quarterly	xx
24	26-Jun-13	Compliance with public procurement regulation	Procurement process etc. not followed.	Procurement process may need to be halted / aborted / repeated / extended.	C	2	C2	ETG	Proposed use of East Thames Group contractor framework - OJEU compliant and ensure processes are consistent with EFDC standing orders. ETG to advise on framework renewal dates.	East Thames Group Contractor Framework used and implemented.	Ongoing review and monitoring.	ETG	Scheme complies with all necessary procurement regulation.	Quarterly	xx
25	26-Jun-13	Contractor financial failure	Contractor may cease trading during the course of the scheme and/or not be able to finance the works.	Scheme may halted / stopped.	D	1	D1	ETG / PLLP	Updated financial references and checks to be undertaken.	Financial standing of contractor is known.	Ongoing review and monitoring.	ETG / PLLP	Contractor is able to finance / complete the scheme and provide all necessary resources.	Six-Monthly	xx
26	26-Jun-13	Contractor performance	Lack of KPIs / incentives for contractor to complete the scheme.	Increase in cost(s) and delay to programme.	D	1	D1	ETG / PLLP	Establish KPIs, monitor and incentivise.	Monitoring of contractor's performance against KPIs can take place.	Ongoing review and monitoring.	ETG / PLLP	Contractor's performance meets or exceeds KPIs.	Six-Monthly	xx
27	26-Jun-13	Financial control	Unknown or unexpected costs.	Insufficient funds for scheme and/or budget overspend.	C	1	C1		Implement Change Control mechanism - ensure the effects of any changes / variations are known to the team ahead of instruction. Agree levels of retention and insurance. Agree wording for performance bond / parent company guarantee provision.	Ensuring sufficient funds are available for the scheme.	Continuous monitoring of anticipated cost(s) against budget.		Ensuring scheme is within budget.	Quarterly	xx

28	01-Apr-14	Japanese Knotweed	Is found to be present on site	Scheme may not be able to proceed as planned and/or need to be amended to accommodate the presence of Japanese Knotweed.	A	1	A1	EFDC	Survey has been undertaken and has confirmed that Japanese Knotweed is present on the subject site and adjoining sites.	Procedure for eradication / control to be submitted to and approved by the Local Planning Authority.	EFDC procuring legal advice with regard to the extent of works to eradicate / control the Knotweed to the adjoining sites.	EFDC / Contractor	Japanese Knotweed can be removed / contained / managed safely.	Monthly	xx
29	01-Apr-14	Ground contamination	Presence of contaminants in / on the ground.	Scheme may not be able to proceed as planned and/or need to be amended to accommodate existing ground conditions / contaminants.	A	1	A2	PLLP	EFDC have highlighted potential contamination issues with use of domestic garages and a former horticultural nursery. Bore holes and soil investigations have been undertaken. Information issued as part of ERs. Concern ALSOexpressed by Environment Agency.	Soil Investigation Report to be issued as part of ERs. Procedure for eradication / control to be submitted to and approved by the Local Planning Authority.	Ongoing review and monitor.	Contractor	Existing contaminants are removed / managed safely.	Monthly	xx

Likelihood: A - Very High | B - High | C - Medium | D - Low / Very Low

Impact: 1 - Major | 2 - Moderate | 3 - Minor | 4 - Insignificant

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