



Development Strategy 2013-2019

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1 Introduction

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

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

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

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

This Development Strategy was approved by the Council's Cabinet in June 2013.

2. Purpose

Through the Council House Building Programme the Council will:-

Meet the Aims of the Corporate Plan

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". The Council House Building Programme shall contribute greatly to this aim and supports the four central themes of that strategy namely safety, sustainability, health and aspiration.

By providing new high quality, sustainable homes in areas that are currently filled with underused garages the Council will meet the needs of the District's residents and revive neighbourhoods by providing an environment within which they can flourish.

Meet Housing Need

The Council House Building Programme will deliver new homes that will directly meet the demand within the District for affordable rented homes. The demand is clearly identified in the Housing Strategy, and this Programme shall help to meet the Council's Housing Strategy 2009-2012 and its vision that "Epping Forest will be a district that has safe, decent and attractive housing that meets the needs of those who want to live in the District."

Build Sustainable, high quality homes and services

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

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

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

Create high quality environments and regenerate Communities

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

Develop and Maintain a Strong Council

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

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

3. Context

Housing Revenue Account Reform

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

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

- To increase local transparency and abolish the current opaque system under which there is little connection between the level of rent charged and the resources Councils have to spend locally;
- To give Councils financial autonomy and therefore more accountability for the provision of housing services;
- To end decades of complex central control and allow Council housing to be managed and financed locally; and

- To ensure Councils have the incentives to actively manage their housing stock on a long term basis rather than simply react to an uncertain annual funding formula.

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

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

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

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

Using its own assets to meet housing need

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

4. What Will We Deliver?

Quantum of New Homes

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

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

Affordable Rents

The homes delivered shall be for affordable rent to meet the housing need within the District.

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

The rent charged shall be the lower of:-

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

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

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

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

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

Quality

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

The Council places a great emphasis on providing homes that will last, be cost effective and be valued by residents. As a design direction, the Council has adopted the *East Thames Design Guide*, the *East Thames Employer's Requirements* and the *Essex Housing Design Guide* for the design and construction its new homes. The Council will work with East Thames to ensure that, for each site, the design complements and enhances the local neighbourhood in which the homes are built.

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

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

The Council places an emphasis on the sustainability of its homes, environmental performance and economy of use. Therefore every new home delivered through the

Council House Building Programme will meet at least Level 3 of the Code for Sustainable Homes.

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

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

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

Technical Specification

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

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

Key Performance Indicators

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

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

5. How Will We Deliver?

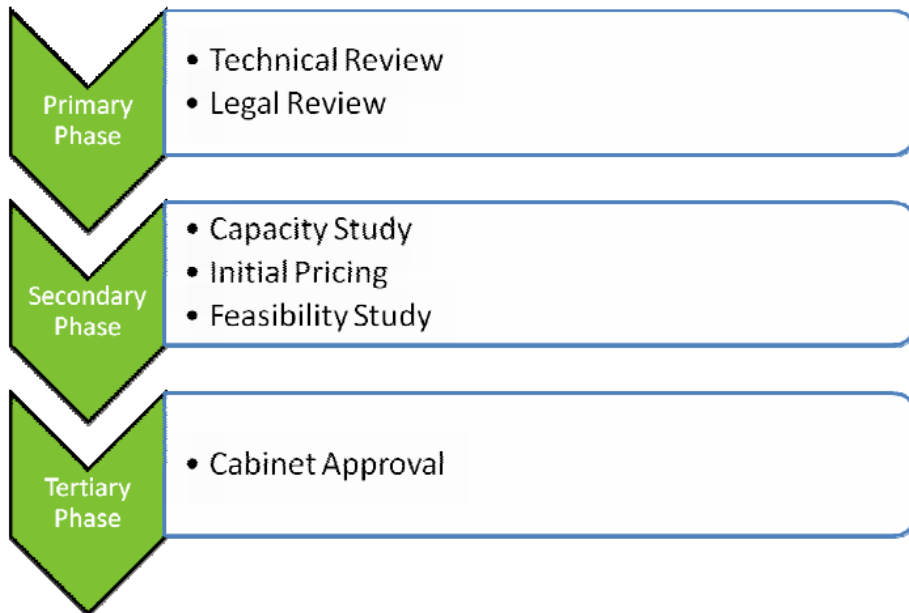
Review of sites

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

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

The assessment of these sites will be monitored and reported monthly to the Council by the Development Agent in the form of a pipeline report (format attached at Appendix B).

Review of Sites



Primary Phase

Technical review

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

Legal review

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

Secondary Phase

Capacity Study

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

Initial Pricing

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

Financial Appraisal

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

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

Tertiary Phase

Cabinet Committee Approval

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

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

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

An example of the Cabinet Committee Report can be found at Appendix C.

Appraisal Methodology

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

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

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

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

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

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

Community Liaison

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

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

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

Delivery

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

Planning

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

On site

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

Procurement

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

Any council in the South East of England may utilise this Framework, and the Council's Cabinet Committee has agreed that East Thames' Framework should be used for the House Building Programme, and that the Development Agent can call-off contractors from the Framework, and tender each package to every member of the Framework to ensure value for money is achieved.

On site

The scheme will be managed on site by the Development Agent in line with the On Site Management process at Appendix E.

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

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

The Development Agent will procure for the Council a detailed core file (the content of which is at Appendix F) providing all necessary technical and legal information on the development, a Health and Safety File and Operation and Maintenance Manual.

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

Post Completion and Defect Monitoring

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

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

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

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

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

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

Governance

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

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

Governance



Risk Management

As part of the governance approach, and a requirement of the Development Agent's appointment, the Development Agent will record and maintain risk registers for both the Housebuilding Programme as a whole for each individual development. These will identify the key risks, the likelihood and impact of them arising and ways for them to be mitigated. East Thames has subcontracted responsibility for preparing and maintaining all the risk registers to its building consultants, Pellings.

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

Programme Monitoring

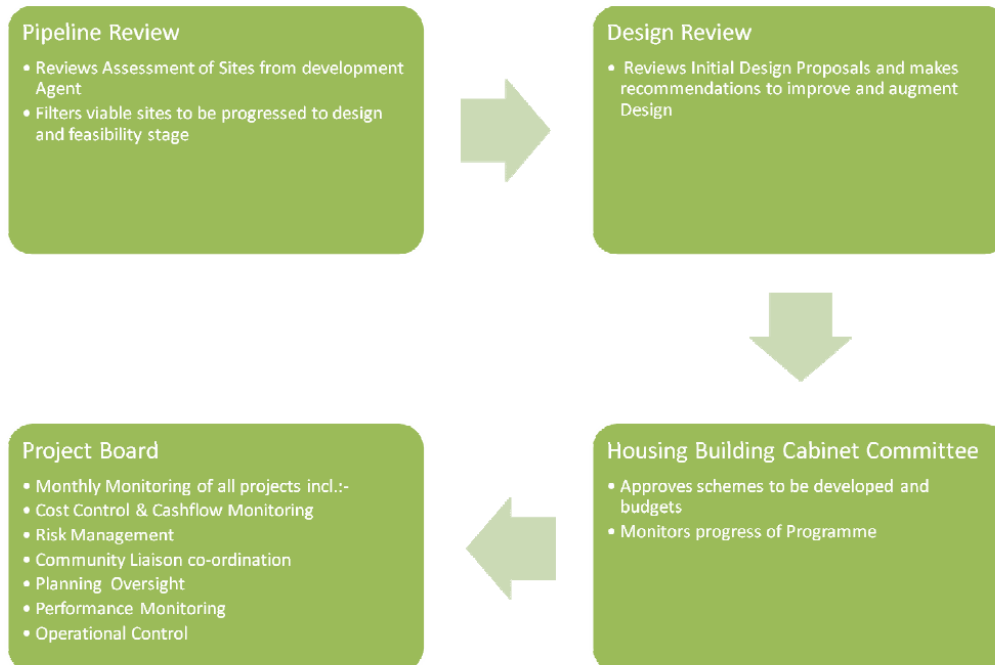
Once scheme approval is granted, monthly meetings will be held where the Development Agent reports to the Council upon progress of the packages and the Development Programme generally.

A Programme & Performance Report will be produced detailing:-

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

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

Programme Control Panels



6.0 When Will We Deliver?

The Council wish to deliver a minimum of 120 new homes over 6 years. A list of the potential sites for the Council House Building Programme is contained at Appendix I. The Council aim to start building the first new homes before the end of the 2013/14 Financial year and deliver the first handovers within 12 months of commencing the programme.

The Council will review all of the sites on the list at Appendix 10 within the first two years of the programme for suitability and viability.

Once assessed the sites will be presented to the Cabinet Committee for approval. A delivery programme will be composed, which will involve concurrent packages of sites, to ensure that the 120 home delivery target is achieved.

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

7.0 Review of the Development Strategy

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

8.0 Appendices

- A. Key Performance Indicators
- B. Pipeline Report
- C. Cabinet “Scheme Approval Report” Format
- D. Economic Assumptions Framework
- E. On Site Management Process
- F. Core File, Appendix V in Employers Requirements
- G. Terms of Reference for Council House Building Cabinet Committee
- H. Programme & Performance Report Format
- I. List of Sites