

Report to the Council Housebuilding Cabinet Committee



**Epping Forest
District Council**

Report reference: CHB-006-2016/17
Date of meeting: 12 December 2016

Portfolio: Housing

Subject: Progress Report

Responsible Officer: Paul Pledger (01992 564248)
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Democratic Services: Jackie Leither (01992 564756)

Recommendations/Decisions Required:

That the contents of this Progress Report on Council house-building be noted.

Executive Summary:

Set out in its Terms of Reference, the Cabinet Committee is to monitor progress and expenditure in relation to the Council House-building Programme. This report sets out the progress made over the last 12-months.

Reasons for Proposed Decision:

The Cabinet Committee is required to monitor progress and expenditure in relation to the Council House-building Programme, as set out in its Terms of Reference.

Other Options for Action:

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

Report:

1. Since its creation in 2013, the Cabinet Committee has met on fifteen occasions. The outcomes from each meeting have set in place the policies that have shaped the house-building programme. The Committee has considered feasibility studies for all 65 of the primary list of sites; awarded tenders for Marden Close and Faversham Hall as well as Phases 1 and 2; monitored risk and progress across the programme, as well as monitored the financial position with regard to the works, particularly in relation to the use of 1-4-1 receipts. The Cabinet Committee has also carefully considered the contractual position on Phase 1 with Broadway Construction, and in particular the claim submitted by them, the ultimate determination of the contract and finally the appointment of P A Finlay as their successor for the recovery phase of the works.
2. However, despite working hard to utilise the 141 receipts, there have been a number of obstacles the Committee has had to overcome, which has resulted in the Council taking steps to maximise the use of 141 Receipts, including accelerating the programme, purchasing S106 properties and 6 street properties. This has enabled all the 141

receipts that have accrued over the past 3 years to be allocated to the Housebuilding Programme. However, due to uncertainty around the amount of resources available to continue with its Housebuilding Programme beyond Phase 3 the Cabinet has decided to impose a temporary moratorium on work to Phases 4–6 of the Housebuilding Programme with immediate effect, with the exception of progressing planning applications for Phases 5 and 6, up to their determination. It has also agreed to “temporarily” pay over to the Department for Communities and Local Government (CLG) the £1.364million 141 receipts that accrued in quarter 2 of 2016/17 and £312,000 of 141 receipts from quarter 1 (plus the interest), that would otherwise be used to part-fund phases 4-6 of the housebuilding programme before the expiry of the 3 year utilisation period in July 2019.

3. It has also been agreed that any further 141 Receipts that accrue in future quarters be “temporarily” paid over to the CLG when they arise, until such time as the further HRA Financial Options Review is completed.
4. In addition, the Portfolio Holder has agreed that the grant allocation of £450,000 from the Homes and Communities Agency (HCA) to fund the provision of 36 of the 51 new affordable homes at Burton Road, Loughton under Phase 2 of the Council Housebuilding Programme be not taken up and instead, the maximum amount of available “one-for-one replacement Right to Buy (RTB) receipts” be utilised to fund these 36 homes.

Phase 1 Progress (Waltham Abbey)

5. On the 1st June 2016 the Council formally determined the contract for Phase One of the Council house-building programme with Broadway Construction Ltd as they were failing to regularly and diligently progress with the works. This resulted in the Cabinet Committee, at its meeting in September 2016, awarding the recovery phase of the construction works to P A Finlay & Co Ltd in the negotiated contract sum of £2,674,335.10.
6. Works recommenced on site on 31 October 2016 with phased completion for each site reflecting the work that remains outstanding. The target completion dates for each site are set out below (see also the programme at Appendix 1):

Site	Start on site	Target Completion
Harveyfields	31 October 2016	31 October 2017
Red Cross (Houses)	31 October 2016	1 May 2017
Red Cross (Duplex Units)	31 October 2016	12 June 2017
Roundhills Site 4	31 October 2016	13 March 2017
Roundhills Site 7	31 October 2016	1 May 2017

7. The Contractor has set a target for the completion of the ground contamination remediation works by the end of December 2016, for which a provisional sum of £50,000 is included in the contract sum. The full extent of the remediation is still subject to tests and then agreement with the Council’s Planning Officers in accordance with the conditions of the planning consent. The latest cost forecast indicates an overall increase in the contract sum by around £110k, which in part is due to the extent of the ground contamination being greater than first thought. However, this is currently contained within the contingencies held in the budgets against the contract.

Phase 2 Progress (Burton Road, Loughton)

8. Mullalley & Co Ltd, who were appointed on 7 March 2016, have undertaken site and soil investigations and progressed with the detailed design for the works. The garages have also been demolished and the site secured. All Highway diversions have been submitted and agreed in relation to the public footpath, vehicle cross-overs and the bus stands.
9. When undertaking the ground contamination surveys, gas sampling tubes picked up traces of dangerous methane gas, suggesting part of the land has previously been made up with some kind of land-fill. If the methane gas readings reach dangerous levels, then this could pose a risk to the buildings. The method of overcoming this risk would require the installation of a gas barrier. The Contractor has extended their monitoring regime as the readings were right on the tolerance line. In addition to the detection of methane gas, other contaminants found in the ground include asbestos waste.
10. This extended ground monitoring has led to a 9-week delay in the contractors programme. However, the Contractor is reporting that this time will be clawed back and the anticipated completion date remains as 9 April 2018 (see also the programme at Appendix 1). If this event leads to a claim for an extension of time in the future, any additional costs, if any, would have to be met by the Council. However, the Council would not be liable for loss and expense as a result of any delays.
11. As a result of these investigations and delays, no construction work has taken place on site, which has affected the projected cash flow. Comparing the current cash flow forecast with that produced at the contract award stage, Phase 2 is underspending by around £1.6m, which has a significant effect on the Council's ability to spend its 141 receipts (See appendix 2,3 and 4 for the current financial forecasts)

Phase 3 Progress (Epping, Coopersale, North Weald and Stapleford Abbots)

12. Having previously agreed to procure the Phase 3 sites as a mixture of design and build and traditionally designed Contracts, tenders have been issued, returned, evaluated and reported (elsewhere on the Cabinet Committee Agenda). Subject to the Cabinet Committee agreeing the various contract awards, work will start on site early in 2017. Each contract is based on its own contract period, which is summarised as below: (see also the programme at Appendix 1)

Site	Contractor	Tender Sum	Contract Period
Stewards Green Road, Epping	TSG	£727,340.41	34-weeks
Parklands, Coopersale	Denmark and White	£716,756.74	56-weeks
Queens Road, North Weald	Storm Building Ltd	£2,230,493.00	82-weeks
Bluemans End, North Weald	TSG	£725,366.18	36-weeks
Centre Drive, Epping	VSN Enterprises Ltd	£300,285.00	36-week
Springfields & Centre Avenue	Denmark and White	£1,408,126.30	60-weeks
Total		£6,108,367.63	

Phases 4-6

13. As stated above, the Cabinet has decided to impose a temporary moratorium on work to progress Phases 4–6 of the Housebuilding Programme with immediate effect, with the exception of progressing planning applications up to their determination. Attached at appendix 5 is the latest planning tracker, where it can be seen that all sites making up

Phase 4 now have planning permission. In fact it should be noted that 32 applications have now received planning permission, 9 applications are currently being considered and 7 applications have been refused planning permission across the programme as a whole.

Barnfield, Roydon (Purchase of 8 affordable homes - Section 106 Development)

14. Following a joint bid from the Council and B3Living that was agreed by Linden Homes, the Council has entered into an agreement to purchase 8 x affordable rented homes, with B3Living purchasing the 3 x shared ownership homes. The works are now on site with the target completion date for the works is October 2017.

Purchase of Street Properties

15. Following the Cabinet Committee's decision to spend around £2m on the purchase of street properties in January 2016, six 2 & 3-bed houses in Waltham Abbey were purchased at a total cost of around £2.1m including fees and stamp duty. Each of these have been prepared and are currently in the process of being let at affordable rents.

Financial Position

16. The Cabinet Committee regularly monitors expenditure on the Council Housebuilding Programme. This includes income by way of 141 receipts and other affordable housing contributions as well as expenditure on a quarterly basis.
 - a. Appendix 2 captures the total amount of Replacement Right To Buy Receipts received and available for use for "One-for-One Replacement" on the Council's House-building Programme, as captured on the Pooling Return to the DCLG and when it is required to be spent. It also captures the actual expenditure to date and compares that to the projected future planned expenditure profile;
 - b. Appendix 3 sets out the amount and use of financial contributions available to the Council's Housebuilding Programme from Section 106 Agreements, in lieu of the provision of on-site affordable housing on private development sites, and other sources of funding (e.g. sales of HRA land and non-RTB property, and external funding); and
 - c. Appendix 4 sets out the expenditure profile, which reflects the detailed programme at appendix 1. Works to Phases 4-6 continue to be included until a decision is reached on the future of the house-building programme.
17. As reported earlier, since the decisions were reached that led to the HCA grant not being taken up and unspent 141 receipts be returned to the government, delays to Phase 2 in particular, has resulted in expenditure not keeping up with the projected cash flow required to spend the accrued 141 receipts. Appendix 2 shows a projected underspend of around £1.16m by Q4 2016/17.
18. Whilst every effort is being made to claw this underspend back, it is likely that some further 141 receipts will have to be returned to the Government, with interest.

Resource Implications:

Estimated final account at Marden Close & Faversham Hall (inc fees) - £917,576
Estimated expenditure for Phase 1 (inc the recovery phase) - £5,389,562

Estimated expenditure for Phase 2 (inc fees) - £10,703,055

Estimated expenditure for Phase 3 (inc fees) - £7,082,137

Estimated expenditure for Phase 4 (Fees only) - £228,192

Estimated expenditure for Phase 5 (Fees only) - £126,652

Estimated expenditure for Phase 6 (Fees only) - £382,813

Legal and Governance Implications:

Within its Terms of Reference, the House-Building Cabinet Committee is expected to consider and approve any feasibility study, and where found to be unsuitable, agree the future use of each site.

Safer, Cleaner and Greener Implications:

Each of these sites will deliver affordable homes, built to Lifetime Homes standards, the latest Building Regulations, Secure By Design and the equivalent to the Code for Sustainable Homes Code 4. If not developed, 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:

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

Background Papers:

- Reports and other background papers previously presented to the Council House-building Cabinet Committee.
- Planning applications associated with each of the sites 32 sites where planning approval has been granted as well as the 9 applications currently being considered and the 7 sites where approval has been refused.
- The Development Strategy

Risk Management:

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

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Within the Housing Service Strategy, it has been identified that the target groups that are affected by the Council's house building programme are people in need of:

- Affordable Housing,
- Homelessness assistance,
- Supported housing for special needs groups,
- Owners and occupiers of poor condition housing
- Council and housing association tenants.

From that, it was identified that generally, there is an under provision of suitable accommodation for nearly all target groups. This has been reaffirmed in the most recent Strategic Housing Market Assessment.

Decision making is affected by funding and other factors, such as the availability of building land suitable for particular groups e.g. the elderly or young families.

There is no evidence of unlawful discrimination in relation to the provision of affordable housing.