

Report to the Council Housebuilding Cabinet Committee



**Epping Forest
District Council**

Report reference: CHB-002-2019/20

Date of meeting: 18 June 2019

Portfolio: Housing and Property Services

Subject: Programme and expenditure update for the Council House Building Programme and its impact upon 141 receipts.

Responsible Officer: M Rudgyard (01992 562623)

Democratic Services: J Leither (01992 564756)

Recommendations/Decisions Required:

(1) That the contents of this programme and expenditure update for the Council House Building Programme and its impact upon 141 receipts be noted, and presented to the Cabinet in line with the Terms of Reference.

(2) That the recommendations proposed for taking up future 141 receipts are approved by the Cabinet in line with the Terms of Reference.

Executive Summary:

This report considers the current construction expenditure profile for the Council House Building Programme against the "Replacement Right to Buy (RTB) Receipts" and considers various interventions to take up the shortfall in expenditure where identified.

Reasons for Proposed Decision:

Set out in the Cabinet Committee's Terms of Reference is to monitor 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 (DCLG) allowing the use of additional RTB Receipts received as a result of the Government's increase in the maximum RTB Discount to be spent on housebuilding.

Other Options for Action:

Taking no action to ensure that construction spending is increased to meet the known level of 141 receipts could lead to a significant repayment of this funding for the supply of new affordable homes being repaid to the Government.

Report:

1. The current profile of construction expenditure and fees for the Council House Building Programme considers the anticipated delivery programme of each of the construction packages and associated spending. The profile of expenditure is attached at Appendix 1.

2. Taking the profile of construction expenditure as described we can compare this against the level of RTB Receipts and from this we can see where a shortfall in construction expenditure means we have a deficit against the required spending to take up the RTB receipts. A table illustrating construction expenditure against RTB receipts is attached at Appendix 2.
3. If the construction expenditure profile proposed is maintained we will first see a deficit in the required construction expenditure in Q4 2020/21 when we will see a shortfall of £1,976,872.00. This equates to £593,061.16 in RTB Receipts. Overall in 2020/21 our construction expenditure is in deficit by £3,281,851.37 against a requirement of £15,430,707.37.
4. This position becomes progressively worse over the course of 2021/22 when a deficit in construction expenditure of £6,352,077.55 against a requirement of £9,869,497.55 means that we are £8,328,949.00 behind our construction expenditure target by the end of 2021/22.
5. Without intervention this could mean that the Council would need to repay £2,498,684.70 in RTB receipts back to the Government by the end of 2021/22.
6. In considering suitable intervention which would take up the required construction expenditure deficit we are making the following proposals in priority order;
 - To proceed with planning applications on the following sites;
 - Vere Road, Loughton – 4 no. 1 bed flats and 6 no. 2 bed flats;
 - Hillyfields, Loughton – 2 no. 2 bed houses;
 - Pyrles Lane (Site A), Loughton – 2 no. 2 bed houses;
 - Pyrles Lane (Site B), Loughton – 3 no. 3 bed houses;
 - Colvers, Matching Green – 3 no. 2 bed houses;
 - Hansell Mead, Roydon – 2 no. 3 bed houses;
 - Pound Close, Nazeing, 2 no 2 bed houses and 2 no 3 bed houses;
 - St Thomas's Close, Waltham Abbey – 1 no. 2 bed house and 2 no. 3 bed houses and
 - Springfield (Site B), Epping – 2 no. 1 bed bungalows.
 - To reconsider the criteria for the selection of garage sites for development particularly regarding occupancy levels. This provides a fresh pipeline of sites for development as well as potentially dealing with issues of fly tipping and anti-social behaviour that is still evident on some Council owned garage sites.
 - To consider the purchase of affordable homes provided through S106 agreements by private developers. The Council already has experience of this procurement method and are currently negotiating with developers on sites across the District.
 - To consider purchasing land owned privately for development rather than remaining solely reliant on land that we currently own.
 - To consider the purchase of suitable commercial premises that with a change of planning use could be redeveloped for affordable housing.
 - To establish a 'street property purchase' programme.
7. Our preferred intervention is to develop land that we already own as these present less

risk and lower development costs. Members support for the proposed planning applications and for revising the criteria for the selection of garage sites for development would be the first step in enabling us to develop a strong pipeline of properties to take up RTB receipts now and in the future.

8. Purchasing affordable housing delivered through S106 provisions is generally more expensive than developing our own garage sites and can mean that the Councils development standards are compromised particularly where purchasing 'off the shelf' units. However, this procurement route can deliver a substantial number of units as part of a mixed delivery pipeline and thereby take up substantial expenditure. Unfortunately, at present there are few developments within the District delivering affordable housing through S106 agreements within the timescales that would mitigate the construction expenditure deficit we currently have.
9. The purchase of land for development is a viable option but of course does lead to increased development costs. It is also worth noting that demand for land is high and the competition for prime development sites will be intense and may well mean that the Council cannot compete for these sites.
10. The purchase of commercial premises for redevelopment into affordable dwellings is again viable but does again present increased development costs and can restrict the ability to deliver on the Councils space standards and is of course dependant on being granted a change of use by our colleagues in Planning.
11. A street property purchase programme would probably deliver the fastest expenditure and is worth consideration if we are unable to expend enough construction expenditure through other interventions. However, this approach will be by far the most expensive and most likely to lead to compromises on space and design standards. It is also worth noting that across the District the properties that are most likely to be priced suitably are ex Council stock and these means we would be paying market prices for properties that we have previously sold at a discount.

Resource Implications:

Estimated expenditure for Phase 2 (inc fees) - £1,097,044.00

Estimated expenditure for Phase 3 (inc fees) - £1,664,146.00

Estimated expenditure for Phase 4 - 6 (inc fees) - £18,200,000

Further construction expenditure required 2019 – 2022 (inc fees) - £8,328,949.00

Legal and Governance Implications:

One of the Cabinet Committee's Terms of Reference is to monitor 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 (DCLG) allowing the use of additional "Replacement Right to Buy (RTB) Receipts" received as a result of the Government's increase in the maximum RTB Discount to be spent on housebuilding.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

None

Risk Management:

The risk relating to a shortfall in construction expenditure and subsequent repayment of RTB receipts are discussed within the paper with management actions proposed in mitigation.

Equality Analysis:

The Equality Act 2010 requires that the Public-Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix 3.

Appendix 1 – Construction Expenditure

Construction expenditure (including fees)												
	Q1 2019/20	Q2 2019/20	Q3 2019/20	Q4 2019/20	Q1 2020/21	Q2 2020/21	Q3 2020/21	Q4 2020/21	Q1 2021/22	Q2 2021/22	Q3 2021/22	Q4 2021/22
Burton Road	£600,000	£479,570	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Queens Road	£327,500	£357,000	£480,000	£337,500	£252,500	£71,646	£0	£0	£0	£0	£0	£0
Norway House	£46,272	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Package 1	£0	£207,000	£862,500	£414,000	£85,797	£0	£0	£0	£0	£0	£0	£0
Package 1A	£0	£0	£0	£0	£448,500	£816,500	£460,000	£287,500	£71,804	£0	£0	£0
Package 2	£0	£253,000	£356,500	£92,000	£41,674	£0	£0	£0	£0	£0	£0	£0
Package 3	£238,306	£207,000	£862,500	£414,000	£183,200	£0	£0	£0	£0	£0	£0	£0
Package 4	£0	£143,750	£0	£172,500	£506,000	£701,500	£517,500	£230,000	£172,500	£370,197	£0	£0
Package 5	£0	£161,000	£0	£138,000	£759,000	£770,500	£517,500	£460,000	£156,416	£0	£0	£0
Package 6	£0	£196,650	£0	£264,500	£655,500	£690,000	£517,500	£506,000	£1,035,000	£316,613	£0	£0
Package 7	£0	£0	£0	£34,500	£0	£368,000	£724,500	£575,000	£345,000	£460,000	£517,500	£72,390
Package 8	£0	£0	£57,500	£414,000	£747,500	£276,000	£45,640	£0	£0	£0	£0	£0
Off the shelf purchase	£0	£0	£362,250	£0	£0	£0	£0	£0	£0	£0	£0	£0
Totals	£1,212,078	£2,004,970	£2,981,250	£2,281,000	£3,679,670	£3,694,146	£2,782,640	£2,058,500	£1,780,720	£1,146,810	£517,500	£72,390
30% 141 Useage	£363,624	£601,491	£894,375	£684,300	£1,103,901	£1,108,244	£834,792	£617,550	£534,216	£344,043	£155,250	£21,717

Appendix 2

RTB Receipts - Housebuilding Programme								4-Jun-2019					
Total 1-4-1 Receipts Received					Spend on Programme								
Year	Quarter	Amount Received	Amount Received (Cumulative)	Spend by Date	Year	Quarter	Required Spend To use 1-4-1's (Cumulative)	Actual / Estimated New Build Spend (per Quarter)	Actual / Est New Build Spend (Cumulative)	1-4-1 Used for Housebuilding	1-4-1 Used for G Fund	Difference between Actual Spend - Required Spend	
2012/13	1	£40,461	£40,461	30-Jun-15	2012/13	1			£0			£0	
	2	£34,941	£75,402	30-Sep-15		2			£0			£0	
	3	£21,135	£54,266	31-Dec-15		3			£0			£0	
	4	£185,840	£240,107	31-Mar-16		4			£48,599	£48,599			£48,599
	Total	£240,107	£240,107			Total			£48,599	£48,599			£48,599
2013/14	1	£647,374	£887,480	30-Jun-16	2013/14	1		£0	£48,599			£48,599	
	2	£92,968	£980,449	30-Sep-16		2			£0	£48,599			£48,599
	3	£1,201,933	£2,182,382	31-Dec-16		3			£74,393	£122,992			£122,992
	4	£1,473,076	£3,655,458	31-Mar-17		4			£10,893	£133,884			£133,884
	Total	£3,415,351	£3,655,458			Total			£85,286	£133,884			£133,884
2014/15	1	£415,795	£4,071,253	30-Jun-17	2014/15	1		£0	£133,884			£133,884	
	2	£526,885	£4,598,138	30-Sep-17		2			£0	£133,884			£133,884
	3	£646,816	£5,244,954	31-Dec-17		3			£307,753	£441,637			£441,637
	4	£1,125,775	£6,370,730	31-Mar-18		4			£353,628	£795,265			£795,265
	Total	£2,715,272	£6,370,730			Total			£661,381	£795,265			£795,265
2015/16	1	£499,942	£6,870,672	30-Jun-18	2015/16	1	£0.00	£229,111	£1,024,376			£1,024,376	
	2	£506,931	£7,377,603	30-Sep-18		2	£0.00	£660,096	£1,684,472			£1,684,472	
	3	£219,448	£7,597,052	31-Dec-18		3	£0.00	£858,199	£2,542,671			£2,542,671	
	4	£232,173	£7,829,225	31-Mar-19		4	£800,355.33	£1,158,585	£3,701,257			£2,900,901	
	Total	£1,458,495	£7,829,225			Total		£800,355.33	£2,905,991	£3,701,257			£2,900,901
2016/17	1	£477,273	£8,306,498	30-Jun-19	2016/17	1	£2,958,268.30	£975,761	£4,677,018			£1,718,749	
	2	£0	£8,306,498	30-Sep-19		2	£3,268,162.77	£1,762,933	£6,439,951			£3,171,788	
	3	£1,739,466	£10,045,964	31-Dec-19		3	£7,274,605.53	£1,829,232	£8,269,183			£994,577	
	4	£1,070,628	£11,116,592	31-Mar-20		4	£12,184,858.80	£3,312,684	£11,581,866			£-602,992	
	Total	£3,287,367	£11,116,592			Total		£12,184,858.80	£7,880,610	£11,581,866			£-602,992
2017/18	1	£1,216,299	£12,332,891	30-Jun-20	2017/18	1	£13,570,843.27	£2,555,321	£14,137,187			£566,344	
	2	£733,701	£13,066,592	30-Sep-20		2	£15,327,124.93	£3,242,447	£17,379,634			£2,052,509	
	3	£1,052,447	£14,119,039	31-Dec-20		3	£17,483,179.40	£2,637,940	£20,017,574			£2,534,395	
	4	£1,626,765	£15,745,804	31-Mar-21		4	£21,235,764.30	£2,454,255	£22,471,829			£1,236,065	
	Total	£4,629,212	£15,745,804			Total		£21,235,764.30	£10,889,963	£22,471,829	£6,741,549	£9,004,255	£1,236,065
2018/19	1	£763,778	£16,509,582	30-Jun-21	2018/19	1	£22,902,238.93	£2,607,654	£25,079,483			£2,177,244	
	2	£1,396,957	£17,906,540	30-Sep-21		2	£24,592,010.17	£1,750,932	£26,830,415			£2,238,405	
	3	£300,955	£18,207,495	31-Dec-21		3	£25,323,504.80	£1,136,162	£27,966,577			£2,643,072	
	4	£499,158	£18,706,653	31-Mar-22		4	£26,097,414.17	£1,848,409	£29,814,986	£2,202,947			£3,717,572
	Total	£2,960,849	£18,706,653			Total		£26,097,414.17	£7,343,156	£29,814,986	£8,944,496	£9,762,157	£3,717,572
2019/20	1			30-Jun-22	2019/20	1	£27,688,324.04	£1,212,078	£31,027,064			£3,338,740	
	2			30-Sep-22		2	£27,688,324.04	£2,004,970	£33,032,034			£5,343,710	
	3			31-Dec-22		3	£33,486,545.51	£2,981,250	£36,013,284			£2,526,739	
	4			31-Mar-23		4	£37,055,304.88	£2,281,000	£38,294,284	£2,543,790			£1,238,979
	Total					Total		£37,055,304.88	£8,479,298	£38,294,284	£11,488,285		£1,238,979
2020/21	1			30-Jun-23	2020/21	1	£41,109,633.78	£3,679,670	£41,973,954			£864,321	
	2			30-Sep-23		2	£43,555,304.61	£3,694,146	£45,668,100			£2,112,796	
	3			31-Dec-23		3	£47,063,460.98	£2,782,640	£48,450,740			£1,387,279	
	4			31-Mar-24		4	£52,486,012.25	£2,058,400	£50,509,140	£3,664,457			£-1,976,872
	Total					Total		£52,486,012.25	£12,214,856	£50,509,140	£15,152,742		£-1,976,872
2021/22	1			30-Jun-23	2021/22	1	£55,031,938.60	£1,780,720	£52,289,860			£-2,742,078	
	2			30-Sep-23		2	£59,688,465.07	£1,146,810	£53,436,670			£-6,251,795	
	3			31-Dec-23		3	£60,691,649.70	£517,500	£53,954,170			£-6,737,479	
	4			31-Mar-24		4	£62,355,509.80	£72,390	£54,026,560	£1,055,226			£-8,328,949
	Total					Total		£62,355,509.80	£3,517,420	£54,026,560	£16,207,968		£-8,328,949
2022/23	1			30-Jun-23	2022/23	1	£0.00	£0	£54,026,560			£54,026,560	
	2			30-Sep-23		2	£0.00	£0	£54,026,560			£54,026,560	
	3			31-Dec-23		3	£0.00	£0	£54,026,560			£54,026,560	
	4			31-Mar-24		4	£0.00	£0	£54,026,560	£0		£54,026,560	
	Total					Total		£0.00	£0	£54,026,560	£16,207,968		£54,026,560