

## **EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES**

**Committee:** Council Housebuilding Cabinet **Date:** Thursday, 17 April 2014  
Committee

**Place:** Council Chamber, Civic Offices, **Time:** 5.30 - 7.50 pm  
High Street, Epping

**Members Present:** D Stallan (Chairman), R Bassett, W Breare-Hall, Ms S Stavrou and G Waller

**Other Councillors:** Ms J Hart, Mrs C Pond, C Whitbread and K Angold-Stephens

**Apologies:**

**Officers Present:** A Hall (Director of Communities), P Pledger (Assistant Director (Housing Property and Development)), J Leither (Democratic Services Assistant) and A Hendry (Democratic Services Officer)

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

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### **26. DECLARATIONS OF INTEREST**

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

### **27. MINUTES**

#### **RESOLVED:**

That the minutes of the last meeting held on 4 February 2014 be taken as read and signed by the Chairman as a correct record.

### **28. TERMS OF REFERENCE**

The Director of Communities presented a report to the Cabinet Committee with regard to a Leader Decision that had extended the Committee's Terms of Reference. It was anticipated that the Council may wish to seek Investment Partner status with the Homes and Communities Agency (HCA) and to submit funding bids for grants in the future.

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

#### **Resolved:**

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

**Reasons for the Decision:**

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

**Other Options Considered and Rejected:**

None – for noting only.

**29. ACCELERATING THE HOUSEBUILDING PROGRAMME**

The Director of Communities presented a report to the Cabinet Committee. He advised that at the last meeting, the Cabinet Committee requested a report to this meeting on how an accelerated and extended Housebuilding Programme could be funded, and the associated implications.

The Council's HRA Business Planning Consultant, Simon Smith from CIH Consultancy had 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 that none were passed on to the Government, with interest.

Simon Smith was in attendance to present his report, annexed to the main report, and to answer members' questions.

Based on the information within CIH Consultancy's report, the recommendations set out at the commencement of the report had been formulated by the Director of Communities, most of which would require endorsement by the Cabinet.

**Recommended:**

- (1) That the report from CIH Consultancy on the options for funding an accelerated Council Housebuilding Programme and the associated implications be noted;
- (2) That 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 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 the CIH Consultancy 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(h) 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 £2.09 million - £2.24 million per annum, from £3.87 million per annum to £1.63 million - £1.78 million per annum), which will be dependent on:

- (i) The outcome of the HCA funding bid;
- (ii) The amount of 1-4-1 Receipts received in 2014/15;
- (iii) The receipt of any further financial contributions received as a result of Section 106 Agreements;
- (iv) Any property or land sales for which the Cabinet agrees the resultant receipt can be utilised to fund the Housebuilding Programme; and
- (v) 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.

**Decision:**

(1) 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 was 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

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

**Reasons for the 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 was 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 was 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 had 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 Considered and Rejected:**

- (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.

**30. PHASE 2 FEASIBILITY REPORT - BURTON ROAD, LOUGHTON**

The Assistant Director (Housing Property and Development) presented a revised report and feasibility studies regarding the Burton Road site in Loughton. Members were reminded that at the last meeting of the Cabinet Committee they had requested that the density of the site be increased and a new site design and feasibility study be brought to this meeting for approval. Officers presented the Cabinet Committee with two designs for the site:

- (a) a 42-home development; and
- (b) a 56-home development.

The Head of Development, East Thames Group stated that the Financial Appraisal models for both the Burton Road options had been formulated in line with the Council's approved:

- (i) Development Strategy;
- (ii) Economic Assumptions Framework; and
- (iii) Affordable Rent Policy.

The costs used to formulate the appraisal had been taken from the cost build-up provided by Pellings LLP's Quantity Surveyor.

The Head of Development, East Thames Group advised comparative information had been provided in the report to enable Members to decide between the two

schemes. He stated that the information was broadly divided into two areas; financial and non-financial.

### **Financial**

For both schemes:

- (a) Revenue first exceeds cost in Year 1;
- (b) The loan repayment was Year 30;
- (c) They each had positive Nett Present Values (NPV) of £2,196,159 (Option 1) and £3,182,344 (Option 2) respectively; and
- (d) They each had an Internal Rate or Return (IRR) of 5.34% (Option 1) and 5.46% (Option 2) respectively.

Whilst Option 2 had a higher level of capital investment it also produced a greater return (better NPV and IRR).

Option 1 had an NPV per person of £14,739 whilst Option 2 was £25,664.

Option 1 had an NPV per unit of £52,308 whilst Option 2 was £56,828.

Option 1 had a debt per unit of £130,308 whilst Option 2 was £132,558.

Option 2 had a lower build cost per square metre of £1,894 (gross floor area) as opposed to Option 1 which had a build cost per square metre of £1,685 (gross floor area). This was partly due to the fact that the level of enabling works remained broadly similar, as was the allowance for risk in the ground.

### **Non-Financial**

Option 1 accommodates 149 people whilst Option 2 accommodates 212 people; 63 more people in Option 2.

Option 1 produces 30 family homes (2 bed homes and above) whilst Option 2 produces 42; 12 more family homes in Option 2.

Option 1 delivers 9 houses compared to 18 in Option 2; 9 more in Option 2.

The second option would therefore provide more family accommodation and hence a significantly greater child density, which was a decision making factor.

The Head of Development, East Thames Group also confirmed that Secure by Design certification would be sought as per the Council's approved Development Strategy.

It was noted that Secretary of State consent would be required to appropriate the land for planning purposes, in order to facilitate the development.

### **Recommended:**

(1) 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 was no longer required for the purposes for which it was currently held in the Housing Revenue Account.

### **Decisions:**

(1) That the development feasibility for the Burton Road Site, Loughton consisting of a 56-home scheme be approved and progressed to detailed planning stage, and if

planning permission is received, for the invitation of tenders as Phase Two of the Council's Housebuilding Programme;

(2) That the estimated capital investment required to deliver a scheme consisting of 56 new affordable rented Council properties as Phase Two of around £8.9m, including fees and works, be noted;

(3) That an estimated subsidy of £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 a financial contribution of £18,400 to the NHS to fund healthcare be included as part of the planning permission by way of a Unilateral Undertaking, subject to the money being specifically spent on services in the Loughton area; and

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

#### **Reasons for the 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 site's town centre location, good local shopping facilities and public transport infrastructure. Appropriating the land would override any third party access claims which may frustrate the Council's objectives for redevelopment.

#### **Other Options Considered and Rejected:**

1. Not to progress with either of the schemes presented in the 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.

### **31. HOMES AND COMMUNITIES AGENCY BID**

The Assistant Director (Housing Property and Development) presented a report to the Cabinet Committee. He advised that following the launch of the 2015-18 Affordable Homes Programme Bid Prospectus by the Homes and Communities Agency (HCA), the Council now had the opportunity to bid for an Affordable Housing Grant to subsidise the Council's Housebuilding Programme. The Prospectus signals the start of the Bid Round, which would close at 12 noon on 30 April 2014. The Prospectus prescribes that any bids must be made based on an executive decision.

Further documentation would need to be prepared in relation to the design and training standards that the HCA expects. These standards had not been published by

the HCA yet but East Thames was monitoring this situation and would work with the Council to deliver these statements on time.

Once the bid was submitted, the HCA expected to confirm successful bids by Mid July 2014. It was 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.

The advantage to bidding for grant from the HCA was that, if successful, more affordable homes could be provided within the Housebuilding Programme than otherwise would be the case.

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 had agreed to waive the Call-in Procedure for this item.

**Decisions:**

(1) That East Thames, in consultation with the Director of Communities, be authorised 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 40 homes at Burton Road, Loughton, based on a grant of £12,500 per home and the provision of affordable rents in line with the Council's Affordable Rent Policy, with the remaining 16 homes, plus the 23 homes included in Phase 1, being put forward as part of the bid with a nil grant requirement;

(2) That, as part of the bid for HCA Affordable Housing Grant, the Council reaffirms its intention to charge affordable rents for all new homes, but to retain social housing rent for existing housing stock and not convert vacant properties to affordable rent on re-let;

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

(4) 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 had agreed to waive the Call-in Procedure for this item.

**Reasons for the Decision:**

In order for the HCA to consider any bids for Affordable Housing Grant, it requires the bid to be supported by an executive decision of the Board or other authorised Committee.

**Other Options Considered and Rejected:**

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

**32. POLICY ON UNDEVELOPABLE SITES**

The Assistant Director (Housing Property and Development) presented a report to the Cabinet Committee regarding the approach to be taken in respect of sites in the area that are not deemed appropriate for development by the Council. He advised that the Council's Development Agent was required to undertake a feasibility study

for each of the 65 garage and other surplus sites included on the list of potential development garage sites approved by the Cabinet. The future use of any site considered either unsuitable or financially unviable, or not receiving planning permission, would need to be considered and it was considered helpful for a general Policy to be agreed in advance. Following previous informal consultation with the Cabinet Committee, the report set out the proposed approach the Council should take where sites are found to be unsuitable for Council housebuilding.

**Decisions:**

1. That, should any of the potential 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:

- a. 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;
  - b. To sell the site for private development, either for residential or other use in return for a capital receipt to fund future Council housebuilding;
  - c. To divide up the site and sell the land to local residents to extend their private gardens in return for a capital receipt to fund future Council housebuilding;
  - d. To demolish the garages, re-surface and mark out the land and to leave the site as open car parking for local residents;
  - e. To sell the site to a Town or Parish Council for their own purposes (eg. public amenity space) in return for a capital receipt to fund future Council housebuilding; and
  - f. 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 garage sites and other Council owned land previously identified and approved by the Cabinet for possible Council housebuilding, where the Cabinet Committee agrees that development is not appropriate.

**Reasons for the Decision:**

The Cabinet has agreed to consider the development potential of 65 garage sites, and development would always be 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 Considered and Rejected:**

To agree any other option for the future use of the sites as the Cabinet Committee deemed suitable.



**33. ANNUAL REPORT TO CABINET**

The Assistant Director presented a draft Progress Report for the Cabinet Committee to present to the Cabinet. He advised that, set out in its Terms of Reference, the Cabinet Committee was required to monitor and report to the Cabinet, on an annual basis progress and expenditure in relation to the Council Housebuilding Programme.

**Recommended:**

That the Annual Progress Report on Council Housebuilding be presented to the Cabinet.

**Reasons for the Decision:**

Set out in its Terms of Reference, the Cabinet Committee would be required to monitor progress and expenditure in relation to the Council Housebuilding Programme and report to the Cabinet on an annual basis.

**Other Options Considered and Rejected:**

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

**34. DEVELOPMENT NAMING**

The Director of Communities presented a report to the Cabinet Committee advising that some new Council developments would need to be named for postal and other purposes.

It was therefore suggested that the Cabinet Committee's Terms of Reference be extended through a Leader's Decision to include this provision.

**Decision:**

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, in consultation with Ward Members, on the names of developments undertaken through the Council Housebuilding Programme.

**Reasons for the Decision:**

It was considered that the Cabinet Committee would be the most appropriate body to undertake this role.

**Other Options Considered and Rejected:**

- (a) To delegate responsibility to officers;
- (b) To request the Housing Scrutiny Panel to undertake this role; or
- (c) That responsibility be given to the full Cabinet.

**35. RISK REGISTER UPDATE**

The Assistant Director (Housing Property and Development) presented a report to the Cabinet Committee regarding the Risk Register, which had been reviewed and updated by Pellings LLP. He highlighted risks found with part of the Phase I developments.

- (a) Marden Close, Chigwell Row - a problem had been identified with Japanese Knotweed growing on the site; and
- (b) The Former Red Cross Hall site, Waltham Abbey - the land was potentially contaminated.

At its meeting in July 2013, the Cabinet Committee considered the first iteration of the Risk Register prepared by East Thames. Since the Council's Housebuilding Programme was 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.

Following approval by the Cabinet of individual developments and development packages, East Thames had, and would continue to produce and keep updated, Risk Registers for each development/package, which would be monitored by the Project Team at Project Team Meetings.

In addition, it was appropriate to have a "Programme-wide" Risk Register, which was a "live document" for the Housebuilding Programme. East Thames, and specifically Pellings LLP, who are the Architects and Employers Agent appointed by East Thames, had updated the Programme-wide Risk Register, taking account of comments made by Members at the last meeting of the Cabinet Committee.

**Resolved:**

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

**Reasons for the Decision:**

The Council's Housebuilding Programme was 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:**

- (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.

**36. ANY OTHER BUSINESS**

**Resolved:**

That, in accordance with Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules, the Chairman had permitted the following item of urgent business to be considered following the publication of the agenda:

- (a) Outcome of Funding Bid for the Council Housebuilding Programme.

**37. OUTCOME OF FUNDING BID FOR THE COUNCIL HOUSEBUILDING PROGRAMME**

The Director of Communities presented a report advising the Cabinet Committee that the Council was a member of the West Essex Housing Forum, which had submitted a bid to the London-Stansted-Harlow Programme of Development (POD) Partnership Board for funding towards the costs of the Council Housebuilding Programmes of the three district councils in West Essex.

The bid for £112,000 was successful, and the Council's share would be £37,300.

**Decision:**

- (1) That the successful outcome of the bid by the West Essex Housing Forum to the London-Stansted-Harlow Programme of Development (POD) Partnership Board for funding towards the costs of the Council Housebuilding Programmes of the three district councils in West Essex be noted; and
- (2) That it be noted that the Council's share of the £112,000 total funding will be £37,300 - towards the costs of the development at Harveyfields, Waltham Abbey as part of Phase 1 of the Housebuilding Programme.

**Reasons for the Decision:**

For noting only.

**Other Options Considered and Rejected:**

For noting only.

**38. EXCLUSION OF PUBLIC AND PRESS**

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

**CHAIRMAN**

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