

Report to the Council Housebuilding Cabinet Committee



Report reference: CHB-003-2013/14
Date of meeting: 10 July 2013

**Epping Forest
District Council**

Portfolio: Housing – Cllr David Stallan

Subject: Development Strategy – Council Housebuilding Programme

Responsible Officer: Paul Pledger, Asst. Director of Housing (Property)
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Democratic Services Officer: Jackie Leither (01992 564756)

Recommendations:

(1) That the Development Strategy, formulated by the Council's Development Agent in conjunction with Council Officers, at Appendix 1 of this report be considered, where specific attention is drawn to the following:

- (a) Financial appraisals for each phase are to be modelled on a 30-year pay-back period with a positive Net Present Value (NPV) over 30-years, using the financial assumptions set out in the appendix to the Strategy;
- (b) Any financial shortfall is to be met with subsidy, the details of which are set out in a separate report on "Funding the House-Building Programme" elsewhere on the agenda;
- (b) The KPIs that are to be used to measure progress, which have previously been agreed by the Cabinet;
- (c) The feasibility reporting format, consisting of:
 - 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.
- (d) The Council will make use of East Thames' existing EU-compliant Framework Agreement for constructing the Council's new homes (See separate report on "Procurement of Works Contractor");
- (e) The Council will adopt the East Thames Design Guide to inform the development of each site; and
- (f) The Council will adopt the East Thames Employers' Requirements.

- 2. That the House-building Cabinet Committee recommends to the Cabinet that the Development Strategy, including the use of the supporting East Thames Design Guide and Employers' Requirements, be approved.

Executive Summary:

The Cabinet has previously agreed to develop around 120 new Council properties over a 6-year period and that East Thames undertakes the role of Development Agent to deliver this programme on behalf of the Council. In order to achieve this, a development strategy is required, setting out the approach the Development Agent and the Council will take, including what assumptions will be made, the standards used, the consultation methods that will be adopted, the procurement methods used for construction works and the performance targets used to measure progress, and ultimately the success of the programme.

Reasons for Proposed Decision:

Approval of the Development Strategy remains the responsibility of the Cabinet. However the House-building Cabinet Committee is required to consider and then recommend its approval to the Cabinet.

Other Options for Action:

1. Not to adopt the contents of the Strategy in the format presented and alter any of its statements, targets, standards, procedures or assumptions. However, this could have an effect on the feasibility studies presented elsewhere on the agenda.
2. To adopt alternative Design Standards and Employers' Requirements and develop the Council's own. However, this would be time consuming and ultimately delay the programme, and are unlikely to be much different from East Thames'
3. To procure the construction works independently of the East Thames framework of contractors. However, this would require an EU procurement exercise and all of the time and expense that goes with it, and that would mean a delay in Phase 1 of the Programme.

Background

1. Within the Terms of Reference for the House-Building Cabinet Committee, it states that this Committee will consider and recommend to the Cabinet the Development Strategy for the Council's House-building Programme on an annual basis.
2. As part of their appointment, it was a requirement that East Thames prepare the Development Strategy on behalf of the Council.
3. At its previous meeting on 5 March 2013, the Cabinet Committee was consulted on what it expected to see incorporated in the Strategy including the assumptions that will be made, the standards used, the consultation methods that will be adopted, the procurement methods used for construction works and the performance targets used to measure progress.
4. Particular attention is drawn to the East Thames Design Standards (Hard Copy previously supplied to each Cabinet Committee Member), the Employers' Requirements, the format of the feasibility reports, the financial assumptions used to compute the financial viability reports and the procurement method proposed to appoint the developer for the construction phase of the programme.
5. The Cabinet Committee's attention is also drawn to the proposed format of the financial appraisals for each phase, which is modelled on a 30-year pay-back with a positive Net Present Value (NPV) over 30-years, using the financial assumptions set out in the

Strategy. The background to the use of any subsidy required to meet shortfalls in funding to achieve this is set out in detail in a separate report on funding the House-building Programme elsewhere on the agenda.

6. The Development Strategy is set out at Appendix 1 of this report for consideration in detail and, subject to being satisfied with its contents, the Cabinet Committee is asked to recommend its approval to the Cabinet, together with the use of the supporting Design Standards and Employers' Requirements.

Resource Implications:

Adoption of the Development Strategy triggers a fee payment in the sum of £3,000 to East Thames in accordance with the terms of the Development Agreement. This will be met from the existing budget within the HRA Capital Programme for Council house-building.

Legal and Governance Implications:

Within its Terms of Reference, the House-Building Cabinet Committee is expected to consider and recommend to the Cabinet the Development Strategy for the Council's House-building Programme.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The House-building Cabinet Committee have already been consulted orally at its meeting in March 2013, on its expectations, requirements, the contents and format of the strategy, which have been incorporated in the Strategy as presented.

Background Papers:

East Thames Design Standards and Employers' Requirements

Impact Assessments:

Risk Management

Since the Development Strategy has a direct bearing on the financial viability and delivery of the Council's house-building programme, 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 learn from the experience of East Thames, who have been undertaking developments similar to that proposed in the strategy for some time.

Since the Cabinet Committee will consider and sign-off financial appraisals for every proposed development, the financial effects of the Strategy can be monitored. If, over time, a problem is identified, the Cabinet Committee can review its policy.

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