

Report to Cabinet

Report reference: C-071-2015/16

Date of meeting: 3 March 2016



**Epping Forest
District Council**

Portfolio: Council Housebuilding Cabinet Committee

Subject: Annual Progress Report to Cabinet

Responsible Officer: Paul Pledger (01992 564248)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) That the contents of this Annual Progress Report on the Council Housebuilding Programme be noted.

Executive Summary:

Set out in its Terms of Reference, the Cabinet Committee is to monitor and report to the Cabinet on an annual basis progress and expenditure in relation to the Council Housebuilding 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 Housebuilding Programme and report to the Cabinet on an annual basis, 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, the Cabinet Committee has met on 12 occasions. The outcomes from each meeting have set in place the policies and strategy that have shaped the housebuilding programme. This year, the main Policy challenge has been around the need to accelerate the housebuilding programme to keep up with the rate of Council-house RTB sales, therefore avoiding returning 1-4-1 receipts to the Government. A range of contingency measures in place include:

- (a) to purchase individual vacant properties for sale on the open market;
- (b) to purchase affordable rented housing that is required to be provided by developers in accordance with Section 106 Agreements; and
- (c) that subject to planning permission, the Council buys the affordable rented housing provided by a private developer following the sale of the Council's former Nursery in Pyrles Lane.

2. The Cabinet Committee has also considered 42 feasibility studies which now make up Phases 1 – 5 of the programme as well as monitored the Council's financial position and progress with the works. The key points of note for each of these are as follows:

Marden Close & Faversham Hall

3. The first of the Council's developments under the new house-building programme has seen the Council take possession of 12 new 1-bed flats in December 2015. These were all let to applicants on the Council's waiting list.

4. The scheme commenced in November 2014 at the agreed tender sum of £819,861. There were a number of unforeseen issues that gave rise to delays on site and an increase in the cost of the works. These include asbestos panels behind the fascia and soffit boards; missing lintels over windows; a large proportion of the brickwork requiring repointing due to its poor condition; the external concrete staircase to Faversham Hall was found to be unsupported; and adjustments required to the refuse and storage enclosures at Marden Close. The anticipated final account is being forecast by the Employers Agent Pellings LLP to be £914,861.00, amounting to an increase of £95,000 (11.59%). With fees and other costs, the total scheme cost is approximately £1,025,077.

Phase 1 – Waltham Abbey

5. The Contractor, Broadway Construction Ltd, commenced works on site on 27 October 2014 with completion due on 13 November 2015. The agreed tender sum for the works was £3,245,143.62, with payments to date of £1,788,921.38 (51.62%). With fees and other pre-construction costs, the total cost of delivery is estimated to be around £3,769,170.

6. The Developer has not maintained the delivery programme, and on 13 November 2015, the Certificate of Non-Completion was served on Broadway Construction Ltd, which has led to Liquidated & Ascertained Damages (LAD's) at a weekly rate of around £10,200 per week is being deducted from future valuations in accordance with the terms of the contract. These relate to the loss of rent and the increase in fees associated with the late delivery of the new homes.

7. On 15 December 2015 the Council received from Broadway Construction Ltd a claim for an extension of time and loss and expense. Copies were also sent to Pellings LLP, the Employers Agent appointed by East Thames to oversee the contract on the Council's behalf. The claim centres on the delays associated with executing the contract as a result of their inability to provide a Bond; (their) unforeseen additional work associated with the foundations needed to support the new homes; delays associated with design changes required to achieve adequate refuse storage facilities at Harveyfields; difficulties in achieving Building Regulations at Site 7 to facilitate adequate fire safety measures; and the presence of a water main running through the Red Cross site which requires diverting.

8. Once each aspect of the claim is considered by Pellings LLP for entitlement, the costs associated with any entitlement will be calculated in accordance with the contract. The Council has 12 weeks to consider the merits or otherwise of each aspect of the claim.

9. Broadway Construction Ltd have indicated they are committed to completing the works and are projecting a completion date for Harveyfields around July 2016, with other sites being completed by the end of March 2016. Progress on site and the quality of the work is being closely monitored by East Thames and Pellings LLP.

Phase 2 – Burton Road

10. Having achieved planning permission in September 2015 for 51 new affordable homes at Burton Road, Loughton, tenders were issued to 6 Contractors from the East Thames approved list. With one Contractor withdrawing, 5 tenders were received and opened by the Housing Portfolio Holder on 17 November 2015 in accordance with Contract Standing Orders.

11. Interviews were held on 17 December 2015 with each of the two lowest tenderers to explore any qualifications as part of the evaluation process. In attendance were Pellings LLP, Council Officers as well as the Housing Portfolio Holder. United Living (South) Ltd, who submitted the lowest tender, continued to qualify their tender by stating that in some cases their prices were not yet complete and required further development before they were able to provide a complete / competitive price. This represented a significant financial risk as the prices submitted may increase to a point they exceed that of the second lowest tender. Therefore, the second lowest tender submitted by Mullalley & Co Ltd in the sum of £9,847,179 was agreed.

12. It is anticipated that Mullalley & Co Ltd will take possession of the site in February 2016 with work commencing on site around June 2016 once the planning conditions are discharged and the detailed designs prepared and approved. The contract period offered by Mullalley & Co Ltd is 24 months (105 weeks).

Phase 3 – Epping, Coopersale and North Weald

13. Planning permission has been achieved for eight sites making up Phase 3 of the Council's house-building programme, which will deliver 34 new affordable homes at an estimated cost of £6,757,650 inclusive of fees. The sites and a summary of the financial modelling that makes up Phase 3 are set out in the table at appendix 1 of this report.

14. Following enquiries, there was a lack of interest from larger contractors on the East Thames Framework to undertake Phase 3 of the Council's house-building programme as a whole due to the complications and difficulties managing dispersed sites, therefore it was necessary to look at alternative procurement methods based on a soft market-testing exercise.

15. From the outcome of the soft market testing it was agreed the Council breaks down the 8 sites making up Phase 3 into 7 separate contracts with a mixture of Design and Build contracts and traditional fully designed contracts, all in accordance with the Council's Contract Standing Orders and using more local SME Contractors. This will mean each contract is significantly below the OJEU Thresholds.

16. Having 7 separate contracts will lead to additional design, administration and supervision work associated with this phase for the Development Agent, East Thames, and the Architects and Employers Agents, Pellings. In terms of fees, this equates to an additional £78,511. However, Officers have negotiated with East Thames over fees on Phase 2, and as a result, this will be offset by a reduction of fees of £49,236.

17. In terms of the risks associated with adopting this approach, there is more likelihood of something going wrong, but the impact of anything going wrong will be considerably lower.

18. It is anticipated work will commence on site in August 2016 and completed around 20 months later in March 2018.

Phase 4 – Loughton

19. The Cabinet Committee has agreed feasibility studies at 13 sites across Loughton, which will deliver 40 new affordable homes made up of a mix of bungalows, houses and flats. Pre-app discussions have taken place with Planning Officers and applications have now been registered for each of the sites, with Planning Permission already being granted for two of the sites in Chequers Road, Loughton. However, one application in Whitehills, Loughton was refused permission. If the remainder are approved, the estimated cost of delivering each of the new affordable homes making up Phase 4 is £9,426,686. The sites and a summary of the financial modelling are set out in the table at appendix 1 of this report.

20. It is anticipated work will commence on site in April 2017 and completed around 20 months later in November 2018.

Phase 5 – Buckhurst Hill & Ongar

21. The Cabinet Committee has agreed feasibility studies at 10 sites across Buckhurst Hill and Ongar, which will deliver 33 new affordable homes made up of a mix of bungalows, houses and flats. Pre-app discussions have taken place with Planning Officers and applications are being drawn up by Pellings LLP for each of the sites. If approved, the estimated cost of delivering each of the new affordable homes making up Phase 5 is £6,464,028. The sites and a summary of the financial modelling are set out in the table at appendix 1 of this report.

22. It is anticipated work will commence on site in October 2017 and completed around 20 months later in May 2019.

The Purchase of 11 New Affordable Homes at Barnfield, Roydon (Section 106 Development)

23. In order to avoid returning unspent 1-4-1 receipts to the Government, the Cabinet Committee agreed a suite of measures, as set out in paragraph 1 the report, which includes the purchase of new affordable homes on Section 106 developments.

24. Negotiations have taken place with Linden Homes, who have an Option Agreement on a site at Barnfield, Roydon that has planning permission for 24 new homes at Barnfield, Roydon, of which 11 are for affordable housing. The affordable housing is for 11 new homes, of which 8 are for affordable rent and 3 are for shared ownership.

25. A joint bid was put to Linden Homes between the Council and B3Living, who are one of the Council's Preferred Housing Association Partners, with the Council purchasing the 8 x affordable rented homes and B3Living purchasing the 3 x shared ownership homes. The Cabinet, at its meeting on 3 December 2015, agreed a bid for the 8 affordable rented homes, funded from a combination of 1-4-1 receipts and the existing HRA Capital resources.

Financial Position

26. Following regular financial monitoring, it should be noted that now, due to delays on the construction of Phase 1, delays in securing planning permission on Phase 2 and delays in completing on the Barnfield S106 development, coupled with a higher than expected rate of RTB's there will be underspend of around £2.3million in Quarter 4 of 2016/17. However, this does rely on Broadway Construction Ltd delivering the Phase 1 construction works by July 2016, which is their own projected completion date. Since there are no S106 developments in the pipeline that meet the Council's tight deadlines it will be necessary to purchase street properties to meet this underspend.

Staffing Resources

27. As a result of the Cabinet Committee's decision to extend and accelerate the Council Housebuilding Programme, and taking account of an Internal Audit Report that identified a risk and a need for additional resources to manage future stages of the programme, the Cabinet Committee agreed to the creation of two new posts of Housing Development Manager and Housing Development Officer for a three-year fixed term, funded from the HRA Capital Programme.

Resource Implications:

Estimated expenditure at Marden Close & Faversham Hall (inc fees) - £1,025,077

Estimated expenditure for Phase 1 (excl any Loss & Expense claim) - £3,769,170

Estimated expenditure for Phase 2 (inc fees) - £10,719,520

Estimated expenditure for Phase 3 (inc fees) - £6,757,650

Estimated expenditure for Phase 4 (inc fees) - £9,426,686

Estimated expenditure for Phase 5 (inc fees) - £6,464,028

Legal and Governance Implications:

It is set out in its Terms of Reference that the Cabinet Committee is to monitor progress and expenditure in relation to the Council House-building Programme and report to the Cabinet on an annual basis.

Safer, Cleaner and Greener Implications:

None

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:

- Decisions of the Cabinet Committee associated with the feasibility studies for each of the sites that make up Phases 1-5 inclusive.
- Decisions of the relevant Area Planning Sub-Committee, Cabinet, District Development Management Committee or Council associated with the Planning process for each site already approved up to and including Phases 1-3 inclusive.
- Decisions of the Cabinet Committee in respect of Policies or progress monitoring for each of the phases.

Risk Management:

There is a comprehensive risk register that has been compiled and is being monitored in respect of the Council Housebuilding 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.