

	London Borough of Hammersmith & Fulham CABINET 24 JUNE 2013
HOUSING DEVELOPMENT PROGRAMME BUSINESS PLAN 2013 -17	
Report of the Cabinet Member for Housing, Councillor Andrew Johnson	
Open report A separate report on the exempt part of the Cabinet agenda presents those parts of the proposed Business Plan which are exempt because they contain information which could be of commercial benefit to third parties.	
Classification: For Decision Key Decision: Yes	
Wards Affected: All Wards	
Accountable Executive Director: Melbourne Barrett, Executive Director of Housing & Regeneration	
Report Author: Matin Miah, Head of Regeneration & Development	Contact Details: Tel: 020 8753 3480 E-mail: Matin.Miah@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. The Council is currently moving forwards with three strands of direct housing development to deliver additional low cost home ownership opportunities in pursuance of the Council's adopted Housing Strategy "*Building a Housing Ladder of Opportunity*". This report presents the Housing Development Programme Business Plan for the period 2013-2017 (for Hidden Homes and New Build Innovative Housing).
- 1.2 The current four year programme is based on delivery of 100 Discount Market Sale and 33 private for sale new housing units across 16 sites¹. The total development cost is circa £30m (funded from the decent neighbourhoods fund, complemented by £2.7m grant from the Mayor's Housing Covenant fund (subject to final due diligence and contract) and reinvestment of surpluses realised from the sale of a limited number of private units). This will realise a Gross Development Value of circa £46m (producing a cash surplus of circa £4m and retained equity of circa £14m).
- 1.3 Further to the freedoms and flexibilities introduced by the Localism Act 2011 and the Housing Revenue Account Reform - together with the Council's adopted Housing Strategy (2012) - recent legal and financial advice has confirmed that it

¹ In addition to 2 DMS units delivered at 67/68 Becklow Gardens in June 2012

is appropriate that the housing development programme can be undertaken directly by the Council, without the need to utilise the Council's arm's length special purpose vehicle arrangements that have previously been put in place.

- 1.4 Funding approval will be secured in accordance with the proposed Scheme of Delegation set out in section 7.3 of this report. The delivery of the housing development programme will be overseen by the Housing Development Programme Board, which comprises the Cabinet Member for Housing and the Executive Director of Housing and Regeneration along with senior Directors and Heads of Service from the Housing & Regeneration Department.
- 1.5 The Programme Board meets on a monthly basis to review progress and authorise project progress through gateways within the Cabinet approved frameworks. In addition, quarterly reports will be presented to the H&F Business Board (HFBB) and Members setting out scheme by scheme progress, and seeking approvals for variances to the programme.
- 1.6 The Business Plan will be reviewed by the Programme Board on an annual basis and presented to Cabinet for approval.

2. RECOMMENDATIONS

- 2.1. To note progress with the three main strands of direct housing development currently being pursued by the Council, set out in section 5 of the report.
- 2.2. That approval be given to the Housing Development Programme Business Plan for the period 2013-2017 (appended), based on the Hidden Homes, New Build Innovative Housing (Rational House) programmes, and the additional new build opportunities identified.
- 2.3. That approval be given for a budget envelope of £30.3m for the period 2013-2017, to be partially funded from the decent neighbourhoods fund and partially funded by sales receipts received throughout the development programme.
- 2.4. That approval be given to a peak funding requirement from the decent neighbourhoods fund for the whole programme (rolling up in this the previous approvals for Hidden Homes and the Spring Vale pilot scheme which have already set aside £5.7m) of £15.3m.
- 2.5. That approval be given to revenue funding from HRA reserves for 2014/15 of £1.8m and of £0.3m in addition to previous approvals for 2013/14, with the intention that in so far as is possible any S106 resources available that can reasonably be applied to the programme will be so applied.
- 2.6. That approval be given to £2.1m of the funding approved by recommendations 2.3 to 2.5 above to be designated for the initial feasibility work required to develop sites in this programme and to delegate authority to the Executive Director of Housing and Regeneration to determine the allocation of this expenditure between individual sites and to appoint the professional teams to carry out this work.
- 2.7. That the proposed delivery mechanism to undertake developments directly within the Council, rather than the Local Housing Company SPV, based on the

updated legal and financial advice, as set out in section 7 of the report, be approved.

- 2.8. That the proposed Scheme of Delegation for further funding and scheme approvals, as set out in section 7 of the report within the budget envelope and resources set by recommendations 2.3, 2.4 and 2.5, be approved.
- 2.9. That the annual updating of the Business Plan and the proposed quarterly reporting cycle to the HFBB and Members, as set out in section 7 of the report, be approved.
- 2.10. That the Executive Director of Housing and Regeneration be authorised to negotiate and enter into contract for a £2.7m grant from the Mayor's Housing Covenant.
- 2.11. That authority be delegated to the Cabinet Member for Housing, in conjunction with the Executive Director of Housing and Regeneration, to appoint professional teams as necessary to facilitate delivery of the programme, following completion of necessary procurement processes.

3. REASONS FOR DECISION

- 3.1 To approve the Housing Development Programme Business Plan 2013-2017 (appended to the report), and delivery mechanisms for the Council's direct housing development programme (set out in section 5.2 of the report), in support of the Council's Housing Strategy "*Building a Housing Ladder of Opportunity*" adopted in October 2012.

4. BACKGROUND AND INTRODUCTION

- 4.1 Hammersmith & Fulham has the fourth highest property prices in the UK which means that getting on the housing ladder is virtually impossible for many people and results in large numbers being forced to rent or live outside the borough. The borough has one of the highest proportions of social housing in London, with around 31 per cent socially rented compared to a West London average of 21.5 per cent. However, less than two per cent of the borough's housing is 'intermediate' low cost homes to buy.

- 4.2 The Council wants to create a "Borough of Housing Opportunity" whereby hard-working local residents, on modest and middle incomes, can fulfil their housing aspirations and buy a local home for a reasonable price. Local authorities have a key role to play in unlocking new housing growth through effective asset management. The Council's Housing Strategy *Building a Housing Ladder of Opportunity* sets out key objectives which are being pursued through the direct housing development programme, namely:

- *Delivering Major Economic and Housing Growth* – to be achieved using housing investment acting as a catalyst for wider socio-economic change.

- *Tackling Economic and Social Polarisation* – to be achieved using more innovative and flexible approaches to: estate regeneration; allocation policies prioritising working households; local lettings plans; flexible tenancies; and low cost home ownership initiatives.

- 4.3 In April 2011, Cabinet approved the establishment of a local housing development company structure to allow the Council to generate and retain development surplus through the development of new housing on Council land. This created a major opportunity for the Council to deliver housing and regeneration outcomes using its own land, under its own leadership.
- 4.4 This involved creation of an arm's length development company - H&F Housing Developments Limited (HFD) to build homes directly. HFD is supported by a charitable company to ensure tax efficiency for its income. The Council received external legal advice at the time and the key considerations for the Council in selecting the structure were centred around vires, tax efficiency and control, particularly in relation to development of private for sale housing. Both HFD and the charitable company have been registered at Companies House. HFD has undertaken the development and sale of two flats at Becklow Gardens Estate and secured planning permission for seven additional sites.

5. PROGRAMME UPDATE

5.1 The Council is currently moving forwards with the following three main strands of direct housing development to achieve its housing aims and objectives set out in the Housing Strategy *Building a Housing Ladder of Opportunity*:

- Strand 1: *Hidden Homes* – a programme for small conversions, generally less than 5 units per site
- Strand 2: *New Build Innovative Housing* - built using Modern Methods of Construction (Rational House), generally between 5 – 50 units per site
- Strand 3: *Housing & Regeneration Joint Venture* – partnership with a private sector partner to redevelop selected larger Council owned development sites, delivering 50+ units per site (the JV will have separate governance arrangement and its own Business Plan with the joint venture partner following completion of the procurement process and therefore is outside the scope of this Business Plan).

5.2 Set out below is an update on each strand of work.

5.3 *Strand 1: Hidden Homes*

5.3.1 A pilot programme of seven schemes was approved by the Cabinet in January 2012, to build 25 new affordable homes. Expenditure of £2.7 million was approved from the decent neighbourhoods fund.

5.3.2 The first development is completed at Becklow Gardens Estate, where two new units were built and sold to applicants on the Council's HomeBuy register. Sale proceeds (including retained equity) of £468,000 were realised against development costs of £123,000, producing a positive gross return of £345,000 (including retained equity).

5.3.3 Planning consent has been secured for seven further sites. Five of the consented schemes are due to start on site from summer 2013. Residents at each of the estates have been notified and consulted regarding the proposals and have inputted into the design process.

- 5.3.4 At Verulam House planning consent has been achieved for a new private 4 bedroom family dwelling on Hammersmith Grove (the development site) in addition to the three DMS homes. It is proposed that the development site be sold rather than developed by the Council through the Hidden Homes programme. This will limit the Council's sales risk of a high value private development and accelerate the programme thereby improving the cash flow due to the earlier than forecast receipt of income from the land sale.
- 5.3.4 Due to the programme re-profiling as a result of the grant from the Mayor's Housing Covenant and re-prioritising the larger development opportunities for the New Build Innovative Housing strand (sites where the Rational House model may be better suited due to site constraints/challenges) this strand will now deliver 16² new homes costing circa £2.3m with a GDV of £4.4m.

5.4 Strand 2: New Build Innovative Housing

- 5.4.1 In December 2012 Cabinet approved the establishment of a Framework for Innovative Housing Built Using Modern Methods of Construction with City House Projects Limited (CHPL) as the single provider. CHPL is a subsidiary company of Rational House and was created to provide all the services and commercial expertise necessary to deliver the Rational House product. This framework now allows the Council to build innovative new housing using the Rational House model.
- 5.4.2 The Cabinet authorised expenditure of £50,000 in December 2012 for professional services to undertake resident consultation, site investigation surveys, and design of the Pilot Site at Spring Vale Estate to planning stage.
- 5.4.3 Following feasibility work and resident consultation a further Cabinet report was presented in May 2013 setting out detailed development proposals for the Pilot Site and approval for funding of £3.4m to undertake detailed design and construction of ten new homes (60 per cent affordable as Discount Market Sales (DMS)). In addition, Cabinet approval has also been secured for expenditure of £0.2m to undertake initial feasibility, design, resident consultation and submit planning applications for two further sites at Barclay Close and Becklow Gardens (these together can deliver 18 homes).

5.5 Strand 3: Housing & Regeneration Joint Venture

- 5.5.1 Following Cabinet approval on 12 November 2012, the Council initiated an OJEU procurement exercise to identify a private sector partner to establish a long term (15 years) Joint Venture.
- 5.5.2 Following receipt of the Pre-Qualification Questionnaires in January 2013, the Invitation to Negotiate (ITN) was sent out to seven shortlisted bidders in February 2013. Outline proposals were received in early April 2013 and following evaluation, three bidders have been shortlisted to go forward to the final stage. The final submissions from the three bidders are expected in August 2013 and it is anticipated that a Cabinet report identifying the preferred bidder will be prepared for consideration in December 2013 (for the JV to go live from January 2014).

² Including 2 completed units at 67/68 Becklow Gardens

- 5.5.3 The first two sites that are to be redeveloped through the Joint Venture are Watermeadow Court and Edith Summerskill House. The initial Council appraisal showed these two sites generating both land receipt and share of development profit, and development of more than 186 new homes (including 40% affordable low cost home ownership housing).
- 5.5.4 The Joint Venture will comprise a governance structure within which the Council can retain equal control and influence site delivery, whilst also enabling the Council to access the skills, resources and capacity of the private sector partner. This approach will reduce the level of risk to which the Council is exposed and enable the Council to access funding from the private sector. This route allows the Council to derive greater value from disposal of surplus land through the sharing in development profits, in addition to achieving land value.

6. DEVELOPMENT PROGRAMME 2013-2017

- 6.1 The Council previously appointed CBRE to undertake a review of all HRA properties to determine their potential for additional housing development. The study identified a wide range of schemes that varied from small conversions of existing properties to larger redevelopment sites.
- 6.2 The proposed development sites under Strands 1 & 2 of the programme are primarily undercrofts, bin stores, pramsheds, garages/parking facilities and other underutilised estate housing amenity land that can be converted, subject to resident consultation and planning, to build new homes.
- 6.3 Current schemes comprise eleven development sites³, which combined have the capacity to deliver 49 DMS and 16 private units. The table below provides a summary of this programme:

Site Name	Proposal	Housing Output	
		DMS	Private
Strand 1: Hidden Homes (conversions)			
129/131 Bloemfontein Road	Conversion of former doctor's surgery to create new affordable housing	2	
28 Comeragh Road	Conversion of disused basement to create new affordable housing	2	
St Peter's Terrace	Conversion of undercroft to create new affordable home	1	
The Grange	Conversion of pram stores to create new affordable housing (scheme incl. re-provision of storage facilities)	2	
Verulam House	Conversion of ground floor to create new affordable house	3	1 ⁴
1-9a Lakeside Road	Conversion of undercroft to create new affordable home	1	

³ This excludes the completed scheme 67/68 Becklow Gardens

⁴ Assumes new build house site (1 private unit) land sale with planning consent

23 Baron's Court Road	Conversion of disused basement to create new affordable housing	2	
TOTAL		13	1
Strand 2: New Build Innovative Housing			
Spring Vale	Redevelopment of parking forecourt and garages to create new affordable and private housing (scheme incl. re-provision of parking facilities where required)	6	4
Barclay Close	Conversion of parking forecourt to create new affordable housing and private housing (scheme incl. re-provision of parking facilities where required)	3	3
Becklow Gardens	Redevelopment of garages to create new affordable housing and private housing (scheme incl. re-provision of parking facilities where required)	6	6
Jepson House	Redevelopment of garages to create new affordable housing and private housing (scheme incl. re-provision of parking facilities where required)	21	2
TOTAL		36	15

6.4 The above programme is targeted to be delivered over the next three years (by March 2016). Further detail of the phasing and delivery timetable are provided within the Business Plan (appended to the report).

6.5 In November 2012 the Council submitted a bid to the Mayor of London for grant funding from the Mayor's Housing Covenant to maximise delivery of DMS housing within the Council's housing development programme, targeting low and middle income households to get onto the housing ladder. The prospectus for the Mayor's Housing Covenant was strongly aligned with the Council's adopted Housing Strategy "*Building a Ladder of Opportunity*" in seeking to encourage the delivery of additional low cost home ownership opportunities and the Council was therefore well positioned in relation to this funding opportunity. Subject to final due diligence and contract, the Council's bid will secure £2.7m grant (at a rate of £27,000 per unit to be drawn down on a per unit basis following completion). This grant can be applied to these sites and will be payable on practical completion of new units which needs to be achieved by March 2016.

6.6 The grant application was based on a higher target of Council delivering 100⁵ DMS and 33 private (to cross subsidise) units over the three year period. In order for the Council to achieve this target further development sites will need to be brought forward for delivery. Therefore, in addition to the current schemes already included in the programmes above a further five opportunity sites have been identified - and based on initial feasibility assessments undertaken - could

⁵ Excludes 67/68 Becklow Gardens 2 DMS units completed in June 2012

potentially deliver a further 51 DMS and 17 private units, achieving the expected overall Mayor's bid target, as set out below.

Site Name	Proposal	Housing Output	
		DMS	Private
Additional New Build Opportunities			
William Church	Conversion of undercroft to create new affordable home	4	
Darlan Road	Conversion of parking forecourt and amenity land to create new affordable housing and private housing (scheme incl. re-provision of parking facilities where required)	4	2
Lancaster Court	Conversion of parking forecourt and adjoining amenity land to create new affordable housing and private housing (scheme incl. re-provision of parking facilities where required)	4	2
Sullivan Court	Development of underutilised housing amenity land adjoining existing residential blocks to create new affordable housing	22	
Linacre Court	Redevelopment of parking forecourt and garages to create new affordable and private housing (scheme incl. re-provision of parking facilities where required)	17	13
TOTAL		51	17

6.7 The new properties built will comprise of a mixture of mainly one and two bed properties, with some three bed family sized units. The final mix will be determined on the basis of planning policy and need identified based on the H&F HomeBuy register.

6.8 The table below sets out the financial summary for the schemes in Strands 1& 2 of the programme:

Gross Development Value ⁶	£23.1m
Development costs ⁷ (including oncosts)	£15.4m
Mayor's Housing Covenant Grant	£1.2m
Available return:	
Development surplus ⁸ (additional cash for reinvestment)	£2.1m
Retained equity (by the Council) ⁹	£6.8m
Total return	£8.9m

⁶ Gross Development Value (GDV): The aggregate Market Value of the proposed development assessed on the special assumption that the development is complete as at the date of valuation in the market conditions prevailing at that date. i.e. the sales values.

⁷ Based on an average build cost of £2,200/sqm plus on cost

⁸ Based on a target of 20% surplus on cost

⁹ Based on average DMS household income of £43,000

6.9 The table below sets out the financial summary for the additional new build opportunity sites that can be brought forward to achieve the Mayor's bid target output of 100 DMS units:

Gross Development Value	£22.5m
Development costs (including oncosts)	£14.9m
Mayor's Housing Covenant Grant	£1.5m
Available return:	
Development surplus (additional cash for reinvestment)	£2.0m
Retained equity (by the Council)	£7.1m
Total return	£9.1m

6.10 The table below sets out the financial summary for the total programme.

Gross Development Value	£45.6m
Development costs (including oncosts)	£30.3m
Mayor's Housing Covenant Grant	£2.7m
Available return:	
Development surplus (additional cash for reinvestment)	£4.1m
Retained equity (by the Council)	£13.9m
Total return	£18.0m

6.11 Full finance comments including cash flows, along with risks and sensitivities are set out in section 8 of the attached Business Plan and in the exempt report.

7. DELIVERY MECHANISM

7.1 Housing Development Company Structure

7.1.1 Following the Cabinet decision in April 2011 two companies have been registered with the Companies House:

- H&F Development Limited (HFD) - a wholly owned subsidiary company to undertake building of new homes on Council owned land that will be vested in it for the purpose. This company has three person board and these are H&F senior officers and the Cabinet Member for Housing.
- H&F Housing Limited (HFH) - a company with charitable aims, established under the Industrial and Provident Society rules that enable it to accept gift aid to achieve greater tax efficiency. Under the rules this company can be run initially with an interim board which has now been set up with officers as board members, however the company has not yet undertaken any activity.

7.1.2 To deliver new housing through this structure the general approach adopted was as follows:

- The Council transfers the selected sites, subject to Secretary of State's consent, on a long lease basis to HFD and enters into an agreement with HFD which covers the use of the land, the timing of the transfer, the tenure mix and size of units, use of any surpluses and nominations rights.

- The Council grants a loan at a commercial interest rate (funded from the decent neighbourhoods fund) to HFD for the construction of new housing on the selected sites and the company running costs (annual audit fees, etc) until sales income is received.
- The loan is paid to HFD in tranches linked to the development phasing programme. HFD provides monthly accrued management accounts to the Council. Through the loan agreement the Council have the ability to call in the loan at any time if not completely satisfied with the HFD development programme.
- HFD undertakes the development and on completion sells the new properties as Discount Market Sale through the Council's Home Buy scheme.
- The profit from any sales units, in so far as is possible, is gift aided to HFH.
- The retained equity is covenanted to HFH.

7.1.3 Through these approaches the schemes can be developed in a tax efficient manner, with surpluses being gift aided to the charitable company to re-invest in the provision of affordable housing and regeneration.

7.2 Updated Legal and Financial Position

7.2.1 Following the enactment of the Localism Act 2011 and HRA Reform, recent legal advice from Eversheds has confirmed that the Council is able to undertake the development activity directly as the rationale for this is clearly set out in the Council's adopted Housing Strategy "*Building a Housing Ladder of Opportunity*". Pricewaterhouse Coopers have also provided taxation advice looking at SDLT, VAT and corporation tax which confirms that there is no financial disadvantage to the Council if the housing development activity is undertaken directly, and administratively it is more efficient.

7.2.2 Whilst the Council's housing development company structure remains an appropriate delivery mechanism, the freedoms and flexibilities introduced through the Localism Act and HRA Reform – together with the Council's clear policy articulation through the adopted Housing Strategy - allows the Council to now undertake a greater range of housing development activities directly. This includes the Council directly developing private for sale and low cost home ownership housing (such as DMS) to achieve its aims and objectives of creating a ladder of housing opportunity as set out in the Housing Strategy.

7.2.3 Going forward, it is proposed that the Council undertakes development of the schemes in the current programme directly within the Council without the need to utilise the Council's arm's length special purpose vehicle arrangements that have previously been put in place. However, it is not intended that the housing development companies will be dissolved straightaway; rather they will remain dormant and the position reviewed annually.

7.3 Scheme of Delegation

7.3.1 In January 2012 the Cabinet approved the Hidden Homes programme funding envelope of £2.7m. Approvals to initiate individual schemes and drawdown of funds were delegated to the Executive Director of Housing and Regeneration and the Deputy Director of Finance. In addition, a report was approved on 13 May 2013 by Cabinet for full development funding of £3.4m to initiate the Spring Vale Pilot site and £0.2m to undertake feasibility, consultation, and design to

planning submission stage for two further new build sites at Becklow Gardens and Barclay Close.

- 7.3.2 Set out in the table below is the proposed Scheme of Delegation for the control of expenditure on individual schemes following Cabinet approval of the Housing Development Programme Business Plan. Progress reports on the business plan, programme budget, and decent neighbourhoods funding envelopes will be provided via quarterly reporting process to HFBB and Members:

Scheme Category	Scheme Development Cost	Approval
Hidden Homes conversion schemes (within the Business Plan approved envelope)	Up to £1m	CMD report- Executive Director of Housing and Regeneration and the Executive Director of Finance and Corporate Governance in conjunction with the Cabinet Member for Housing.
New Build Innovative Housing Schemes & Other Opportunity Sites (within the Business Plan approved envelope)	Up to £1m	CMD report- Executive Director of Housing and Regeneration and the Executive Director of Finance and Corporate Governance in conjunction with the Cabinet Member for Housing.
	Up to £2m	CMD report – Cabinet Member for Housing and the Leader
	More than £2m	Cabinet report – Cabinet

7.4 Monitoring

- 7.4.1 The delivery of the housing development programme will be overseen by the Housing Development Programme Board, which consists of the Executive Director of Housing and Regeneration and the Cabinet Member for Housing along with senior Directors and Heads of Service from Housing and Regeneration Department.
- 7.4.2 The Programme Board is supported by the Council's development management team and has appointed the following advisors:
- Baily Garner, development agent and architectural services for the Hidden Homes programme
 - City House Project Limited (Rational House), design and development management services for the New Build Innovative Housing Schemes
 - Grant Thornton, finance and tax advice
 - Browne Jacobson & Sharpe Pritchard's, legal advice
 - Halcrow, technical surveys and assessments

- Lambert Smith Hampton & Savills, valuation, sales and marketing advice

7.4.3 The Programme Board meets on a monthly basis to review progress and authorise project progress through gateways within the Cabinet approved frameworks. Funding and scheme progression are authorised by the Programme Board in accordance with the Business Model set out in Section 5 of the Business Plan.

7.4.4 In addition, quarterly reports will be presented to the HFBB and Members setting out scheme by scheme progress, and seeking approvals for variances to the programme.

7.5 *Reviews*

7.5.1 The Business Plan will be reviewed by the Programme Board on an annual basis and presented to Cabinet for approval.

8. AFFORDABLE HOUSING

8.1 The Council prefers to see low cost home ownership housing delivered on a Discount Market Sale (DMS) basis, to improve the mid-market offer and deliver a more flexible product. DMS is preferable to Shared Ownership as no rent is charged to the purchaser on the unsold portion of the equity. This has the advantage of making homeownership more affordable by reducing the proportion of household income which is spent on housing costs and in some cases allows the purchaser to buy a bigger percentage share of the property.

8.2 House prices and market rents are high in the borough which means that low cost home ownership housing needs to be affordable to a broad range of incomes. It also needs to be on average affordable by the midpoint income set by the Mayor in the London Plan.

8.3 The Council's HomeBuy register has around 4,700 people (who are either residents of the borough and/or work in the borough) on its database and analysis shows us that the majority of these have income between £20,000 - £40,000. Generally the Council would target a third of the low cost home ownership housing developed to be affordable to households with an annual gross incomes of up to £30,000, a third to be affordable to households with an annual gross income of up to £40,000 with the remaining third to be developed for annual gross household incomes of up to £60,000. This equates to an average household income of £43,300.

8.4 The Council's HomeBuy Team offers a service to identify and enable individuals to move into low cost home ownership in the borough, through acting as the mediator between the housing providers and residents seeking affordable home ownership. The HomeBuy Team will undertake the process of identifying suitable applicants from the HomeBuy register. It is intended that marketing and communications will be undertaken locally to maximise the take up of the new affordable homes by the residents of the estates and the surrounding area.

9. STAKEHOLDER/RESIDENT ENGAGEMENT

9.1 The provision of new housing and in particular affordable home ownership has been identified as a key objective for the Council. The implication of this process will see existing residents, living on the identified estates, impacted both during and after the delivery of the new properties. Therefore, before any scheme can be undertaken it will be important for the Council to carry out a resident consultation exercise on each of the sites and for the results to be properly assessed.

9.2 The individual nature of each site prevents a 'one size fits all' approach to resident consultation. A range of consultation approaches will be used which may include:

- Ward Councillor briefing
- TRA engagement
- Resident newsletter,
- Additional letter to leaseholders,
- Drop-in session to enable residents to engage in site design
- Presentations tenant and leaseholder area forums

9.3 This standardised approach will be tailored where required to ensure a satisfactory level of consultation is achieved for each site.

10. EQUALITY IMPLICATIONS

10.1 As per the Equality Act 2010, the Council must consider its obligations with regard to the Public Sector Equality Duty (PSED). It must carry out its functions (as defined by the Human Rights Act 1998) with due regard to the duty and its effect on the protected in a relevant and proportionate way. The duty came into effect on 6th April 2011.

10.2 An Initial Equality Impact Analysis (EIA) has been undertaken and made available electronically. It shows that the development of sites, when reviewed against the profile of those on the HomeBuy, to be of medium relevance to, have a positive impact on the following groups:

- Age (especially younger age groups)
- Disabled people (and the Council recognises that some disabled people may require more assistance to benefit)
- Race groups (BME in particular)
- Women

10.3 There will also be impacts on women and men, as set out in the EIA, where pram sheds will be moved. This is because this will cause disruption and the degree to which this occurs will vary from site to site. However, there will be no loss of the facility and so this will be mitigated by the re-provision of the facility.

10.4 Full EQIA assessment will be undertaken on a scheme by scheme basis as part of the planning application process.

11. LEGAL IMPLICATIONS

- 11.1 Initial legal advice has been provided by Eversheds LLP as follows:
- 11.2 The Council is able to directly provide housing accommodation for letting at market rents and affordable rent through its Housing Revenue Account. In relation to housing for sale, the Council is able to dispose of land to be developed for that purpose and to engage with a developer for that purpose.
- 11.3 Direct building of homes for sale by the Council is dependent on the Council being fully satisfied that its primary purpose in so doing is to meet the stated objectives of its housing strategy. If that is the case, then the requirement to operate through H&F Development Limited no longer arises. However, work undertaken by the Council will be subject to the requirements to comply with public procurement legislation if cost exceeds the relevant thresholds.

Comments completed by Cath Irvine, Senior Contracts Lawyer, telephone 020 8753 2774

12. FINANCIAL AND RESOURCES IMPLICATIONS

- 12.1 Full finance comments along with risks and sensitivities are set out in section 8 of the attached business plan. Key points to note are:
- Developing in the Council means that pre planning costs are a revenue charge to the HRA, these are currently estimated as:
 - 2013/14: £1.1m (£0.8m currently approved funding via S106, £0.3m will need to be funded from HRA reserves)
 - 2014/15: £1.8m (to be funded from HRA revenue reserves¹⁰)
 - 2015/16: Nil
 - 2016/17: Nil
 - The revenue costs for 2013/14 are being funded as follows
 - £0.8m already approved or in the process of being submitted for approval
 - £0.3m – Hidden Homes covered by the £2.7m envelope approved by Cabinet in January 2012
 - £0.3m – Spring Vale – report approved by Cabinet on 13 May 2013.
 - £0.2m - Barclay Close and Becklow Gardens – report approved by Cabinet on 13 May 2013.
 - £0.3m not yet approved
 - £0.3m – Jepson House feasibility costs plus Barclay Close & Becklow Gardens feasibility costs not covered by 13th May 13 report but incurred by 31 Mar 14)
 - It should be noted that the Council holds a series of S106 agreement funds ring fenced for use for affordable housing and regeneration purposes which total £0.8m. The current potential call on these funds from all

¹⁰ Note the savings generated by the HRA MTFS savings programme enable the HRA to afford this, however it does slightly delay the build up of general reserves by the HRA

approved reports is currently £1.1m including those being considered by 13th May 2013 Cabinet. In the event that costs charged against this pot all crystallise and prove not to be capitalisable or rechargeable there would be a net unbudgeted charge to the HRA of £0.4m in 2013/14. This risk is being monitored on an on-going basis but it is currently expected that these funds would be recoverable from the Housing and Regeneration Joint Venture.

- The programme based on current phasing has a peak funding requirement of £16.6m in January 2016 plus £1.6m of capitalised on costs of which £15.3m is expected to be funded from the decent Neighbourhoods pot as capital expenditure and £2.9m from HRA reserves as revenue expenditure. £5.7m of the Decent neighbourhoods funding has already been set aside by the previous Hidden Homes and Spring Vale pilot scheme approvals.
- The programme ultimately produces a net capital receipt of £7m excluding any potential future sales of additional tranches of equity to DMS owners, including the GLA grant, including capitalised staff costs and excluding revenue costs, generating a net cash surplus after revenue costs of £4.1m
- 33 private sales generating income of £15.2m have been assumed to cross subsidise the DMS programme in addition to the £2.7m of grant received from the GLA (subject to final due diligence and contracts).
- The programme has been phased to ensure there is certainty regarding the success of the initial New Build Innovative Housing pilot scheme before major financial commitments are made on future New Build Innovative Housing schemes.
- Key financial risks are included in section 8 of the Business Plan.

12.2 Comments completed by Danny Rochford, Head of Finance, telephone 020 8753 4023

13. RISK MANAGEMENT

13.1 Principal programme risks are set out in the Business Plan.

13.2 Management of risk relating to the proposal are the responsibility of the Housing and Regeneration Department. A risk register exists for the purpose of recording and monitoring the departmental risks and this will be updated to reflect the report content.

14. PROCUREMENT AND IT STRATEGY IMPLICATIONS

14.1 Any works/services relating to delivery of the housing development programme will need to be procured in accordance with the Council's Contract Standing Orders and EU procurement legislation.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Spring Vale Site Cabinet report, May 2013	Matin Miah. Tel. 020 8753 3480	Housing and Regeneration 3rd Floor, Town Hall, Extension, King Street, London W6 9JU
2.	Hidden Homes Programme Cabinet report, January 2012	Matin Miah. Tel. 020 8753 3480	Housing and Regeneration 3rd Floor, Town Hall, Extension, King Street, London W6 9JU
3.	Housing Development Company Cabinet report, 2011	Matin Miah. Tel. 020 8753 3480	Housing and Regeneration 3rd Floor, Town Hall, Extension, King Street, London W6 9JU

Appendix

Draft Housing Development Programme Business Plan April 2013 – March 2017