

REPORT TO: CABINET

DATE: 23 MARCH 2023

TITLE: ANNUAL REVIEW OF COUNCIL HOUSE BUILDING PROGRAMME (CHBP)

PORTFOLIO HOLDER: COUNCILLOR MICHAEL HARDWARE,
PORTFOLIO HOLDER FOR
REGENERATION AND STRATEGIC
GROWTH

LEAD OFFICER: JAMES GARDNER, ASSISTANT DIRECTOR -
REGENERATION (01279) 446449

CONTRIBUTING OFFICER: ANDREW START, HOUSING AND
REGENERATION MANAGER (01279) 446456

LEE JOHNSON, REGENERATION PROJECT
SUPPORT OFFICER (01279) 446489

This is not a Key Decision

It is on the Forward Plan as Decision Number I013971

The decision is not subject to Call-in Procedures for the following reason:

It is for noting only

This decision will affect no ward specifically.

RECOMMENDED that:

- A** Cabinet notes the review and update of the Council House Building Programme (CHBP) as agreed at Cabinet in March 2022.
- B** Cabinet notes the outcome of both Internal Audit and Homes England Funding Audit.
- C** Cabinet notes the progress in establishing the Council House Building Programme (CHBP) Governance & Delivery Processes.

REASON FOR DECISION

- A** An annual review mandated within the CHBP Cabinet Report of March 2022.
- B** Provide appropriate update to the Cabinet, where linked to priorities included within the Corporate Strategy.

BACKGROUND

1. The Scrutiny Report of 2020 set out a list of recommendations that have now been adopted and a new Council House Building Programme established through a CHBP Process Document (Appendix 1), Site Validation Checklist and stage approval checklists.
2. In January 2022, the Council set out ambitions to establish a programme of Council House Building, to meet the need of Harlow's rising housing need.
3. The Council House Building Programme (CHBP) as agreed at Cabinet in March 2022 included the following:

Aims and targets of the Council House Building Programme (CHBP)

4. Aims

- a) To significantly increase the number of new homes built by the Council over the next five years;
- b) To restore pride in the town through renewal and the development of new housing to meet local needs;
- c) To build a range of housing types and tenures that will meet local needs, which will include Council housing at social rent, housing for sale, shared ownership and housing for affordable rent, ensuring new developments meet Gibberd's original principles;
- d) To build housing at the highest quality levels achieving carbon net zero and seeking to exceed the standards set out in the Harlow Design Guide;
- e) To ensure value for money with every project in line with industry norms and in line with the funding constraints within which the Council has to operate; and
- f) To improve social value for Harlow residents and businesses through the provision of employment and apprenticeship positions through the housebuilding programme and the utilisation of local SMEs.

5. Targets

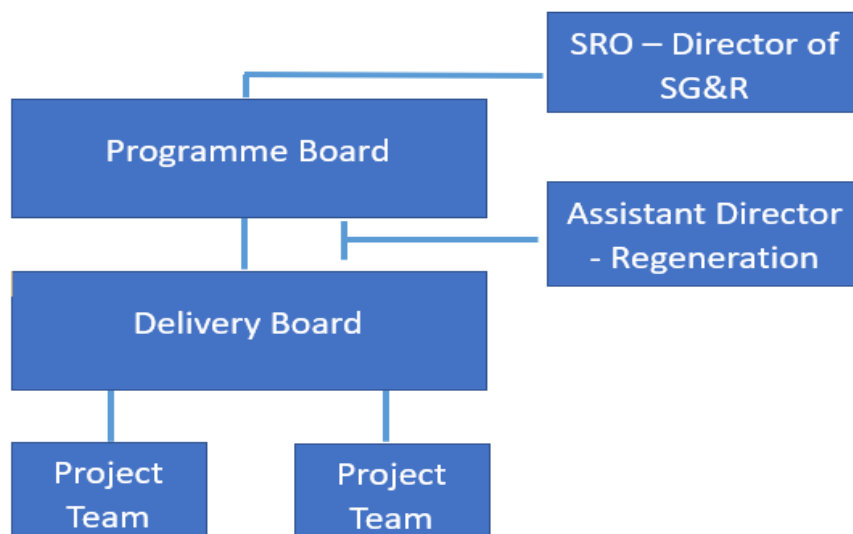
- a) 99 new social-rented Council houses to be built over the next two financial years with an aspiration to be at Stage 3 of the development process, as outlined in paragraph 12, within the next financial year; and
- b) The production of a detailed Phase 2 programme by March 2023 identifying plans for more than 200 additional homes.

ISSUES/PROPOSALS

CHBP Annual Review

Governance and Delivery Process

6. Key areas of work that have taken place since the March 2022 Cabinet report has surrounded the development of a robust Governance and Delivery process.
7. A formal CHBP Process Document has been produced and details the overarching process on how council house building schemes will be delivered, and key stakeholder decisions will be made. The preparation of this document was led by the Regeneration Team working in partnership with colleagues and stakeholders within Finance, Housing, Properties & Facilities and Planning to ensure a shared commitment to the process that has been set out there in – the document is included as Appendix 1.
8. The Document covers 6 Key Themes:
 - a) Governance
 - b) Reporting
 - c) Decision Making & Approvals
 - d) Finance
 - e) Delivery Processes
 - f) Risk Management & Change Control
9. The Governance of the programme is now managed under the following structure:



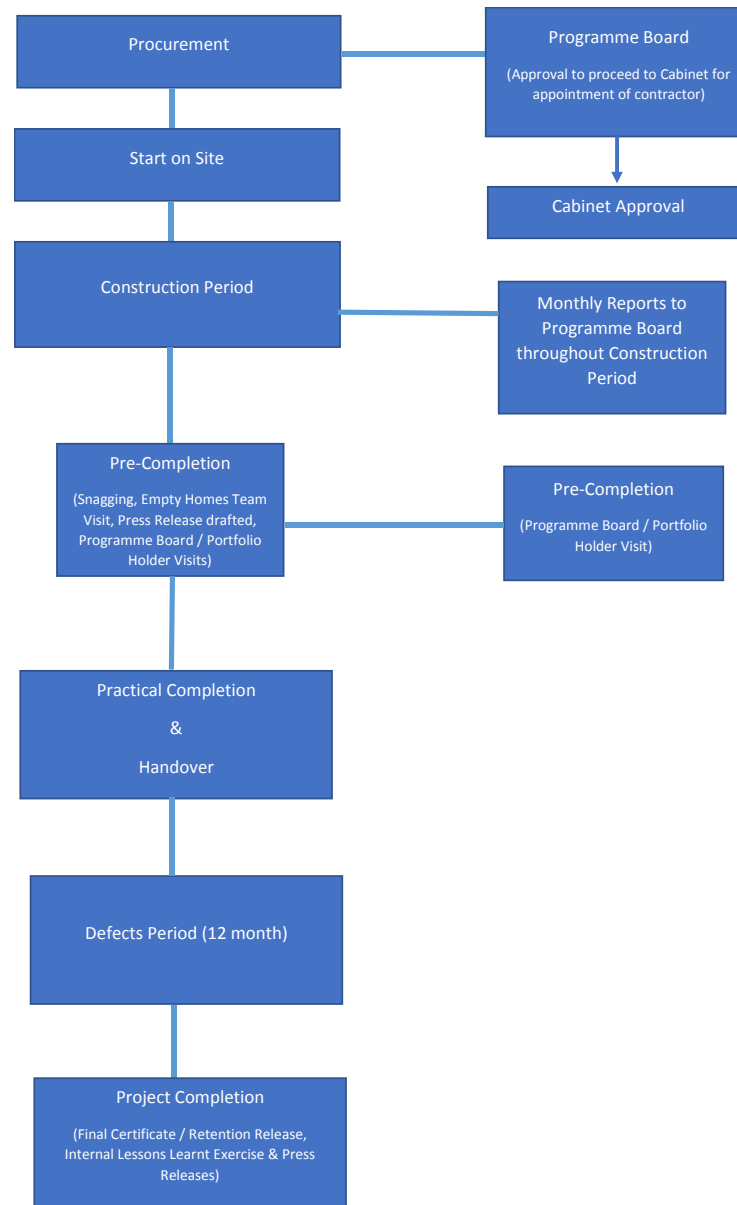
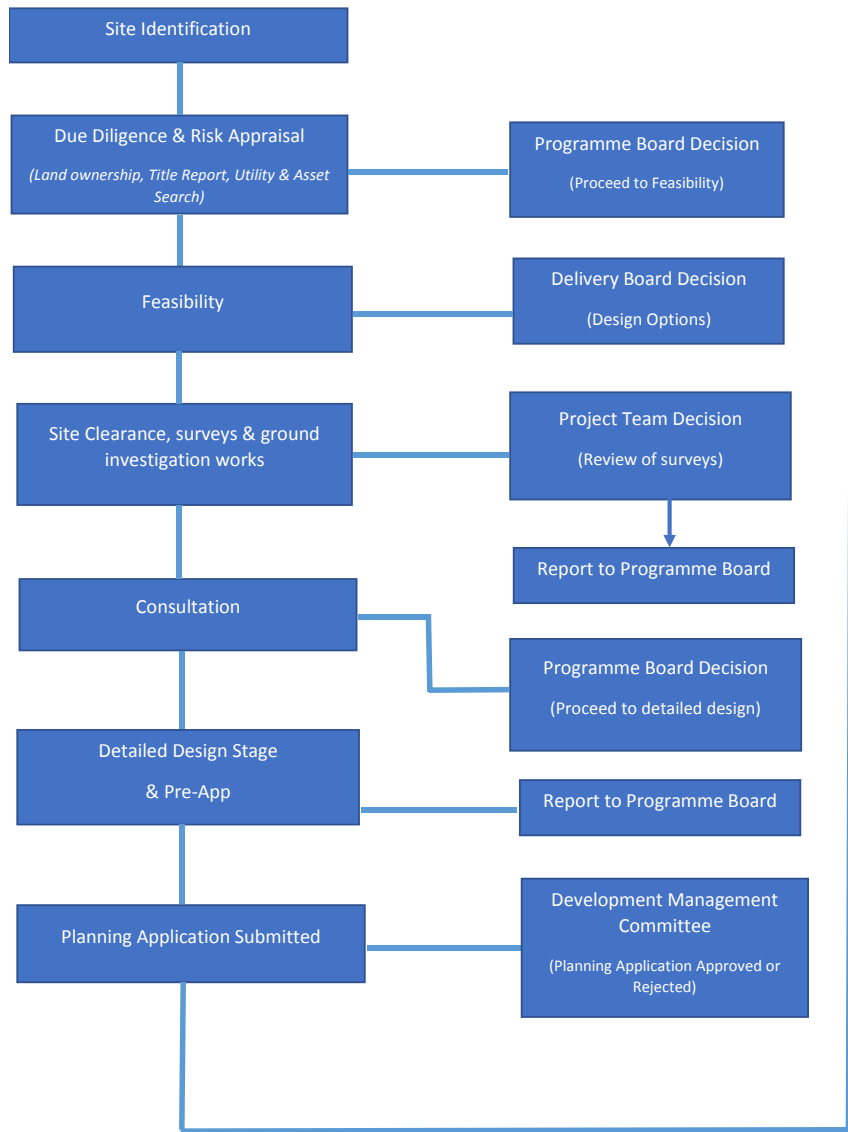
10. The Programme Board represents the strategic body that consider the implications and delivery of objectives within the Corporate Strategy and other policy context.
11. The Delivery Board is a tactical body considering delivery, operational & logistical outputs of the contained projects.
12. Project Teams head each scheme/group of schemes as direct delivery groups responsible for day-to-day activities.
13. This structure allows for a cross-departmental working at all governance levels, with specific benefits including:
 - a) Planning – Officers can ascertain early direction on site layout, density, and policy context during validation and feasibility stages. Further input at Board level is then solicited during design iteration ahead of formal pre-application. Further cross-working is then undertaken to ensure wider consultation from stakeholders are included in any final amendments to ensure positive planning approvals. This fulfils a key recommendation from the Scrutiny Committee that there is appropriate dialogue between Planning and Regeneration officers to ensure that money is not spent on designs that are not in keeping with planning guidance, resulting in abortive costs.
 - b) Housing and Property – Housing contributes to the design processes to ensure tenure mix and unit provision are acceptable, layout and access arrangements meet requirements and that the build specifications are in line with maintenance regimes and management processes. Early engagement in the design process avoids delays in practical completion and handover of new units and eventual habitation. Commercial Property provide support and process delivery surrounding tenancy and design elements surrounding commercial unit conversion and provision.
 - c) Finance – Governance and sign-off procedures allows Finance to advise on funding models for scheme during design iteration, cost evaluation and tender processes.
14. Other Departments/Officers receive standing invitation and are specifically requested in specific areas. Example of this include Environment colleagues surrounding waste collection, Insurance, Landscapes and Legal Services.
15. As previously mentioned, the CHBP Process Document sets out more detail of the Governance, Approvals, Reporting & Finance elements.
16. Risk Management is also considered and is conducted at both programme and project level following the analysis and management approach.



Risk Analysis

Risk Control

17. A Strategic Risk Register has been developed with Programme and Delivery Board involvement and is shown in Appendix 2.
18. Individual delivery risk registers are produced for the projects and will be compiled, reviewed, and strengthened in partnership with appointed contractors to ensure comprehensive identification and mitigation.
19. All emerging change approval and escalation management required will be controlled at a Programme and Project level. Change authority sits with the Programme Board and Project Boards dependent on the level of request.
20. Delivery Processes are set out in detail within the document and follow a flow of activity to ensure all considerations are captured and process controlled.
21. Below is a flowchart of those activities:



Member Presentation

22. In line with Audit recommendations and next steps set out within the March 2022 Cabinet Report, an all Members presentation and workshop event was held in September 2022.
23. Partners from McBains and Allies & Morrisons along with Regeneration colleagues set out an in depth presentation, covering development & design processes, policy context, planning policy and sustainable construction. A copy of the slides can be found in Appendix 3.

Audit Processes

24. The CHBP have been subject to two significant audit processes in 2022.
25. In August 2022, Internal Audit commissioned an industry specific external auditor to review the CHBP inline with original audit recommendations and the detail included in the March 2022 Cabinet Report.
26. The Audit gave positive feedback on works undertaken and provided recommendations for further iterative inclusion and adaption. The Audit Report can be found in Appendix 4.
27. These recommendations have been further audited internally and the delivery of these are detailed in the Internal Audit Tracker in Appendix 5. Homes England also completed a Funding Audit for the Bushey Croft/John Dowdell Close development.
28. This Audit represents a crucially important exercise as the outcome of such processes can define the level of confidence that Homes England have in a delivering authority which can contribute to future funding decisions. The Audit was given a 'Green' rating with additional positive feedback received. The Audit report can be found in Appendix 6.

Value for money, Market Impact & Sustainable Homes

29. Value for money is a central issue in the decision to proceed with any given project. This is measured against industry benchmarks for the delivery of new housing with each development subject to the production of a detailed cost plan by an independent Quantity Surveyor.
30. Value for money assessments are then undertaken at two stages in the process in accordance with the staged approach to project delivery. The first assessment at Stage 1 will enable a decision to be made as to whether a project should proceed to detailed design.
31. A Stage 2 assessment then follows the design process and will be part of any submission to Cabinet to give formal approval to proceed to contract. A significant barrier to scheme progression across local authorities and private

entities alike is the significant cost pressures caused by supply chain issues and inflationary pressures caused by both National and Geopolitical events.

32. Cost of construction have increased between 25-35% over the last 2 years, additionally driven by contractor availability being exacerbated by skills and worker shortages.
33. These factors have occurred during a boom period for construction projects meaning robust contractor orderbook positions allowing for the market to be more selective in tender opportunities.
34. Furthermore, given the market fluctuations, contractors have not been inclined to accept the risk of a Design & Build contract as this possesses financial risk given the nature of this delivery model and market conditions.
35. A failed attempt to attract any contractors to schemes earlier this year has meant the CHBP have had to consider alternative tender approaches including traditional delivery packages and 2 stage tender processes – both of which provide more financial certainty to the contractor.
36. The CHBP also supports the Council's carbon reduction targets by adopting low carbon, low energy and water efficient standards. This is in support of Objective two of the Council's current Climate Change Position Statement which states "To achieve Net Zero emissions from all homes and the built environment within Harlow."
37. The provision of energy efficient/low carbon homes will reduce the running costs for tenants, which will help reduce fuel poverty, enable tenants to have more money to pay for other essentials, potentially resulting in reduced levels of rent arrears and supporting the Council's aim of social inclusion.
38. Delivering Sustainable Housing of this type, along with increased national housing standards, add additional costs to the development, typically 5%-12% above current construction costs.
39. Whilst it is recognised that this approach is the right one, when coupled with the market conditions set out above, viability presents a significant challenge.
40. In order to address these issues, Officers have been investigating differing forms of construction methodology and fabrication to adopt Modern Methods of Construction (MMC), where it is advantageous to do so.
41. These methods include Modular Construction, Panelised Construction, off-site Timber Frame and Lightweight Steel Frame approaches.
42. Work will continue to ensure outcomes and viability is protected as far as possible and varying fiscal recovery lengths and tenure mixes will be considered to allow for delivery.

Acquisitions

43. In July, Harlow Council successfully completed the purchase of a site on Parnell Road in Staple Tye. The site was subject to a two-stage closed bidding process, within which the Regeneration Team established a Residual Land value based on development density.
44. A value of £800,000.00 was established and an offer at this level was submitted – an approach endorsed by Cabinet Approval. This offer was not accepted, and a higher bidder was selected to progress, but the Council were retained on a reserve position.
45. That higher bidder was unable to complete the transaction at their higher level and subsequently papers were withdrawn, and the Council were approached to invite an improved offer.
46. The offer was not increased, but the covenant basis of the Council meant the vendor agreed to the transaction at the Council's original offer level.
47. Conveyancing processes were completed, and the site now forms part of the CHBP within the Staple Tye grouping of schemes which also includes the Former Lister House Site and Depot Site on Perry Road.
48. The Regeneration Team continue to work with agents in the market to consider other opportunities should they present themselves.

Best Practise Adoption

49. A programme known as Pamwin is currently being used for our financial/ development appraisals which was adopted some years ago. However, this is no longer proving to be as robust or succinct tool for financial appraisals and forecasting, so we have been testing an alternative, industry proven programme called Proval, which is already adopted by many local authorities and housing associations. It's ease of use can produce improved reporting and is delivered on a superior user platform. In using this software, the financial appraisal process can be truncated, allowing more scheme options to be explored.
50. The Council also has an aspiration to procure a small number of local firms that can assist in designing and building new homes, understanding the local housing market and opportunities available along with helping the local economy. This will assist the CHBP in actively supporting local procurement opportunities.

Funding Models

51. Harlow Council were successful in obtaining substantial grant funding through the *Affordable Homes Programme 2021-26* via Homes England for Bushey Croft.

52. Further funding will be applied for to develop the Council's future programme, and to that end conversations are already underway for Homes England to consider the schemes that are within the CHBP.
53. Furthermore, early indication has been provided that grant values can be increased where environmentally efficient dwellings are provided that experience cost pressures due to inclusions over and above current building standards and regulations.
54. Right-to-Buy receipts can also be used towards scheme costs; however, these are capped at 40% and cannot be used alongside Homes England Funding. The most appropriate funding mechanism will be used according to the nature of each development.
55. The Council also has access to funding from S106 commuted sums. These can be paid by developers in lieu of affordable housing on a development site, where it is felt that it is not appropriate or feasible to provide on-site affordable housing. This can cover the full cost of a scheme providing it is delivering appropriate tenure housing within the Harlow area.
56. The Council recently adopted a policy seeking to secure further commuted sums via S106 negotiations for private developments.
57. This will not be appropriate in all cases since on larger scale developments it is desirable to have an on-site mix of housing, including affordable housing, to ensure a balanced community. However, on some developments, e.g. standalone flat block developments, it is difficult to obtain registered providers to manage the affordable housing component. In these cases, it is now proposed that the Council may seek financial contributions to support the CHBP. In line with Local Plan policy and the Council's Affordable Housing Supplementary Planning Document, developers will need to agree with the Council that the right circumstances exist for off-site contributions.
58. Negotiations for commuted sums of this type will be predicated on a benefit comparison, where such funding would facilitate significant alternative to positively off-set the loss of affordable tenure delivery within the site. Site viability and cost/value assessments will be used to ensure negotiations return the most advantageous outcome available to Harlow Council and its residents.
59. Additionally, funding for new housebuilding is secured through borrowing via the Public Works Loan Board in dialogue with the Council's Finance team who review the best use of funding at the time of approval – this loan capacity is set against a revenue basis of a scheme over a projected period of tenancies.
60. Other funding models are being explored for Phase 2 of the CHBP. These include a Joint Venture Partnership to explore delivery options that provide economy of scale in delivery to drive improved viability positions.

CHBP Phase 1 Scheme Updates

Scheme	No. of units	Updates / Notes
Bushey Croft (John Dowdell Close)	16	The scheme to delivery 16 new council houses reached practical completion in July 2022. All properties have been let at social rent to residents on the Council's Housing Needs Register. The scheme is currently under 12-month defect liability period will expire in July 2023.
4 The Hill (Crescent View / Corn Mill House)	2	The scheme to delivery 2 new council houses reached practical completion in May 2023. All properties have been let at social rent to residents on the Council's Housing Needs Register. The scheme is currently under 12-month defect liability period which will expire in May 2023.
Perry Road	24 units / 569m ² commercial space	Planning permission granted on 17/08/22. The scheme has been redesigned to remove one level of commercial floor space and add two levels resulting in 24 residential units. A change request to remove Towns Funding from the scheme and use for Town Centre projects is being discussed with DLUHC. If agreed, a revised planning application will be submitted.
Staple Tye Depot	10	Stage 3 Report now received from McBains which is currently being reviewed by the Regeneration Team. Issues identified in Title Report are being investigated with appropriation of southern section of the site from General Fund to HRA to be progressed.
The Yorkes	6 (bungalows)	A two-stage tender was uploaded to the portal on 02/02/23. A contractor will be appointed during Stage 4a to provide technical advice under a PCSA without design responsibility. Following a request from one of the contractors, an extension of two weeks has been granted for returns and are now expected on 16/03/23.
Arkwrights Terraces	8	Planning permission was approved at DMC on 09/11/22. A two-stage tender was uploaded to the portal on 02/02/23. A contractor will be appointed during Stage 4a

Scheme	No. of units	Updates / Notes
		to provide technical advice under a PCSA without design responsibility. Following a request from one of the contractors, an extension of two weeks has been granted for returns and are now expected on 16/03/23.
Woodleys	6	<p>Planning permission was granted at DMC on 12/10/22. The first Design Team meeting was held on site on 24/02/23 to meet consultants (Client, Architect/EA, Structural Engineer, M&E Engineers) and discuss the scheme and next steps. A basic programme of key dates has been scoped in the minutes of the meeting:</p> <ol style="list-style-type: none"> 1. Initial Planning Conditions Discharge Application – end of March 2023 2. Full Drawings Building Regulations Application – end of April 2023 3. Tender documents to be prepared for AS to review – end of June 2023 4. 4-6 week tender period following by 2-week's tender analysis. 5. Start on Site – September 2023. <p>The design team is scheduled to meet again to review progress on 21/04/23.</p>
Sherards House	15	The demolition notice for Sherards House has now expired. Procurement via the tender portal began on 28/01/23 with a closing date of 02/03/23. Further meetings have been held on site with the Architect, and both Arboricultural consultants to agree a way forward and update the ecology reports to support the planning application.
Pytt Field	5	The draft planning drawings have been circulated and comments raised are being addressed through the architect. Sub-Consultants have been commissioned to carry out various surveys and reports ahead of a planning application being submitted.
Red Lion Lane	3	Scheme being explored as a potential site for marketing to the Self-Build Register. Regeneration Team reviewing government guidance on process for self-build and

Scheme	No. of units	Updates / Notes
		implications to the Council.
Elm Hatch	6 flats / 1 house	McBains explored options for use of Cross Laminated Timber (CLT) / Timber Frame (TF) for this scheme however received no adequate cost advice from CLT suppliers, whilst TF was not considered suitable for the scheme. McBains then carried out an exercise for rationalisation of steel use on the scheme. The heritage consultant (Iceni) has issued initial comments on design changes following the pre-app feedback received. A Passivhaus consultant (Beyond Carbon) has been appointed for Stage 3 design. Stage 2 Cost Plan received early February and currently being reviewed. Stage 3 design commenced on 20/02/23.

New House Building Programme Phase 2

61. Work on phase 2 is being developed to identify additional potential sites, underutilised buildings and areas of land owned by the Council that would be suitable for new home developments. This work will continually review the needs defined by the current housing register and ensure scheme deliveries meet active requirements. An indicative phase 2 list is shown in Appendix 7. This is not the limit of phase 2, but rather an indicative list of what has been identified to date. It is envisaged that a much larger number of sites will be identified, and it is possible that some of those on the list will not progress beyond outline feasibility.
62. Phase 2 will also identify estates and larger growth areas that provide renewal opportunities and broad redevelopment options. These schemes will require significant consultation and engagement with residents, Ward Councillors and other stakeholder groups. Such activities would also allow for the exploration of partnership opportunities with Landowners, Registered Providers and Developers where commercially prudent to do so to ensure successful delivery.

Phase 2 Scheme Updates

Scheme	No. of units (est)	Notes
Parnall Road	5 flats / 6 houses	Scheme being progressed at Stage 2 Design. Pre-App discussions have been held with Planning with comments relating to requirement of lifts in the flat block. A decision has now been taken to change the scheme to all houses. Scheme may revert back to all

Scheme	No. of units (est)	Notes
		houses due to viability of construction of flats on this site.
Potter Street Neighbourhood Office (Conversion to residential)	5	Planning Application was submitted in mid-February 2023 however, following review of the Title Report, it has transpired that there is a covenant on the land, which will require appropriation from GF to HRA and compensation to ECC. Regeneration has notified colleagues in Housing and Property & Facilities that it is their recommendation to withdraw the planning application and abort the scheme due to scheme now being unviable to proceed.
Lower Meadow Garage Site	7 or 8 flats (est)	Title Report received on 28/10/22. Architect commissioned to commence feasibility designs. A topographical survey has been undertaken and initial meetings on site with the architect has been held. It is anticipated that a small block of 6-8 flats can be delivered on the site. Currently awaiting feasibility drawings from the architect.
Riddings Lane	35 (est)	This site will be explored as part of the Investment Partnership.
Fishers Hatch & The Dashes	30 (est)	Formal Site Validation Process to be undertaken.
Pollard Hatch	20 (est)	Formal Site Validation Process to be undertaken.
Sumners Hatch	19 (est)	Formal Site Validation Process to be undertaken.
Garages East of 99-102 Greenhills	16 (est)	Formal Site Validation Process to be undertaken.
Coppice Hatch Garages	16 (est)	Formal Site Validation Process to be undertaken.
Land Associated with Hester House and Hester Mews	15 (est)	Formal Site Validation Process to be undertaken.
Playground & land between Little Pynchons and Pear Tree Mead	12 (est)	Formal Site Validation Process to be undertaken.
Colt Hatch Community Centre	11 (est)	Formal Site Validation Process to be

Scheme	No. of units (est)	Notes
		undertaken.
Slacksbury Hatch and associated garages	10 (est)	Formal Site Validation Process to be undertaken.
Katherines Hatch	10 (est)	Formal Site Validation Process to be undertaken.
Maunds Hatch & Hall	10 (est)	Formal Site Validation Process to be undertaken.
Garage blocks adjacent to Nicholls Tower	10 (est)	Site reviewed under initial feasibility (prior to governance process) but deemed to be difficult. Site has been put on hold and will be reviewed formally using the Site Validation Process at a future date.
Pypers Hatch	10 (est)	Formal Site Validation Process to be undertaken.
Stewards Farm	10 (est)	Formal Site Validation Process to be undertaken.

Next Steps

63. Significant delivery to be progressed within 2023/24 in line with Phase 1/2 updates.
64. Continuing iterative improvement to processes and governance arrangements as highlighted by the Programme & Delivery Boards.
65. An annual report to Cabinet on the progress of the CHBP will be presented in March of each year to set out the detailed programme for the next two years as well as to report on progress.

IMPLICATIONS

Strategic Growth and Regeneration

As contained in the report.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

None specific.

Author: Simon Freeman, Deputy to the Chief Executive and Director of Finance

Housing

As contained within the report.

Author: Andrew Murray, Director of Housing

Communities and Environment

As contained in the report.

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

The introduction of transparent and robust governance processes will mitigate the risk contract and or procurement challenges. Express Delegations to officers are required to properly support governance arrangements. The application and use of grant funding to projects must be in line with funder arrangements. The Council is required to publish an infrastructure funding statement at least annually (being the use and application of funding secured by way of s106 agreements.)

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix 1 – CHBP Process Document (Jan 2023)

Appendix 2 – CHBP Risk Register

Appendix 3 – A to Z of development_FINAL 220921 v2.pdf

Appendix 4 – Final Audit Report-Council House Building Programme 2022-23
(issued 3 Nov 2022)

Appendix 5 – Internal Audit Recommendation tracker_CHBP

Appendix 6 – Homes England Compliance Audit Report

Appendix 7 – CHBP Phase 2 List

Background Papers

None.

Glossary of terms/abbreviations used

CHBP – Council House Building Programme

DMC – Development Management Committee

HRA – Housing Revenue Account

GF – General Fund

EA – Employers Agent

PCSA – Pre Contract Service Agreement

M&E Engineers – Mechanical and Electrical Engineers