

Appendix 1

Housing Development Programme

RISK IDENTIFICATION & MANAGEMENT APPROACH

General Purposes
Committee

26 July 2022



Programme Update – 2022 completions



Electric Quarter

75 homes

- Legal completion & handover achieved Jan 2022
- Estate management by Sep 2022
- Sales completions by Aug 2022



Newstead House & Maldon Road

22 homes

- Practical completion & handover achieved June 2022



Gatward Green

12 homes

- Practical completion & handover achieved June 2022



Bury Street West

50 homes

- Practical completion & handover by January 2023
- Estate management by Dec 2022
- Sales completions by Aug 2023

Programme Update – 2022/23 Starts

Reardon Court

70 homes

- Planning consent granted
- Initial contract awarded Mar 2022
- Start on site Mar 2022



Upton & Raynham

134 homes

- Planning consent granted
- Vacant possession achieved Feb 2022
- Demolition underway
- Contractor procurement under review
- Start on site by Mar 2023



Bullsmoor Lane

27 homes

- Demolition underway
- Main contractor in PCSA
- Planning application submitted in May 2022
- Planning consent expected by Sep 2022
- Start on site Oct 2022



Exeter Road (Phases 1-3)

129 homes

- Planning consent granted
- Contractor procurement under review
- Starts on site by Mar 2023

Identified Risks

Ability to delivery programme to **Time, Cost and Quality** are subject to the following risks and mitigations:

- **Planning delays**– Service Level Agreement with planning authority and stakeholder engagement plans in place
- **Staff capacity & capability** – Development procedures, competency framework and ongoing capacity building resources in place
- **Construction market** – Update budgets and performance indicators to reflect increases in cost of construction and using frameworks to reduce procurement timescales.
- **Housing market**– Maintaining prudent revenue projections, regular review of tenures and developing sales strategies that capture early interests.
- **HRA affordability**– Amending project specifications in response to market conditions and adjusting wider programme to offset cost overruns
- **Reputational damage** – driving progress to meet targets and maintaining continuous dialogue with GLA





Gateway Process

Gateway 0

Pipeline development focusing on identification larger sites

Pipeline Site Identification:

- Led by Regeneration & Growth team
- Identify General Fund and HRA sites
- Undertakes site due diligence
 - Title report
 - Desktop surveys and studies
 - Appropriation
 - Minimum and maximum capacity estimates with initial discussions with planners

Risks Control Measures

Initial due diligence ensures sites are developable.
Resolving issues such as title restrictions and appropriation

Gateway 1

Pipeline development focusing on identification larger sites

Authority to Proceed to Feasibility:

- Post site identification and due diligence, includes visual inspection of site, title search and initial capacity review.
- Officers complete site brief detailing opportunities, risks and constraints; includes review of social & political factors that might influence deliverability.
- Aim is to gather as much information as possible with minimal expenditure
- Head of Development approval enables expenditure against feasibility budget

Risks Control Measures

- Site Brief reviewed/assured by senior development officers
- Minimal expenditure prior to authority
- Authority to proceed limited to initial feasibility assessment (RIBA stage 0 - 1)

Gateway 2

Viability Benchmark updated in response to cost inflation*

- £400k build cost per unit
- NPV of -£50k per unit
- IRR of 3.5%
- Loan Repayment Term of 50 years or less

* Approved at 16 Feb 2022 Cabinet and subject to Full Council approval

Investment Decision (DAR)

- Post initial feasibility study – this included a high level cost plan and project plan and a development appraisal on Proval
- Officer update Project Brief and submit with a DAR
- The DAR:
 - agrees the viability and deliverability (consultation feedback, project plan and risk mitigations) assessment;
 - approves establishment of allocated capital budget based on outcome of financial stress testing
 - approves appointment of project team (architect and sub-consultants, QS, PD, EA and CoW); and
 - agrees approach for enabling and main contractor procurement.
- Approval converts scheme to a capital project

Risk Control Measures

Promotes early capture of opportunities and risk mitigation in financial model

DAR implications process calls enable objective critical review at junction where change is inexpensive

Gateway 3a

Planning SLA will ensure consent is granted at least 1 year ahead of start on site

Authority to Proceed to Planning Submission

- Post scheme development and consultation
- Officers update Project Brief with updated cost plan and viability assessment and submit draft Design & Access Statement
- Board approval freezes design development for planning submission and contractor procurement
- Where there are shared ownership and private sales units proposed, Board agrees sales and marketing strategy

Risk Control Measures

Allows a pause to assess performance against quality, progress and financial parameters

Freezing design controls abortive costs at point when majority opportunities should be realised and risks are known

Gateway 3b

Authority to Proceed to Contractor Procurement

- Post planning submission (and preferably planning consent)
- Officers update Project Brief with updated cost plan and viability assessment based Stage 3 (or 3+) drawings
- Board approve procurement approach

Risk Control Measures

Allows assessment of market conditions and its potential impact on performance against quality, progress and financial parameters against

Gateway 4

Developing expertise in emerging procurement and contract management best practice and in modern methods of construction

Contract Award (DAR)

- Post tender
- Officers update project brief with known costs, financial, quality and programme information and submit with DAR
- The DAR
 - approves award to contractor for tendered contract sum over project period
 - agrees project specification/requirement (and value engineering proposed)
 - agrees risks and contingency budget
 - confirms viability of project based on outcome of stress testing
 - confirms supplier/contractor's capacity & resilience

Risk Control Measures

- Greater costs and programme certainty allows for better control
- Introduce PCSAs, where appropriate, to manage risks realised at technical design and mobilisation/enabling stage, where probability of cost increase is high
- Liability clauses within the contract regularly reviewed to limit Council's exposure to uncertainty
- Minimum 10% contingency budget

Gateway 5a

Developing tenure
blind estate
management offer

Authority to Accept Practical Completion & Handover

- Post final snagging
- Officers report on handover process and project outcomes and outputs; including retention sum and estimated final accounts. Also confirm project has complied with planning and grant conditions.
- Where there are sale units, officers update on implementation of sales and marketing and market conditions. Also, whether mitigations (e.g. buyer incentives) are needed.
- Approval enables PC and handover

Risk Control Measures

Income realisation risks can be better mitigated at this point

Cost variation managed through retention sum and controlling risks likely to arise during defects liability period

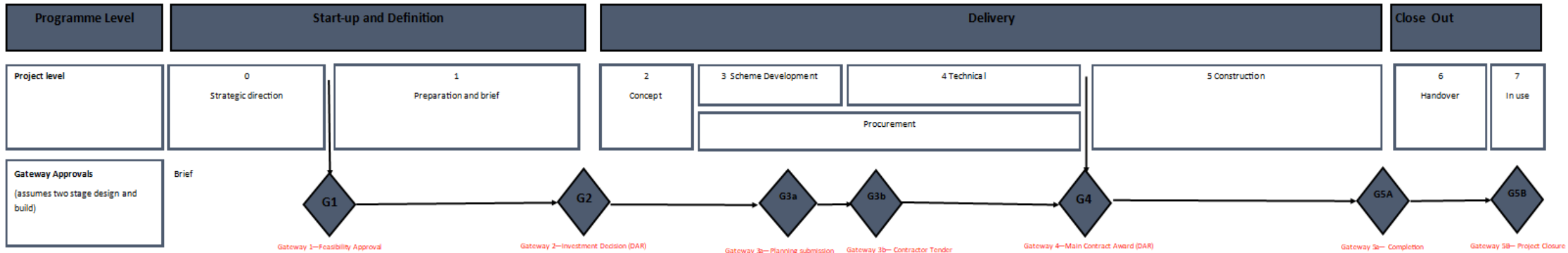
Authority to Close Project

- Post DLP and at 100% occupancy
- Officers report on post-occupancy surveys, lessons learnt and benefits realised.
- Officers provide final project account – including capital receipts realised, any overage paid and final profit/loss position.
- Approval ends project and documents are archived.

Risk Control Measures

Lesson learnt and benefits logs enable learning and organisational maturity.

Gateway Interface with Service Partners



Service Partners' Key Responsibilities

- Procurement
- Financial Services
- Legal Services

- Review and approve recommendations for Investment decision – DAR
- Validate initial procurement strategy and professional team appointments and confirm budget
- Financial and budget reporting and controls
- Assist and review Proval modelling activities
- All legal activities regarding due diligence or acquisition of sites

- Review and approvals of final procurement strategy/supply chain decisions
- Monitoring of resource performance
- Periodic reviews with supply chain
- Collation of KPIs and regular reporting to senior management team
- Assist and validate financial reports at project and programme level
- Contribute to gateway reviews and provide financial quality assurance
- Review and provide to management and development of projects including any third party issues
- Approve claims for GLA funding and new bids
- Contracts and legal advice
- Budget monitoring

- Review final KPI report
- Audit settlement of Final Account
- Facilitate lessons learnt reviews
- Support conveyancing

