

# Barrhead Housing Association Development Policy and Guide

## Why we want to develop

Providing new, good quality, affordable housing to meet housing demand and maximise choice across East Renfrewshire is a key objective of Barrhead Housing Association, and contributes to a number of overall aims set out in the 2019-24 Business Plan

- Create communities that fit the needs and aspirations of our customers and allow customers to engage with us
- Provide quality homes that are affordable to our customers now and in the future
- Grow our business, our communities and our people
- Improve the quality of our customers' lives
- Be flexible and adaptable to our changing environment.

When progressing our overall housing development programme and evaluating individual projects, the Association will take a balanced view taking into consideration the benefits, costs, risks and opportunities associated with proposed development, from perspectives of customers, communities and the Association.

## What we want to develop

Plans for new homes will be developed based on a robust, shared understanding of housing need and demand with East Renfrewshire Council. We aim to provide the right products in the right places and at the right price – with a clear customer in mind. Utilising the association's housing demand information and other available data we will identify priorities for housing development for discussion and submission to the Council through the annual review of the Strategic Housing Investment Plan. In addition to our social housing development programme, the Association aims to develop new housing options to widen choice in East Renfrewshire, including intermediate housing such as Mid-Market Rent.

We will apply the following principles in the development of new homes

- Our aim is to **create great places** to live, work and grow - following the ten principles of caring places [https://www.ads.org.uk/ten\\_principles\\_caringplace/](https://www.ads.org.uk/ten_principles_caringplace/) and encompassing the concept of a '20-minute neighbourhood' with all of your basic needs (shops, health care, work hub, places to socialise) within a 20 minute walk, cycle of wheel; supporting active travel, with a preference for less car oriented developments. We will work with partners to connect our developments with wider infrastructure developments including public transport and active travel.
- In each development we will explore opportunities to deliver benefits through use of **multi-functional greenspaces** and use of water <https://www.nature.scot/naturescot-research-report-1046-maximising-benefits-green-infrastructure-social-housing>

- The Association will aim to incorporate elements of **inclusive design** into our developments (building in design elements to enable flexible use of space), utilising the Inclusive Design Toolkit <https://www.sfha.co.uk/news/news-category/sfha-news/news-article/sfha-launches-toolkit-to-help-housing-sector-future-proof-homes> and integration of Technology Enabled Care into design.
- The Association will consider development of **net zero carbon housing** where possible, and always consider how a housing development can support green and climate friendly objectives. Options for low carbon heating systems will be assessed and alternative sources incorporated into future developments, taking account of available evidence on effectiveness of regulating heat and costs to the customer and the association. During 2022 we will develop a Sustainability Strategy for BHA. The strategy will include our ambitions to meet zero emissions by 2026, building net zero carbon homes and retrofitting renewable technology and smart heating controls into our existing homes to reduce carbon emissions and energy bills for customers.
- We will support use of **modern methods of construction** in partnership with our development partners, including use of offsite construction where this will be more effective and efficient, taking account of the recent Scottish Government [NOTE](#).

All developments will meet Scottish Government [guidance and standards](#) for new homes including Greener Standard, fire safety, and internet infrastructure and space standards. During 2022 we will work with customers to develop a BHA Design Guide, based on the principles above and drawing from the most ambitious examples nationally. The design guide will be reviewed annually based on feedback from our survey of customers who live in our new homes and from the team who manage and maintain the properties, as well as learning from the latest thinking and innovations.

## How we fund and resource building of new homes

The Association has a loan in place with Triodes of £3.454m for provision of 67 new homes.

The following people expertise and resources are in place to deliver the programme

- Governing Board – approves strategy, policy and individual developments
- Development Sub-Group – develops policy including standards and appraisal, risk and stakeholder approaches
- CEO – oversight of programme and management of development agents
- Director of Asset Management/ Property Manager – contributes to development appraisal and review of design standards, management of asset management data and system
- Director of Corporate Services/ Finance Manager – leads on financial appraisal
- Director of Customer Services/ Customer Services Manager – contributes to development appraisal and review of design standards; management of letting process and defects liability period

- Development Agents (current contracts until March 2022) – identify opportunities, manage development projects from identification to defects liability period, including coordination of all external partners
- Development Partners (agreement for each development) - build new homes
- BHA Solicitors (TC Young) - purchase of land and properties
- Employers Agent/ cost consultants (appointed on individual development basis) – cost management, coordination between association and developer
- Clerk of Works (appointed on individual development basis) – on site monitoring of progress and quality standards.

## How we make decisions

The Governing Board is responsible for making decisions regarding development of new homes. The Development Sub Group will review the overall development policy and procedures annually, and review overall programme delivery and feedback from customers, staff and good practice at least 3 times a year. The table below provides more information on responsibilities and key approvals, and template reports are [HERE](#).

Criteria	Board Responsibilities	Staff Responsibilities
Site Suitability/ Feasibility Report	Approval of feasibility study, confirmation that site is suitable and complies with policy, confirmation that Scottish Government and East Renfrewshire Council have agreed to inclusion in the programme, approval of outline costs, and to proceed to acquisition stage	<ul style="list-style-type: none"> <li>• Complete Site Identification</li> <li>• Complete feasibility/ site suitability assessment</li> <li>• Research demand</li> <li>• Agree acquisition with SG and ERC</li> </ul>
Acquisition Report	Approval to proceed with purchase of land/site for future development/land banking. Confirm site can be developed in normal parameters e.g. business plan sensitivities and lending assumptions. Approval of acquisition, legal, initial site investigation, stakeholder engagement and consultants' fees up to planning application stage	<ul style="list-style-type: none"> <li>• Desktop SI</li> <li>• Test Layout</li> <li>• Cost Plan</li> <li>• Viability Calc</li> </ul>
Procurement / Planning Report	Approval of planning application, proposed tenure mix, and consultants' fees up to tender award. Outline Design and Costings, Financial appraisal and Funding Arrangements, Procurement Route with commentary on proposals to procure main contract to comply with policy. Project Programme & Target Milestones <b>Approve purchase of site and progress to tender</b>	<ul style="list-style-type: none"> <li>• Planning application</li> <li>• Missives for site – suspensive conditions used as appropriate</li> <li>• Team – existing agreement or otherwise</li> <li>• Works – determine most appropriate method</li> </ul>
Tender/ Contract Report	Approval of works costs as tendered, approval of full fees and all others costs contained in the financial appraisal. Costs/Risks updated. Contract Programme Confirmed. Confirm no significant variations to agreed criteria or otherwise. Receive confirmation that: <ul style="list-style-type: none"> <li>• Tender represents VFM</li> <li>• Procurement process compliant</li> <li>• Project remains financially viable</li> <li>• Confirm cost report from QS recommending acceptance and that tender represents VFM</li> <li>• Confirm compliance with policy and provide commentary on procurement method used.</li> <li>• Provide 30 year cashflow</li> </ul> <b>Approve acceptance of tender/ contract</b>	<p>Ensure all designs meet criteria, e.g. HfVN, Design Brief, Policy Guidelines, Secured by Design</p> <ul style="list-style-type: none"> <li>• Obtain cost report from QS/EA recommending acceptance</li> <li>• Comply with Procurement Policy</li> </ul> <p>Update financial appraisal</p>
Project Completion Report	Handover Final Account/HAG PC, Post Completion Review, VfM assessment, customer feedback To go to Development Sub Group to inform future policy/ standards	Collate handover information Customer and staff feedback

## How we assess development sites

The following questions will be used to assess individual development sites:

- Fit with BHA's strategy and development policy?
- Align with Scottish Government and local housing strategy priorities and objectives?
- Meet housing need/demand: details of mix, tenure, location?
- Satisfy location factors (proximity to facilities, services, transport, surrounding properties/environment)?
- Comply with local plan designations, statutory consents required and any constraints?
- Consider any interests by other private/public sector bodies?
- Reflect sustainability issues, development constraints, known or suspected ground conditions, requirements for environmental audits, site survey investigations?
- Provide required Community Benefits?
- Provide operational benefit to BHA?
- Fit within parameters on costs, funding, rent levels and affordability?

A financial appraisal will be carried out on each development. The following assumptions will be used, and will be reviewed and updated annually as part of the Business Planning process by the Development Sub Group. As projects progress through the various approval stages, the assumptions will be replaced with latest known actual costs. The financial appraisal tool will be developed in 2022 including use of scenario testing of whole life costs and consideration of return on investment.

Item - Management	Basis of Assumption	Assumption Applied
Rental Income	Based on current rent structure inflated to year of completion	n/a
Rent Increase	As per Business Plan	
CPI	As per Business Plan, 30 year average, 30 year average (Assuming BP is up to date) or as agreed by the Development Sub	
Management cost per unit	Marginal increase only as current structure has capacity to absorb new units ie, Property Insurance and average tenancy management legal costs estimate per unit (Reviewed annually by DoCS)	
Maintenance cost per unit	Annual DTD budget costs adjusted to reflect lower reactive and voids repairs for new build units. Years 1-5 £100 then incrementally to £500 by year 30 Cyclical costs based on the lifecycle costs required for property type. Averages are used for Initial PF requirement calculation (Reviewed annually by the DoCS and DAM)	
Major repairs cost per unit	Actual estimates per property components (Reviewed annually by DoCS and DAM)	
Voids	As per Business Plan, adjusted to reflect newbuild units assumed void levels of 2/3rds of current stock	
Bad Debts	0% years 1-5. As above thereafter	
Interest rate	As per Business Plan (Assuming BP reflects current economic forecasts and finance market costs) or as agreed by the Development Working Group	

Purchase Price	Based on historical costs/trends	Actual or £10,000 per unit if not known
Demolition & Site Clearance	Based on historical costs/trends Previous Tender Consultant Quote	Estimate
Site Security Costs (Pre Contract)	Based on historical costs/trends	Estimate
Valuation Fees	Based on estimated costs from appointed Valuation Agency/Quotation	Estimate
Legal Fees	Framework Rates Based on estimated costs from appointed Legal advisors/Quotation	Estimate
Stamp Duty (if applicable)	Based on estimated costs from appointed Legal advisors/Quotation	Estimate
Feasibility Study: Design Team Fees	Based on historical costs/trends Framework Rates where applicable	Estimate
Site Investigations	Based on historical costs/trends/Quotation	Estimate
Topographical Survey	Based on historical costs/trends/Quotation	Estimate
Works	Based on historical costs/trends	£130,000 per unit
Exceptional Site Development Costs	Based on what is known of site conditions and historical costs/trends	Estimate
Vat on works (if applicable)	New Build Zero Rated for VAT	20% of works
Planning	Based on unit numbers and Local Authority current published fees	Estimate
Building	Based on unit numbers and Local Authority current published fees	Estimate
SER Certification	Based on Local Authority current published fees	Estimate
Roads Construction	Based on unit numbers and Local Authority current published fees	Estimate
Scottish Gas	Based on unit Utility Company current published fees	Estimate
Scottish Power	Based on unit Utility Company current published fees	Estimate
Scottish Water	Based on unit Utility Company current published fees	Estimate
Media	Based on unit Utility Company current published fees	Estimate
Architect	Framework Rates Lump sum or agreed % works	Estimate
Employers Agent/QS	Framework Rates Lump sum or agreed % works	Estimate
Structural Engineer	Framework Rates Lump sum or agreed % works	Estimate
M&E Engineer	Framework Rates Lump sum or agreed % works	Estimate
Landscape Architect	Framework Rates Lump sum or agreed % works	Estimate
Principal Designer	Framework Rates Lump sum or agreed % works	Estimate
Health & Safety Adviser	Framework Rates Lump sum or agreed % works	Estimate
Clerk of Works	Subject to procurement exercise but unlikely to exceed 1%	1% Works
Vat on Fees (where applicable)	Applied to fees at agreed rate of Vat	20%
Valuation Fees	Based on historical costs/trends	Estimate
Mid-Market Rent	Higher specification, plus white goods, blinds and carpets.	£4,000 per unit
Third Party Warranties	Based on historical costs/trends	Estimate
Site/Buildings Insurance	Based on historical costs/trends	Estimate

Collateral Warranties	Based on historical costs/trends	Estimate
Capitalised Interest	Estimated as 3 months interest on total private finance for the project at Interest Rate assumption in management costs	Estimate

## How we involve stakeholders

Stakeholder mapping will be carried out for each project using the following template, to ensure a comprehensive planned approach to community and wider stakeholder engagement and consultation.

Stakeholder	Contact Details	Interests and Expectations	Engagement to Date	Planned Method of Communication	Timescale for communication	Lead
ERC Housing						
ERC Planning						
ERC Councillors						
Local MSP & MP						
Community Council						
Local residents						
Scottish Government						
Scottish Housing Regulator						
ERC Roads						
ERC Refuse Services						
ERC Cabinet						
BHA Board						
BHA Team						
BHA tenants						
Historic Environment Scotland						
Community Council						
Other...						

## How we build homes

The procurement of development projects can take many different forms. The table below outlines the advantages and disadvantages of the various forms of procurement. We will use this analysis to carry out an option appraisal of potential routes for development projects.

Procurement Route	Description	Advantages	Disadvantages
<b>Off the shelf purchases</b>	This is where a developer builds out the houses and the Associations purchases the completed buildings. This is considered a land transaction and falls outside procurement regulations.	The developer procures the design team and takes on all land transaction, financial and building risk. The association is only required to pay the developer on completion and avoids interim finance.	The Association potentially has no control over the design and specification of the units. Limited control over the programme and quality of the houses.
<b>Design and build</b>	The design and build option is a tender for a design and build contractor with an existing design team in place. The existing design team (architects, structural/civil engineers) are novated over to the contractor who takes responsibility for the design after appointment. The design team are procured either through an established framework or by open tender. The client appoints a cost consultant/contract administrator to act for them during the build period.	This procurement provides a single point of contact for the design and building of the houses including any building failure. Improved collaboration between the designers and builders.	The contractor is in control of the design and changes can be problematic. Without proper control of the design the builder may reduce the quality to meet a budget/price.
<b>Back-to back Design and Build</b>	This is where a site is selected and a housebuilder is procured to provide the complete services including appointing the design consultants.	Advantages as for design and build above. Quicker route to site start due to the removal of the requirement to procure a design team.	Disadvantages as for design and build above plus the client has little control of the quality of the design team.
<b>Traditional procurement</b>	A design team are appointed by open tender. The project is designed to construction level of detail and a building contractor is procured through open tender to construct the building with no design responsibility.	The client is in total control of the design, quality and programme of the development with the ability to control changes more manageable. Cost control during construction is a client responsibility.	The client accepts the responsibility for the design including future building failures. Longer pre construction programme due to preparing tender documentation.
<b>Partnership/ collaborative working</b>	A longer term partnership is formed with a house builder to undertake multiple projects. This is either from a framework of contractors or open tender.	Improved client/contractor relationship. Security of programme over a number of projects. Possibility of improving performance over time.	Long term commitment to single constructor. Tendering of individual projects removed – VFM assessment needed.



Once the procurement route has been established the tendering methodology requires to be considered. We will use the matrix below to determine the most appropriate route.

Method	Description	Advantages	Disadvantages
Open market tender	Open market tendering is open to all qualified building contractors. There is generally a quality assessment to pre-qualify for the pricing phase.	Open and transparent tendering process. Complies with procurement regulations and the association's procurement strategy. Open to smaller builders.	Slow preconstruction tendering process. Can be difficult to get contractors to price in a overcommitted construction market.
Framework	This method is available where parties have formed frameworks of building contractors to undertake construction projects i.e. the open market tendering step has already been undertaken by a third party, with the framework contractors being ranked as a result of this initial tendering process. These frameworks all comply with European procurement regulations. Normally a single contractor will be the highest scorer in terms of price and quality and a selected number of short listed contractors will form a tender list. These are often categorised by construction value. You can choose whether to appoint the highest ranked single contractor, or you can choose to undertake a mini tender from the short listed contractors.	Speed of delivery. Complies with procurement regulations and the association's procurement strategy.  Options for BHA include SPA, Wheatley and NHS frameworks.	Restricted open market tendering. Potential lack of competitive tendering. Restricted to larger construction companies.

During 2022 we will further develop our community benefits approach to maximise opportunities and improvements for our customers and communities.

## **How we manage projects and risk, and learn from customers**

A development tracker is in place including all current projects. It is reviewed monthly by the CEO to track progress and identify necessary actions, and is reported to the Governing Board every two months.

A risk log is established for each development project. It is updated by the cost consultant/ clerk of work and discussed at monthly site meetings alongside a monthly update report.

A [handover procedure](#) is agreed for each project based on the Association's model approach. The process for dealing with defects can be found [HERE](#).

We seek feedback from customers once they have moved into their homes through our CX survey platform, and use this insight to inform our design guide and standards in future developments.

During 2022 we will develop our measuring of the impact of housing development, to track for example the impact of measures such as solar panels, different heating systems, and jobs and training places created.

A summary of the complete development process is below.

