

AGENDA ITEM: 10

Page nos. 85 - 89

Meeting	Cabinet Resources Committee
Date	29 June 2011
Subject	Grahame Park Area Regeneration Project
Report of	Leader of the Council
Summary	This report seeks approval for the deferment of historic costs owed to the Council from the Council's developer partner for the regeneration of the Grahame Park Estate 'Choices for Grahame Park (CfGP) Limited' until 1 st July 2012 in response to revised funding criteria imposed by the scheme's principal funder. Deferring the payments would allow CfGP to fund these costs from receipts rather than borrowing the money from their funder and CfGP's parent company Genesis Housing Association.
Officer Contributors	Noreen Twomey, Assistant Project Manager (Regeneration Service)
Status (public or exempt)	Public (with a separate exempt report)
Wards affected	Colindale
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Noreen Twomey, Assistant Project Manager (Regeneration Service), 020 8359 7646.

1. RECOMMENDATIONS

- 1.1 That Committee approve the deferral of historic costs owed to the Council from the Council's developer partner for the regeneration of the Grahame Park Estate 'Choices for Grahame Park (CfGP) Limited' until 1st July 2012 in response to revised funding criteria set by the scheme's principal funder.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Planning and Environment Committee, 8 September 2004 (Decision item 8) – approved outline planning permission for the regeneration of Grahame Park, with the completed Section 106 Agreement securing substantial local community and infrastructure benefits signed on 23 January 2007.
- 2.2 Cabinet, 24 July 2006 (Decision item 5 and decision 11) – authorised the entering into a Principal Development Agreement (PDA) with Choices for Grahame Park (CfGP) Limited (or subject to the approval of the Deputy Chief Executive in consultation with the Cabinet Member for Regeneration and Development, an alternative company within the Genesis Housing Group) and Paddington Churches Housing Association for the regeneration and redevelopment of the Grahame Park area.
- 2.3 Council, 2 March 2010, on recommendation of Cabinet 22 February 2010 (item 9) – recommended to Council to adopt the Colindale Area Action Plan (AAP), which includes strategic planning support for the regeneration of the Grahame Park Estate and wider Colindale Area.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 2.1 The regeneration of Grahame Park Estate supports the Corporate Plan 2011-2013 priority of 'A successful London Suburb' and the strategic objective under this priority to *sustain Barnet as a successful place through plans for regeneration and strategic growth*.
- 2.2 The regeneration of Grahame Park Estate also supports the 'One Barnet - A Sustainable Community Strategy for Barnet 2010–2020' through the following objectives:
- A new relationship with citizens - the new development will offer more choice and promote independence by providing a number of different housing options such as shared ownership to residents and those in the wider community.
 - A one-public-sector approach - the Council is working together with other public sector partners to ensure the delivery of the scheme.
 - A relentless drive for efficiency - the Council is working with development partners to ensure that the scheme is delivered in the most cost effective way.

- 2.3 The redevelopment also complies with strategic objectives in the Council's Housing Strategy 2010-2025 which include:
- Increasing housing supply, including family sized homes, to improve the range of housing choices and opportunities available to residents; and
 - Promoting mixed communities and maximising opportunities available for those wishing to own their home.

4. RISK MANAGEMENT ISSUES

- 4.1 The Grahame Park regeneration scheme has reached a critical point. Whilst the economy remains fragile there are key risks associated with regeneration viability. By not enabling flexibility and approving deferral of historic costs owed to the Council, continued project delivery is at risk.
- 4.2 Deferring payment of the historic costs owed to the Council would allow CfGP to fund these costs from receipts rather than borrowing the money from their funder and CfGP's parent company Genesis Housing Association. Under the deferment proposal the Council will be repaid its costs on 1st July 2012 when all the new homes for sale currently under construction have been sold. The sales income is critical to the successful delivery of the project, one of the most critical factors in the viability of the project. Sales and marketing of the homes for sale is being delivered by Countryside Properties. Sales are currently progressing at a rate of five per month. In 2009 the Council and CfGP jointly appointed a Sales Valuer who will certify to the Council that sales revenue for each dwelling sold represents proper value in the market conditions prevailing at the time of sale. However, CfGP has confirmed to the Council that payment will be made on 1st July 2012 irrespective of sales performance on Phase 1a.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The scheme will replace 1,314 homes and deliver a mix of 2,977 affordable, intermediate and private sale flats and houses with new community facilities, including a library, health centre, children's centre and community centre. The Council will have 100% nomination rights to the new affordable housing units and re-housing offers will be made to all the existing secure tenants on the existing housing estate. The regeneration scheme will provide a new area of mixed tenure housing and will make this part of the Borough a better place to live, leading to improved community cohesion in an area with a highly diverse population.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

Finance

- 6.1 The proposal to defer historic costs owed to the Council from CfGP in response to revised funding criteria imposed by the scheme's funders will require budget cover of approximately £1.21 million from the Council for items which have already been expended. This includes internal and external expenditure associated with the making of a Compulsory Purchase Order (CPO), internal and external costs associated with the Grahame Park PDA and Home Loss and Disturbance payments. A breakdown of this figure is detailed as Appendix 1 to the exempt report. Under the terms of the PDA and the CPO Indemnity Agreement the historic costs would have been paid to the Council in 2009. Under the deferment proposal the Council will be paid on 1st July 2012. .
- 6.2 The Council will receive interest on these historic costs as per the definitions in the PDA and the CPO Indemnity Agreement. Actual and projected interest is also detailed in Appendix 1 to the exempt report.
- 6.3 The Council has appointed financial consultants Turner and Townsend (T&T) who have rigorously analysed the Grahame Park Estate Regeneration Business Plan and current cash-flow. A copy of their report is included as Appendix 2 to the exempt report.

7. LEGAL ISSUES

- 7.1 All payments and interests referred to in this report must accord with the relevant provisions of the Principal Development Agreement and the CPO Indemnity Agreement for the Grahame Park Regeneration Scheme.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution – Part 3 Responsibility for Functions – Section 3.6 Functions delegated to the Cabinet Resources Committee – all matters relating Capital and revenue finance, forecasting, monitoring, borrowing and taxation.

9 BACKGROUND INFORMATION

- 9.1 In January 2001, the Council embarked upon a scheme for the regeneration of the Grahame Park Estate which aimed to transform it into a thriving, 3,440-home mixed tenure community, improved transport links and enhanced community facilities. Grahame Park renewal forms a key part of the Colindale regeneration area, supported by the Area Action Plan adopted March 2010.
- 9.2 The first major sub-phase, comprising 319 mixed tenure homes started on site on 27 July 2009. Attracting external funding to commence construction during this time of economic instability was a tremendous

achievement. The first homes were completed in February 2011. The Greentop Centre, a children's activity centre, was completed in December 2008 and the final major phase of Stage A, comprising 446 mixed tenure homes is due to start on site before the end of the financial year.

- 9.3 The scheme is being developed by CfGP, a subsidiary of Genesis Housing Association. Countryside Properties is the contractor on the project and is also responsible for selling the homes for sale. CfGP will roll the surplus from each phase, if any, forward to cross-fund subsequent development, only realising their profits at the end of the regeneration programme.
- 9.4 The scheme is primarily funded from an external source. In response to the re-evaluation of risks in the financial sector in 2009, the principal funder made fundamental changes to the terms of the draft agreement with CfGP, the details of which are outlined in the exempt report. Introducing some flexibility in the timing of the payment of the Council's historic costs enabled the scheme to be funded at a time when very few developments were awarded finance. The Council was in principle supportive of this deferment request to bring forward the regeneration of Grahame Park.
- 9.5 Deferring payment of historic costs owed to the Council from CfGP until 1st July 2012 assists the cash-flow and peak debt for the CfGP Grahame Park Estate Regeneration Business Plan and ensures continued project delivery.
- 9.6 By agreeing to this deferment, the Council can help assure the continuing delivery of one of the borough's premier regeneration schemes, which is helping to transform Grahame Park and the whole Colindale Action Area.

10. LIST OF BACKGROUND PAPERS

- 10.1 None

Legal: TE
CFO: MC

