



## ASSETS, REGENERATION & GROWTH COMMITTEE

**1 June 2015**

<b>Title</b>	<b>BARNET DEVELOPMENT PIPELINE</b>
<b>Report of</b>	Director of Place (Re), Stephen McDonald
<b>Wards</b>	Edgware, Underhill and Hale Wards
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A –Land adjoining Whittings Hills School Appendix B –Land adjoining Broadfields School Appendix C –Land adjoining Northway/Fairway School Appendix D – Risk Register
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## Summary

As a strategic housing authority the London Borough of Barnet considers how best to meet future housing demand based upon limited resources available in terms of land.

The Council's Housing Strategy, has the overarching objective of providing housing choices that meet the needs and aspirations of Barnet residents, the business case summarises the Council's approach to achieving these objectives by increasing Housing supply and maximising the Council's land resources to meet future housing demand whilst creating a long term revenue stream. This reports therefore seeks the following approvals;

## Recommendations

**That the Committee approves the following;**

- 1. To note progress to date**
- 2. To commence the procurement of a suitable building contractor with final appointment to follow the approval of the full Business Case**
- 3. To report back to committee in September with a Full Business case and proposed development structure**

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Assets, Regeneration and Growth Committee approved at its meeting on 9 July 2014 the approach to, and the principles underpinning, the creation of a Development Pipeline, and that an initial list of potential development opportunities to bring forward sites which were declared surplus to requirements.
- 1.2 The Committee further approved at its meeting on 8 September 2014 that following consultation with Ward Members the potential development opportunities at Broadfields, Whitings Hill, Northway/Fairway, Coppetts Road and Moxon Street can be taken forward to planning.
- 1.3 The Committee approved at its meeting on 16 March 2015 a further recommendation to agree in principle to take forward the development opportunities at Broadfields, Whitings Hill, Northway/Fairway, with Coppetts Road and Moxon Street to follow with a report to follow outlining a detailed business case, preferred development option, and funding route for all five sites.
- 1.4 The recommended sites are the first to be put forward out of a pipeline of surplus sites.
- 1.5 These sites have been declared surplus to requirements and received Section 77 & 35a consent from the Department of Education to permit disposal of the sites. These sites were released from education use in 2007.
- 1.6 Disposal of these sites as-is has been considered. However, taking the sites through to planning consent eliminates the planning risk associated with the acquisition of these sites by a would-be developer (should the Council subsequently decide to dispose of these sites) and therefore materially increases the disposal value.
- 1.7 Continuing to hold the sites in their existing condition could result in unlawful occupation, management costs in maintaining security and fails to realise the value of the land which will assist in delivering other corporate objectives. The development of these sites for residential purposes will provide much needed accommodation in the Borough.

## 2. REASONS FOR RECOMMENDATIONS

- 2.1 The recommended sites are the first to be put forward out of a pipeline of surplus sites. In order to maximise the potential value of these sites, the Council previously considered three options outlining the potential advantages and disadvantages of each option:

**Option 1:** Market sites for residential development with the benefit of planning consent

**Option 2:** London Borough of Barnet develop the sites

**Option 3:** London Borough of Barnet enter into joint venture with Re and/or another development partners

Upon conclusion of this review the recommendation is option 2 namely because neither option 1 or 3 deliver the full benefits to the Council nor do they prove the concept of the Council redeveloping its own land.

Option	Benefits of Preferred delivery Option
2	<ul style="list-style-type: none"><li>• Complete control of housing mix, through planning process and agreed design standards</li><li>• LBB control speed of development and construction</li><li>• LBB benefits from sales receipts</li><li>• LBB control development standards</li><li>• LBB control sales and marketing process</li><li>• Enhanced capital receipt circa 2018</li><li>• Element of affordable housing will become capital asset</li><li>• Council retain full development value created</li><li>• Open book procurement through a OJEU compliant framework</li></ul>

## 2.2 Delivery Structure:

The Council has commissioned an external consultant to review a range of delivery vehicles that could be established to develop these projects. The initial conclusion is that the Council needs to establish a company to take forward development. Further detailed legal advice is being taken on the structure of the company, and this will feed into the Final Business Case to be considered in September.

### **2.3 Key benefits by taking forward the development are;**

- The Council benefits from the entire uplift in value from developing its own sites
  - By realising the delivery of more units both private and affordable the Council benefits from economic growth ensuring that the Borough remains an attractive place to live whilst contributing towards its housing objectives
  - The proposed residential developments represent an opportunity to create high quality new housing
  - Promoting high quality architecture and design
  - Opportunity to create a variety of housing tenures and facilitate new products being introduced to promote first time buyers i.e. Home buy/First buy
  - Achieving high standards of sustainable development i.e. Life time Homes
  - Contributing to the housing needs of residents
  - Generating funding i.e. Council Tax, New Homes Bonus, /Cil for local infrastructure and service improvements
  - By taking the direct development route the Council benefit from the value uplift
- Creation of employment and training opportunities targeted at Barnet's disadvantaged groups, unemployed etc.
- Creating opportunities to design out crime and improve community cohesion i.e. secure by design
  - High quality amenity areas
  - Creation of play and recreational facilities such as Northway/Fairway

## **2.4 Procurement of a contractor**

The process for procuring a contractor to build the new homes is expected to take around six months. In order not to lose momentum in delivery of the new homes, the committee is asked to agree that procurement can begin now. No appointment would be made unless and until the Committee approves the final business case, scheduled for July. More information is in section 4.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 The recommended five sites are the first to be put forward out of a pipeline of surplus sites. Continuing to hold the sites in their existing condition could result in unlawful occupation, management costs in maintaining security and fails to realise the value of the land which will assist in delivering other corporate objectives. The development of these sites for residential purposes will provide much needed accommodation in the Borough.
- 3.2 The alternative options would mean that the Council would have limited control as to when the schemes are delivered (3-5 years) (i.e. deal subject to detailed planning).
- 3.3 The imposed quality of housing standards would affect the offer value from a third party developer.
- 3.4 Any joint venture route would result in sharing profit and reward.
- 3.5 We have considered delaying the commencement of procurement until the Final Business Case is agreed. However this would delay the delivery of much needed new market and affordable housing.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Re, on behalf of the Council, is currently finalising the full business case for the preferred development option, which will be presented to the Committee at its September meeting, this will include the cooperate structure for delivery, technical & legal advice to taking the housing projects forward to delivery stage.
- 4.2 To maintain programme momentum in the interim, the report seeks Committee approval to commence the procurement process which typically can take 6 months. Final appointment will be subject to the approval by Committee of the full business case.
- 4.3 Re will commence the procurement process by accessing the multi-supplier London Development Panel (LDP) framework established by the Greater London Authority (GLA)
- 4.4 The LDP consists of twenty five panel members procured to provide a range of services and works on housing led sites. The two stage Design and Build process and early engagement with a contractor on the design will help improve the predictability of costs, time and quality of the tender return.

- 4.5 Following the conclusion of the procurement process, and committee approval of the full business case, LBB will enter into a contractual agreement with a suitable contractor.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Corporate Plan 2013-16 has a strategic objective to “promote responsible growth, development and success across the Borough”.
- 5.1.2 The Council’s Estates Strategy 2011 – 2015 sets out our commitment to continually review the use of Council Assets so as to reduce the cost of accommodation year on year.
- 5.1.3 Consideration of the proposed Strategic Asset Management Plan is also being considered by Assets Regeneration and Growth Committee, which if approved will form the basis of decisions for the council’s property portfolio.
- 5.1.4 The Growth Strategy for Barnet recognised that growth is vital for ensuring the future prosperity of the Borough and maintain Barnet as a successful London suburb.
- 5.1.5 The Council’s Local Plan adopted in 2012 sets out a 15 year ‘vision’ to help shape the kind of place that Barnet will be in the future. It supports the delivery of new homes including affordable dwellings and the use of brownfield land for high quality and sustainable suburban development.
- 5.1.6 The Council’s Housing Strategy, agreed in 2010 has the overarching objective of providing housing choices that meet the needs and aspirations of Barnet residents and sets out how the Council will deal with a number of challenges including high prices, a shortage of affordable housing and the potential threats to the qualities that make the Borough attractive.
- 5.1.7 It identifies a number of core objectives including increasing housing supply, including family sized homes to improve the range of housing available to residents, promoting mixed communities and maximising opportunities available for those wishing to own their home.
- 5.1.8 The Council is developing a new draft Housing Strategy which is currently out to consultation and reinforces a number of these key aims.

**Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.1.9 The estimated costs of developing the three sites is being finalised. It is assumed that these costs will be funded initially through prudential borrowing at PWLB rates, repaid from private sales receipts and any potential grant funding that may be available. The full costs and funding will be presented in the Final Business Case.

## **Programme**

The proposed timeline to incorporate (A-F below) across all five sites is schedule within 2015/16.

- a. Planning committee for Northway/Fairway, Broadfileds & Whittings September 2015
- b. Planning committee for Coppetts Road & Moxon Street - October 2015
- c. Judicial review (6 weeks)
- d. Commencement of procurement June – December 2015
- e. Full business case to Asset Regeneration & Growth Committee- September 2015
- f. Commence Construction January 2016

## **5.2 Legal and Constitutional References**

- 5.2.1 Council Constitution, Responsibility for Functions, Annex A – The Assets, Regeneration and Growth Committee has responsibility for “Asset Management – all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council and the approval of non-statutory plans that concern asset management matters
- 5.2.2 Section 2.8 of The Management of Assets, Property and Land Rules, contained in the Council’s constitution states that the “Strategic Asset Management Plan will govern decisions on the future direction and development of the Council’s Built Environment” and Section 2.9 (i) provides “An Annual Work Plan will govern decisions on whether to dispose of an Asset for purposes in accordance with the Corporate Plan objectives”
- 5.2.3 Local authorities are given the general power under Section 123 of the Local Government Act 1972 (as amended) to dispose of land held by them in any manner they wish. The only constraint is that, except with the consent of the Secretary of State, a council cannot dispose of land, other than for the grant or assignment of a lease not exceeding seven years, for a consideration less than best that can reasonably be obtained. Such consent is required unless the General Disposal Consent 2003 applies. This gives a blanket consent where the undervalue is less than £2m and the disposal will help to secure the promotion or improvement of the economic, social or environmental well-being of the Borough. The Council will need to be

satisfied that those criteria will be met by the proposed arrangements. Notwithstanding that the General Disposal Consent 2003 may apply, when disposing of land at an undervalue the Council should remain aware of the need to fulfil its fiduciary duty in a way which is accountable to local people.

- 5.2.4 Council Constitution, The Management of Asset, Property and Land Rules, Appendix 2, Table B sets out the acceptance thresholds which provides authority for the action. Financial arrangements in excess of £100,000 must be approved by Assets, Regeneration and Growth Committee.
- 5.2.5 The Localism Act 2011 specifies that commercial trading must be undertaken through a company or a form of industrial and provident society. Detailed legal and technical advice is being sought on legal requirements including the appropriate company structure and the legal implications arising from the chosen structure will be reported to committee in the Full Business case.

### **5.3 Risk Management**

- 5.3.1 Retaining these sites while the Council undertakes outline design and planning submission subjects the Council to increased market risk. The current housing market is strong and the Council would get considerable market interest should it seek to dispose of these sites as is. However, if the Council were to dispose of these sites for maximum value now, the contract would be subject to planning, and therefore the price would reflect that uncertainty. By undertaking the planning itself, the Council and Re are best placed to manage this risk and capture the value uplift.
- 5.3.2 Continuing to hold the sites in their existing condition could result in unlawful occupation, management costs in maintaining security and fails to realise the value of the land which will assist in delivering other corporate objectives. The development of these sites for residential purposes will provide much needed accommodation in the Borough.
- 5.3.3 Resolution on the appropriate delivery vehicle & tax implications to take these developments forward needs to be considered.
- 5.3.4 Sales risk- due to market volatility changes in market place may affect outright sales values & demand
- 5.3.5 Perception & reputation- i.e. LBB as private house builder, will need to be considered in the context of ensuring that the correct branding vehicle is adopted to take the marketing of each site forward.



- 5.3.6 Resolution on the management of the rented and shared ownership properties through a registered provider needs to be considered
- 5.3.7 Funding (LBB will need to underwrite full development costs)

#### **5.4 Equalities and Diversity**

- 5.4.1 Under the Equality Act 2010, the Council must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are; age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regards to eliminating discrimination.
- 5.4.2 The Council is committed to improving the quality of life for all and wider participation in the economic, educational, cultural, social, and community life in the Borough.
- 5.4.3 The development proposals will make significant contribution to the provision of additional, high quality affordable housing in the Borough as well as promoting construction jobs in the borough.
- 5.4.4 At this stage the proposal does not raise any issues under the Council's Equalities Policy and does not have a bearing on the Council's ability to demonstrate that it has paid due regard to equalities as required by the legislation. No immediate equality impacts are anticipated as a result of this proposal.
- 5.4.5 The new affordable housing units should the Council decide on the development route will be let in accordance with the council's housing allocations scheme which was subject to a full equalities impact assessment to ensure it does not disadvantage any households on the basis of ethnicity, faith, gender, disability or sexual orientation or age.

#### **5.5 Consultation and Engagement**

- 5.5.1 In progressing options for the 3 sites, Local Ward members, Residents, Stakeholders and each of the adjoining schools have been fully briefed and their views sought on the development proposals. Key issues raised concerned traffic and parking implications, mix of accommodation and density, affordable housing, open space provision, trees, impact on existing neighbouring amenity and overlooking of school grounds. These issues have been considered in the current design proposals.

- 5.5.2 Public exhibitions were organised across each site in March seeking resident's views, in relation to the proposals, constraints and opportunities including indicative layout and house type designs. A web-page & dedicated contact details were made available to allow residents & members of the public to continue to engage, prior to the submission of the planning application.
- 5.5.3 Further consultation will be carried out as part of the statutory planning process.

## **6. BACKGROUND PAPERS**

- 6.1 Assets Regeneration and Growth Committee, 9 July 2014, Strategic Asset Management Plan  
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7960&Ver=4> .
- 6.2 Assets Regeneration and Growth Committee, 8 September 2014,  
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7885&Ver=4>
- 6.3 Assets Regeneration and Growth Committee, 16t March 2015  
<http://barnet.moderngov.co.uk/documents/s21974/BARNET%20DEVELOPMENT%20PIPELINE%20-%20TRANCHE%201.pdf>

## APPENDIX A – LAND ADJOINING WHITINGS HILLSCHOOL



## APPENDIX B – LAND ADJOINING BROADFIELDS SCHOOL





## APPENDIX C- LAND ADJOINING NORTHWAY / FAIRWAY SCHOOL



## APPENDIX D – RISK REGISTER

Workstream	Project	Risk Category	Risk Description <i>"There is a Risk that...."</i>	Risk Owner	Impact 5 = Critical 4 = High 3 = Medium 2 = Med-Low 1 = Low	Probability 5 = Occurred 4 = High 3 = Medium 2 = Med-Low 1 = Low	PRIORITY (Impact multiplied by Probability)	Risk Management Actions
Design	Tranche 1 Housing Development	Planning risk	That highways / transport / parking issues are not sufficiently addressed	Re	3	1	3	A specialist transport consultant has been engaged to assess the impact
Programme	Tranche 1 Housing Development	Business risk	The scheme does not meet the Councils corporate aims and objectives	LBB	2	2	4	The design variables have been considered in conjunction with planning and housing policy guidelines and in particular makes provision for affordable housing, amenity space and parking in accordance with local plan standards
Programme	Tranche 1 Housing Development	Procurement risk	There is not sufficient market interest in tendering	Re	3	2	6	The procurement is going through a framework for the scheme, which is expected to have a number of interested bidders involved
Construction	Tranche 1 Housing Development	Build risk	That the construction overruns and is not delivered in time	Re	4	1	4	Capita, LBB's joint venture partner is experienced in managing major construction schemes. Re will be reporting regularly through the Development Pipeline Programme

								Board
<b>Design</b>	Tranche 1 Housing Development	Planning risk	That planning permission is not obtained within the Council's required timescales	Re	4	2	8	A specialist planning consultant has been engaged to assess and liaise with the Planning Authority
<b>Programme</b>	Tranche 1 Housing Development	Funding risk	That funding is not available for the cost of the whole development	LBB	5	2	10	The business case will review the availability of capital funding and/or any external funding
<b>Programme</b>	Tranche 1 Housing Development	Procurement risk	The contractor is not procured within LBB's timeframe	Re	4	3	12	Early engagement with the framework panel will ensure timely delivery
<b>Design</b>	Tranche 1 Housing Development	Design risk	That the design is not policy compliant	Re	4	3	12	Capita, LBB's joint venture partner is experienced in designing housing development schemes. This will be managed through the planning application submission process
<b>Programme</b>	Tranche 1 Housing Development	Commercial risk	Over the course of the development, build cost inflation is likely to occur	LBB	3	3	9	The selection of a contractor through an OJEU compliant framework will ensure construction cost rates are competitively priced
<b>Commercial</b>	Tranche 1 Housing Development	Commercial risk	Over the course of the development house price inflation/deflation is likely to occur	LBB	3	3	9	Capita real estate is experienced in reviewing market conditions. Sale of outright private units will be phased in line with market demand
<b>Programme</b>	Tranche 1 Housing Development	Planning risk	The scheme could be judicially reviewed	LBB	4	3	12	Robust public, stakeholder, resident engagement and compliance with planning policy guidelines

<b>Commercial</b>	Tranche 1 Housing Development	Commercial Risk	The details of the development structure are not finalised in sufficient time to progress the development	LBB	4	3	12	The London Borough of Barnet have commissioned external consultants to review a range of delivery vehicles
<b>Programme/Commercial</b>	Tranche 1 Housing Development	Procurement Risk	Delays could occur in accessing the procurement framework	LBB	3	3	9	Early authorisation to access framework to be approved by LBB
<b>Programme</b>	Tranche 1 Housing Development	Business risk	The management of the rented and shared ownership properties through a registered provider needs to be considered.	LBB	4	3	12	The London Borough of Barnet have commissioned external consultants to review a range of delivery vehicles. The preferred housing provider route is to be finalised through this process
<b>Commercial</b>	Tranche 1 Housing Development	Commercial	The appropriate branding strategy is not implemented in sufficient time.	LBB	3	2	6	Capita, LBB's joint venture partner is experienced in providing branding options through its extensive network of professional services
<b>Programme</b>	Tranche 1 Housing Development	Business risk	Holding the sites in their existing condition could result in unlawful occupation, management costs and fails to realise the value of land	LBB	3	1	8	The approach to take the development pipeline forward has been approved by committee