

	<h2>Assets, Regeneration and Growth</h2> <h3>30 November 2015</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Grahame Park: Variation to Principal Development Agreement in respect of Plot 8.</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Commissioning Director for Growth and Development</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>Colindale</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>Yes</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix 1 -Outline Business Case</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Martin Smith -Regeneration Manager, 0208 359 7419</p>

<h2>Summary</h2>
<p>The Council has planning consent for the construction of a new office facility on plot 8 Grahame Park. Under the current terms of the Council’s Principal Development Agreement with Choices for Grahame Park the site is scheduled for market sale housing, profits from which are needed to support social infrastructure and affordable housing to be delivered as part of the regeneration. The PDA will therefore have to be amended to reflect the council’s revised proposals.</p>

<h2>Recommendations</h2>
<ol style="list-style-type: none"> <li>1. That the Committee approve the proposal to vary the Principal Development Agreement and the loan facility agreements in accordance with the terms outlined in this report and following approval of the Council’s capital programme and loan write off at Policy and Resources committee in December 2015</li> <li>2. That the Committee authorise the Commissioning Director Growth and Development in consultation with the Chairman of the Committee to agree the detail of the amendments to the Principal Development Agreement and related commercial documentation.</li> </ol>

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

- 1.1 At its meeting of September 2014 this committee authorised the Chief Executive to negotiate with Genesis Housing Association (GHA) as the parent company to Choices for Grahame Park to deliver a 'carve out' from the PDA of land to facilitate the development of office facilities. The Committee noted that the final terms of any carve out would be agreed by the Committee as part of a future decision on the delivery of new office facilities. At its meeting on 1<sup>st</sup> June 2015 the Committee approved an outline business case which included, within an overall build cost of £36m, the cost of buying out the developer's interest at Grahame Park.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 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, mixed tenure community with improved transport links and enhanced community facilities. In 2007 the Council entered into a Principal Development Agreement (PDA) with Choices for Grahame Park (CFGP) a special delivery vehicle created by Genesis Housing Association (GHA). To avoid confusion this report will only refer to GHA but the PDA specifically references CFGP.
- 2.2 The Council's decision to develop plot 8 for new office facilities requires both parties to agree to an amendment to the PDA. A draft document has been prepared which amends the red line within the site plan so that plot 8 remains in the council's ownership and confirms that a sum of £2.5m will be transferred to GHA in July 2016 to offset the potential loss of profit generated by the site.
- 2.3 The Council has entered into a loan agreement with GHA for Grahame Park for £5m to assist with the infrastructure costs of Lanacre Avenue. A variation to the loan agreement has been drafted which will immediately write off £3.5m of the loan repayment.
- 2.4 Together these measures (i.e. £2.5m and £3.5m) comprise a package of £6m to GHA to buy out their contractual interests in the site. Under previous proposals for the site GHA estimated that a surplus of circa £9.7m could be generated through the sale of private residential units on plot 8. However, this should be viewed in the context of a major recent escalation in construction costs and the inherent risk involved in any large scale development. Genesis have confirmed that their business plan for the overall regeneration scheme remains viable with the proposed compensation package.

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

- 3.1 The Council could choose not to compensate for removing Plot 8 from the scheme. However legal advice is that GHA would have a strong case against

the Council, and the scheme would no longer be viable, putting at risk delivery of affordable housing and community infrastructure.

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 The loan agreement and PDA variations will be formally agreed between both parties, and a programme for signing, sealing and implementation of the decision will also be agreed by both parties.

#### **5. IMPLICATIONS OF DECISION**

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

- 5.1.1 The vision for 2020 expressed within the Council's corporate plan 2015- 2020 expresses the principles of fairness, responsibility and opportunity and the following strategic objectives;

- 5.1.2 The council, working with local, regional and national partners, will strive to ensure that Barnet is the place:

- of opportunity, where people can further their quality of life
- where people are helped to help themselves
- where responsibility is shared, fairly
- where services are delivered efficiently to get value for money for the taxpayer

- 5.1.3 The new office facility on plot 8 in creating new economic and employment opportunities at the heart of the regeneration area will contribute to all four strategic objectives but with special focus on 1 and 4

- 5.1.4 The plan proposes a number of achievements. Those particularly relevant to this initiative as follows;

- more involved and resilient communities, with residents taking on greater responsibility for their local areas
- there will be a broad offer of skills and employment programmes for all ages
- a clean and attractive environment, with well-maintained roads and pavements, flowing traffic, increased recycling
- a responsible approach to regeneration, with thousands of new homes built and job opportunities created
- customer services will be intuitive and flexible
- Barnet will continue to be recognised as a transparent and open council and for staff, the council will offer a more flexible and modern workplace

- 5.1.5 The new office facility will help achieve the following;

Barnet's local services in 2020 Redesigned, integrated, intuitive and efficient

- by 2020, public sector agencies will be more integrated – pooling resources, sharing assets and staff, and developing joint solutions
- public services will be commissioned jointly for the borough by the council working with partners
- for residents, this will mean easier access to services

- for the council, it will reduce bureaucracy and drive innovation in the way services are designed and delivered.

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

5.2.1 The sum of £2.5m will be included in the capital programme as part of overall budget for Colindale HQ which will be considered by Policy & Resources Committee in December 2015.

5.2.2 Plot 8 has been included as part of the Colindale HQ outline business case (attached). These proposals will be included in the full business case due for consideration in 2016.

5.2.3 Following full agreement of the deal the loan write off will need to be referred to Policy and Resources committee for approval.

## 5.3 **Social Value**

5.3.1 The development of an office facility at Plot 8 Grahame Pak brings with it a range of social value, including;

5.3.2 Town centre enhancement including new retail and leisure opportunities within an area already designated as a local hub

5.3.3 Environmental and highways improvements

5.3.4 The creation of large scale local employment and training opportunities in a disadvantaged neighbourhood with disproportionately high levels of unemployment

## 5.4 **Legal and Constitutional References**

5.4.1 Local authorities have powers under sections 120 and 123 of the Local Government Act 1972 to acquire and dispose of land by agreement. A local authority also has a general power of competence under the Localism Act 2011 to do anything which an individual can do, subject to the provisions of other enactments

5.4.2 The terms of reference of Assets, Regeneration and Growth Committee which includes: to develop and oversee a Regeneration Strategy; develop strategies which maximise the financial opportunities of growth; oversee major regeneration schemes including those of key social housing estates; and all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.

5.4.3 This is outlined in the Council's Constitution, as are specific terms of reference relating to land disposals. The Management of Asset, Property and Land Rules govern how the Council may acquire, lease, act as landlord, licence, develop appropriate, change use of, or dispose of assets within its asset portfolio. Specific aims of the Management of Asset, Property and Land Rules outline how to apply the terms of reference.

## 5.5 Risk Management

- 5.5.1 There are two major risks associated with the delays or non-delivery of the carve- out. The first is the risk of significant delay in agreeing the deal. The major consequence is the potential for GHA, at any point, to fulfil their contractual rights under the PDA ie. to occupy the site and commence construction. Whilst this is highly unlikely the outcome would mean LBB would be unable to construct the office development on plot 8. The mitigation is to agree the deeds of variation and proceed quickly to signing and sealing by both parties
- 5.5.2 The second risk is that both parties are unable to agree the deal. The consequence would be similar to above, ie. GHA would proceed with the existing approval and leave LBB unable to proceed with its office proposals at plot 8 and requiring LBB to identify alternative accommodation at short notice. The mitigation is as above to proceed quickly to formal agreement to the carve out proposal
- 5.5.3 The third risk is that the carve- out deal succeeds and the land remains in the ownership of LBB but the HQ proposal falls through and LBB retains a large strategic development site with no immediate plans for development. The mitigation would be that LBB could develop the site for private residential whilst an alternative location is identified for a future office development
- 5.5.4 The fourth risk is that the carve out succeeds and plot 8 proceeds but is poorly integrated with other key stakeholders within the hub(residents, students etc) and is beset with problems such as parking, estate management associated with a general intensification and diversification of uses. The mitigation is that the Council maintains a continuous and meaningful dialogue with other neighbours and stakeholders throughout the development, construction and delivery phases.
- 5.5.5 The fifth risk is that the carve out is agreed but contractors delivering large scale construction on neighbouring sites are unable to collaborate effectively , leading to costly disputes and delays. The mitigation will be collaboration amongst contractors leading to the development and ownership of a strategic plan covering all the active sites and giving advance warning of interventions likely to have a wide impact.

## 5.6 Equalities and Diversity

- 5.6.1 The Council is committed to improving the quality of life and wider participation for all the economic, educational, cultural, and social and community life within the borough. This is achieved by pursuing successful regeneration of the Borough's regeneration areas. This benefits all sections of society by directly addressing the shortage of housing in the Borough across all tenures.
- 5.6.2 In developing this office facility the Council is creating huge employment opportunities and major economic spinoffs in the most deprived area in the Borough. The Council will seek to ensure that these benefits are distributed

amongst its most disadvantaged residents through training, information and a range of engagement activities building on its existing structures.

## 5.7 **Consultation and Engagement**

5.7.1 Outline proposals for the new office development were subject to local consultation, exhibitions etc. and the full planning application for plot 8 was subject to statutory consultation.

## 5.8 **Insight**

5.8.1 There are no data sources available that are applicable to this proposal

## 6. **BACKGROUND PAPERS**

6.1 8<sup>th</sup> September 2014 ARG Report

<http://barnet.moderngov.co.uk/ieDecisionDetails.aspx?AllId=7973>

6.2 1<sup>st</sup> June 2015 ARG Report

<https://barnet.moderngov.co.uk/documents/s23460/150521%20Barnet%20Development%20Pipeline%20Tranche%201%20-%20ARG%20V9.pdf>