

	<p>Assets, Regeneration & Growth Committee</p> <p>11 July 2016</p>
<p style="text-align: right;">Title</p>	<p>Development of new affordable homes by Barnet Homes Registered Provider (“Opendoor Homes”)</p>
<p style="text-align: right;">Report of</p>	<p>Commissioning Director, Growth & Development</p>
<p style="text-align: right;">Wards</p>	<p>Burnt Oak, Colindale, East Finchley, Finchley Church End, Hale, High Barnet, Totteridge, Underhill, Woodhouse</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>Yes</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix 1: Tranche 3 site locations and expected volume of properties (by phase) Appendix 2: Map of the site locations Appendix 3: Outline Business Case</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Derek Rust, Deputy Chief Executive, Barnet Homes: derek.rust@barnethomes.org, 020 8359 4826</p> <p>Meera Bedi, Interim Head of Development, Barnet Homes: Meera.bedi@barnethomes.org, 020 8359 5243</p>

Summary

The Council’s Housing Strategy 2015-2025 sets out how the Development Pipeline Programme will include the building of new homes on existing council land held in the Housing Revenue Account (HRA) to be delivered by the Council’s Arm’s Length Management Organisation (ALMO), Barnet Homes. To date, 43 new homes have completed.

Barnet Homes is in the process of establishing a new Registered Provider, Opendoor Homes, which will operate as a wholly owned subsidiary of the ALMO. It is proposed that Opendoor Homes will initially develop and own 320 new homes on HRA sites, supported by a loan provided by the Council (approved in principle by Policy and Resources Committee at their meeting of 16 February 2016 for up to £65m). The 320 new homes will form the next phase of development as part of the Development Pipeline.

Barnet Homes have reviewed a number of sites on HRA land which they propose can

deliver an initial programme of approximately 320 new homes. Sites for phase 1 of the programme were approved by Assets, Regeneration & Growth Committee on 17 March 2016.

This report seeks approval of the outline business case to submit planning applications with a view to developing up to 150 homes on the sites set out in appendix 1 of this report, as phase 2 of the programme.

Should any sites not progress through the planning process, this report also seeks delegated authority to the Commissioning Director, Growth & Development, in consultation with the Chairman, to approve any necessary substitution of sites proposed in the programme, subject to necessary due diligence and permissions and consultation with Ward Members.

Recommendations

- 1. That the Committee approves the outline business case (please see Appendix 3) for Opendoor Homes, a subsidiary of Barnet Homes, and delegates authority to officers to make planning applications with a view to developing 150 homes for affordable rents.**
- 2. That the Committee approve the location of the sites included in Phase 2 of the development programme and set out in Appendix 1.**
- 3. That authority to agree substitution of sites in the programme is delegated to the Commissioning Director, Growth & Development, in consultation with the Chairman and subject to necessary due diligence and permissions and consultation with Ward Members.**
- 4. That authority to agree acquisition of homes for sale on the open market that may further enable the development of sites in the programme is delegated to the Commissioning Director, Growth & Development, in consultation with the Chairman subject to necessary due diligence and permissions.**
- 5. That the Committee note a further report to approve the final Full Business Case for Phase 2 of the development programme will be brought to Committee in December 2016.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Assets, Regeneration and Growth Committee (ARG) approved at its meeting on 9 July 2014, the approach to, and the principles underpinning, the creation of a Development Pipeline on council owned land.
- 1.2 The Council's Housing Strategy 2015-2025 sets out how the Development Pipeline will include the building of new homes on existing council land held in

the Housing Revenue Account (HRA) to be delivered by the Council's Arm's Length Management Organisation (ALMO), Barnet Homes. The new homes to be built covered by this report will all be for let at affordable rents.

- 1.3 A high level review of existing housing land owned by the Council suggests that there is potential capacity to build up to 700 new homes on HRA sites across the Borough.
- 1.4 As part of the review of the Council's Management Agreement with Barnet Homes that was undertaken in 2015, a target has been agreed for Barnet Homes to build 500 new homes by 2022, including 320 by 2020.
- 1.5 Barnet Homes has already built 30 new homes on behalf of the Council as part of an earlier development programme.
- 1.6 The Assets, Regeneration and Growth Committee (ARG) approved at its meeting on 30 November 2015 that Barnet Homes should proceed with initial feasibility works for 120 new homes, with the expectation that this would increase to 320 subject to them successfully establishing a Registered Provider (RP) subsidiary.
- 1.7 Since then, Barnet Homes have reviewed a number of the available HRA sites and identified sites upon which, initially, 320 of the 500 projected target new homes could be built. There are various reasons why the identified sites were chosen for potential residential development:
 - 1.7.1 Most garage sites are underused so return little rental income and/or have become unsightly and cause blight.
 - 1.7.2 The sites tend to be within existing residential areas so the proposed accommodation would be appropriate to its surroundings.
 - 1.7.3 Sites with poor quality amenity space could be improved through the design proposals.
 - 1.7.4 Blighted sites in the absence of the proposed development may otherwise remain so.
 - 1.7.5 There is often land capacity within an estate.
- 1.8 The proposed initial development programme of approximately 320 units is called "Tranche 3" and comprises:
 - **Phase 1** – 170 new homes delivered by March 2018, including 101 units that have grant-funding from the Greater London Assembly, and;
 - **Phase 2** – 150 new homes delivered by March 2020.
- 1.9 At the Assets, Regeneration and Growth Committee on 17 March 2016 sites for Phase 1 of the Tranche 3 programme were agreed. Delegated authority

was given to the Commissioning Director of Growth and Development to substitute sites into phase 1 if any of the sites were not able to be developed.

- 1.10 Two of the sites were not progressed because they were on flood risk zones and two sites were pushed back in the programme because of the required design lead in period. An updated schedule of sites is included as Appendix 1.
- 1.11 Potential sites have been identified for Phase 2 of the Tranche 3 development programme. Barnet Homes' design team has instructed professional surveys and developed design proposals, as well as started member and local consultation, and it is recommended that approval is given to Barnet Homes to develop these sites.
- 1.12 Proposals for the remaining 180 homes included in the Management Agreement target of 500 new homes referred to in 1.4 above will be brought forward in due course.
- 1.13 Barnet Homes is in the process of establishing a new Registered Provider (RP), Opendoor Homes, with the Homes and Communities Agency which will operate as a wholly owned subsidiary of the Barnet Homes Arm's Length Management Organisation (ALMO).
- 1.14 It is proposed that Opendoor Homes will develop and own the 320 new homes on HRA sites which will be transferred at nil value, supported by a loan provided by the Council.
- 1.15 The land will be transferred at nil value to enable the properties to be built out for affordable rent in an attempt to reduce the growing costs of providing temporary accommodation for homeless clients who are Barnet's responsibility.
- 1.16 The loan to Opendoor Homes was approved in principle by Policy and Resources Committee on 16 February 2016 and is conditional upon approval of Registered Provider status by the Homes and Communities Agency. The benefits to the Council of the loan to Barnet Homes include the following:
 - 1.16.1 For every new home for affordable rent developed via this route, the Council will receive £2,000 per annum to support the General Fund costs of providing the Housing Options service.
 - 1.16.2 The Council will benefit financially as it will be repaid at a rate of 1.24% on the proposed loan from the Public Works Loan Board (PWLB) on the sum borrowed.
 - 1.16.3 The increase in supply of affordable housing should lead to a reduction in the use of temporary accommodation. This will also provide an annual net saving to the Council of approximately £2,000 per unit.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Council's Housing Strategy 2015-2025 identifies the need to increase housing supply and to deliver homes that people can afford. The proposals contained in this report will facilitate the delivery of new homes for affordable rent in the borough. The affordable rent will be set at 65% of the market rent, in line with the Council's affordable rents policy.
- 2.2 The new 10 year Management Agreement with Barnet Homes includes a target of developing 500 homes for affordable rent by March 2022, to be built and owned by the new RP subsidiary, Opendoor Homes and managed through Barnet Homes.
- 2.3 The loan proposals outlined in section 1 of this report will have a financial benefit to the Council as set out in 1.14 of this report.
- 2.4 The delivery of new affordable rented homes will help to meet the objective in the Council's Housing Strategy to prevent and tackle homelessness, by reducing the use of temporary accommodation.
- 2.5 All the new homes provided will meet the Lifetime Homes standard. At least 10% will be fully wheelchair adapted, meeting the objective in the Council's Housing Strategy of providing housing to support vulnerable people.
- 2.6 Barnet Homes has undertaken initial consultation with ward members on the sites. Further consultation with key stakeholders including the affected local communities will be undertaken and comments and feedback received will inform the design of the sites.
- 2.7 There are social benefits associated in developing these sites. The design proposals will improve the landscape of the sites and help to design out any areas of blight and improvements will be made to local amenity space.
- 2.8 A high-level review of the proposed accommodation on the sites shows that at least 1,000 bed spaces could be created by developing 320 new homes, providing a cost effective alternative to expensive temporary accommodation.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Council could decide not to build new homes on HRA Land, this would not meet the objectives set out in the Council's Housing Strategy and is not recommended.
- 3.2 The Council could dispose of the land but again this would not meet the objectives set out in the Council's Housing Strategy and is not recommended.
- 3.3 Transferring the sites to an alternative Registered Provider for housing development would provide new affordable housing and contribute to the supply of housing overall within the borough but is not recommended if the Council has its own Registered Provider, of which it is the sole shareholder. The Council would also be unlikely to benefit from the substantial additional financial benefits that will be provided through transferring the sites to Opendoor Homes (please see section 1.14).
- 3.4 The Council could develop the homes itself using Housing Revenue Account (HRA) funding however there is currently insufficient capacity to support this volume of new homes to be funded within the HRA. This would not meet the delivery objectives set out in the Council's Housing Strategy and would also be unlikely to benefit from the substantial additional financial benefits that will be provided through transferring the sites to Opendoor Homes.

4. POST DECISION IMPLEMENTATION

- 4.1 Barnet Homes will seek to finalise approval for the establishment of Opendoor Homes with the Homes and Communities Agency by July 2016, following which part of the loan, linked to expenditure incurred thus far will be made available to the new RP by the Council. Further information regarding the loan is in the Policy & Resources paper from February 2016.
- 4.2 Barnet Homes/Opendoor Homes will proceed with submitting planning applications for the sites in phase 2 of this development programme from July 2016-March 2017. The site locations, a brief description of the site and expected volume of properties is included as Appendix 1.
- 4.3 This report seeks approval for authority to be delegated to the Commissioning Director for Growth & Development to approve the substitution of appropriate and suitable alternative sites to ensure 320 new homes are provided should any sites not be progressed through the planning process. This would be subject to necessary due diligence and permissions and consultation with Ward Members.

4.4 Following the planning application process, Barnet Homes/Opendoor Homes will procure a contractor to develop the approved sites. The project will be funded via the loan from the Council as described in section 1 and as approved in principle by Policy and Resources Committee on 16 February 2016.

4.5

4.6 Reports will be brought forward to ARG seeking approval of the full business case for the development of the 320 homes and to transfer land to Opendoor Homes once the application for registration with the HCA has been approved and the loan facility completed and available.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Council's Corporate Plan 2015-20 states that the Council, working with local, regional and national partners, will strive to ensure that Barnet is a place:

- Of opportunity, where people can further their quality of life
- Where people are helped to help themselves, recognising that prevention is better than cure
- Where responsibility is shared, fairly
- Where services are delivered efficiently to get value for money for the taxpayer

5.1.2 The Council's Corporate Plan also sets out how residents will see a responsible approach to regeneration, with new homes built and job opportunities created.

5.1.3 London Plan and Barnet's Local Plan recognise the need for more homes in the capital. Managing housing growth and the provision of new homes is the first objective set out in Barnet's Core Strategy. The London Plan and Core Strategy set challenging targets for the delivery of new housing, with the former having increased the minimum annual target for Barnet to 2,439 homes per annum.

5.1.4 The highest priority of the Council's Housing Strategy is increasing the supply of housing with the population of Barnet forecast to increase by 19% over the next 25 years.

5.1.5 London Plan and Barnet's Local Plan recognise the need for more homes in the capital. Managing housing growth and the provision of new homes is the first objective set out in Barnet's Core Strategy. The London Plan and Core Strategy set challenging targets for the delivery of new housing, with the former having increased the minimum annual target for Barnet to 2,439 homes per annum.

- 5.1.6 Barnet's Health and Wellbeing Strategy recognises the importance of access to good quality housing in maintaining Well-Being in the Community.
- 5.1.7 Lack of affordable housing is highlighted in Barnet's Joint Strategic Needs Assessment (JSNA) as one of the top three concerns identified by local residents in the Residents' Perception Survey.
- 5.1.8 The Tranche 3 development programme will be managed by Barnet Homes with strategic management and oversight from the Development Pipeline Project Board, as well as biannual update reports to ARG to review the programme milestones and costs.
- 5.1.9 Progress updates will be included in the Council's Annual Regeneration Report with analysis of spend against the budget, completions against the target and narrative on how value for money has been achieved (as discussed further in 5.2.5).
- 5.1.10 The Tranche 3 development programme will also be monitored against KPIs set in the Assets, Regeneration and Growth Committee's Commissioning Plan.

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

- 5.2.1 An exercise has been completed by 31ten Consulting, an independent development consultancy, on behalf of the Council to review the level of the loan required for Opendoor Homes and the potential interest rate that should be used.
- 5.2.2 This included a sensitivity and scenario analysis to establish the potential risks to any loan from the Council to Opendoor Homes, the new Registered Provider. The review also assessed different scenarios on the financial model such as varying the build cost, development delays and different interest rates.
- 5.2.3 The review concluded that Barnet Homes would borrow £57.5m in stages to deliver the 320 new affordable homes to rent, which would be paid back within 32 years. Barnet Homes will pay a margin of 1.24% on the loan, along with an annual payment of £2000 per property upon completion which provides a source of income to the Council. Further detail regarding the loan is included in the Policy and Resources Committee report of 16 February 2016.
- 5.2.4 At present it is proposed to draw down the loan for Tranche 3 in the following instalments.

	£000s	£000s	£000s	£000s	£000s
	2016/17	2017/18	2018/19	2019/20	Total
Oct-16	2,500				
Mar-17	3,900				
Jun-17		5,000			
Sep-17		6,000			
Dec-17		6,000			
Mar-18		8,000			
Jun-18			6,000		
Sep-18			6,000		
Dec-18			5,000		
Mar-19			4,600		
Jun-19				2,000	
Dec-19				2,500	
	6,400	25,000	21,600	4,500	57,500

- 5.2.5 The Gateway review process will be used to release each of the stage payments. A value for money statement will be prepared by an independent cost consultant that includes benchmarked costs.
- 5.2.6 Procurement of the design and build contractor will follow an OJEU compliant process; Barnet Homes has access to different procurement frameworks that could be utilised dependent on achieving the best quality and value for money using Barnet Homes' procurement procedures.
- 5.2.7 Build costs will be benchmarked against other local tender prices by the project cost consultant as well as through the Shelton Development Service's Catalyst Benchmarking Club which benchmarks development costs for the G15¹ housing associations, registered providers and local authorities.
- 5.2.8 The Full Business Case for the project, including the tendered build costs, will be brought to ARG in December 2016 prior to signing contracts and starting on site. This will include the value for money statement noted in 5.2.5.

¹ The G15 are London's 15 largest housing associations

5.3 It is proposed that the land is transferred at nil value to Opendoor Homes to enable development and a report will be brought forward to ARG seeking approval for this once the application for registration with the HCA has been approved. In addition, with some of the schemes opportunities may arise which enable purchase of homes that become available for sale on the open market that may further enable the development. It would be prudent in cost avoidance terms to take the opportunity to purchase those homes and authority is also sought with suitable delegation to enable that this can occur with appropriate due diligence.

5.4 Social Value

5.4.1 Barnet Homes will seek to provide employment opportunities for local people and opportunities for small and medium enterprises through the procurement of the construction contract for the delivery of affordable housing.

5.4.2 This will be achieved by incorporating an assessment of the social value contractors can deliver, and will form part of the selection criteria in the procurement process.

5.5 Legal and Constitutional References

5.5.1 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”.

5.5.2 Council, Constitution, The Management of Assets, Property and Land Rules provide the governance structure within which the Council may acquire, lease, act as landlord, licence, develop, appropriate, change use of or dispose of Assets within its Asset Portfolio. The Rules inter alia are aimed at enabling the Council’s holdings of land and property to be maintained and developed in a manner which enhances Social Value Section 2.8 states that the “Strategic Asset Management Plan will govern decisions on the future direction of the development of the Council’s Built Environment”.

5.5.3 Site specific legal [title] matters for the sites included in the programme have been explored through joint working with LBB Customer & Support Group and HB Public Law.

5.6 Risk Management

5.6.1 The table below sets out the key risks associated with the proposals to develop the sites and their mitigation.

Risk	Mitigation
There is a risk that Barnet Homes do not secure approval for its application for Registered Provider status for Opendoor Homes from the Homes and Communities Agency.	Barnet Homes have received professional advice throughout the registration process from Campbell Tickell, specialists in this field.

	Part 1 of the application was successfully completed.
There is a risk that planning approval is not granted for one or more of the sites.	<p>Barnet Homes have engaged with the Planning Service from early on in the process and pre-application meetings are being held regularly.</p> <p>Barnet Homes have also employed experienced Planning Consultants to assist with the Planning process.</p> <p>A stakeholder engagement plan has been drafted to ensure that Members and local communities are sufficiently consulted throughout the process.</p> <p>Alternative sites have been identified with development potential, should a site drop out of the programme that could be substituted into the programme.</p>
There is a risk that one or more of the sites does not have clean legal title.	Barnet Homes has worked with CSG Property Services and HB Public Law to obtain site assembly packs, including reports on legal title. Any legal issues are being referred to HB Public Law, or external legal advisors if necessary, for advice on resolution prior to the start of any works on site.
There is a risk that we do not receive funding from the Greater London Authority.	We have maintained our approved partner status with the GLA and we have kept them informed of progress on our sites and we attend quarterly monitoring meetings with them.
There is the risk that following procurement and design development, final build costs will be higher than current estimates.	<p>It is understood that there is provision within the loan agreement for increasing the loan should the build costs increase.</p> <p>A value engineering exercise will be completed by the project team following the procurement process to ensure that schemes are delivered that offer the best value for money.</p> <p>There is also the possibility that we could borrow more than the projected £57.5m up to the maximum of £65m.</p>

5.7 Equalities and Diversity

5.7.1 The new affordable housing units delivered by Opendoor Homes will be let in

accordance with the Council's Allocations scheme, which has been subject to a full equalities impact assessment which included extensive consultation with residents, housing applicants and other stakeholders, including local Housing Associations and third sector organisations.

5.7.2 A full equalities impact assessment was completed for The Housing Strategy 2015-2025 which identified that the Strategy would have a positive impact on all sections of Barnet's Community.

5.7.3 In addition a full equalities and impact assessment was carried out on the Development Pipeline and approved by the Development Pipeline Project Board on 14 April 2016.

5.7.4 The proposals in this report do not raise any negative impacts for equalities and demonstrate that the Council has paid due regard to equalities as required by the legislation. The proposals anticipate a positive impact for residents because they:

- Underline the Council's aim that all residents from our diverse communities – the young, old, disabled people and those on low incomes – benefit from the opportunities of growth.
- Contribute to Barnet's commitment to fairness - to be mindful of the concept of fairness and in particular, of disadvantaged communities - which was adopted at Policy and Resources Committee in June 2014.
- Form part of Barnet's Housing Strategy 2015-2025 which includes the objective to deliver homes that people can afford.
- Provide homes for people who are homeless and may be currently disadvantaged.

5.8 Consultation and Engagement

5.8.1 Extensive consultation was undertaken in relation to the Housing Strategy, including a 12 week public consultation between 6 January 2015 and 31 March 2015. The consultation included an online survey as well as presentations to the Housing Forum, Barnet Homes Performance and Advisory Group, and Barnet Landlords Forum. The consultation was reported in full to Housing Committee on 19 October 2015.

5.8.2 Barnet Homes customers were asked "What are your priorities for new affordable housing in Barnet?" as part of a consultation on the new ten year Management Agreement recently agreed with the ALMO. Survey respondents identified provision of housing as a priority and were positive about Barnet Homes proposed role in building new affordable housing. The need for more affordable housing in Barnet was acknowledged as a key priority that would help to address concerns raised about homelessness in the Borough.

5.8.3 A stakeholder consultation plan is in place to ensure that key stakeholders are sufficiently consulted through the process. Ward councillors, residents and

communities local to each site are being consulted prior to the planning applications being submitted. Public resident consultation meetings will be held where required and individual consultations will be undertaken with residents as requested. Feedback from the consultation activities will be included in the final scheme designs.

5.9 Insight

- 5.9.1 The Council's Housing Strategy, which identifies the need for new affordable homes, is supported by a comprehensive evidence base, including a Housing Needs Assessment and a study of affordability carried out by the Council's insight team.

6. BACKGROUND PAPERS

- 6.1 Cabinet Resources Committee, 24 June 2013, 'Local Authority New Housing Programme'<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=151&MId=7457&Ver=4>
- 6.2 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> .
- 6.3 Assets Regeneration and Growth Committee, 8th September 2014, Strategic Asset Management Plan
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7885&Ver=4>
- 6.4 Assets Regeneration and Growth Committee, 15 December 2014, Strategic Asset Management Plan
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7886&Ver=4>
- 6.5 Assets Regeneration and Growth Committee, 15 December 2014, Local Authority New Housing Programme (Barnet Homes)
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7886&Ver=4>
- 6.6 Council, 20 October 2015, Report of Policy and Resources Committee – The Barnet Group – Creation of new legal entity and subsidiary
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=8340&Ver=4>

- 6.7 Council, 20 October 2015, Report of Housing Committee – Housing Strategy and Commissioning Plan
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=8340&Ver=4>
- 6.8 Housing Committee, 19 October 2015, Housing Revenue Account (HRA) Business Plan
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&MId=8268&Ver=4>

- 6.9 Assets Regeneration and Growth Committee, 30 November 2015, Housing Development Pipeline- Barnet Homes
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=8311&Ver=4>
- 6.10 Policy and Resources Committee, 16 February 2016, Loan to Barnet Homes' Registered Provider (Opendoor Homes) for the development of new affordable homes
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=8351&Ver=4>
- 6.11 Assets, Regeneration and Growth Committee, 17 March 2016, Development of new affordable homes by Barnet Homes Registered Provider ("Opendoor Homes")
<http://barnet.moderngov.co.uk/documents/s30501/Development%20of%20new%20affordable%20homes%20by%20Barnet%20Homes%20Registered%20Provider.pdf>
- 6.12 There was a Delegated Powers Report of 2 June 2016 where the Commissioning Director of Growth and Regeneration approved the substitution of some sites within the programme in order to ensure outcome targets can be met.