

	<p align="center">Assets Regeneration and Growth Committee</p> <p align="center">24 April 2017</p>
<p align="right">Title</p>	<p align="center">Strategic Opportunities Fund</p>
<p align="right">Report of</p>	<p>Commissioning Director Growth and Development</p>
<p align="right">Wards</p>	<p>All</p>
<p align="right">Status</p>	<p>Public</p>
<p align="right">Urgent</p>	<p>No</p>
<p align="right">Key</p>	<p>Yes</p>
<p align="right">Enclosures</p>	
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Summary

The Council's Development Pipeline Programme combines an ambitious programme of new build mixed-tenure housing development on Council land across the Borough. Sites have already been secured for the initial 3 tranches, but to enable a sustainable pipeline for future housing and non-housing developments or to help unlock existing development opportunities it may become necessary to obtain additional sites / properties. As part of the overall capital budget agreed by Policy & Resources Committee on 23rd February 2017, and Council on 7th March 2017, there is an approved scheme of £20million for a revolving fund for key real estate acquisitions. This paper seeks approval of the principles of how the strategic operations fund will work.

Recommendations

- 1. That the Committee approve the principles of the Strategic Opportunities Fund as set out in the report.**

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| <p>2. That the authorisation of purchases of individual real estate is delegated to the Commissioning Director Growth and Development, or the Section 151 officer, in consultation with the Chairman of Assets, Regeneration and Growth Committee.</p> |
| <p>3. That Committee authorise the commencement of a procurement process to appoint agents to support the development of business cases for acquisitions made through the Strategic Opportunities Fund.</p> |

1. WHY THIS REPORT IS NEEDED

- 1.1 On 9th July 2014 Assets Regeneration and Growth Committee approved the approach to, and principles underpinning the creation of a development pipeline – the development of surplus council sites for housing.
- 1.2 In 2016 the initial 40 new homes for affordable rent were completed by Barnet Homes. These have all been let in accordance with the council's Housing Allocations Policy. A further tranche of 320 homes for affordable rent is being delivered by Opendoor Homes and will start on site in May 2017. In addition Re are preparing plans for the development of sites to created mixed tenure housing.
- 1.3 Many of the remaining surplus council owned sites are either small infill sites or have a number of constraints which mean they are more costly and less viable to develop.
- 1.4 To maintain a sustainable pipeline of regeneration activity and to support town centre improvements it will become necessary to acquire additional sites / properties. The acquisition of viable development sites is a competitive business. The Council needs to be in a position to make an offer in a much shorter timescale than normal governance processes would permit. Therefore a fund of £20 million has been approved in the Capital Programme for the acquisition of key real estate to enable development. The fund will be 'revolving' in that spending power will be returned to the fund once properties have been transferred into a development scheme. In the case of a site being transferred to an external developer, this will be at best value. This is not a long term investment fund. This report sets out the principles for decision making in relation to the fund.
- 1.5 The guiding principles underpinning any decision to acquire real estate using the strategic opportunities fund are:
 - 1.5.1 The real estate must be suitable for development in its own right or must add value to an adjacent development.
 - 1.5.2 There must be a professional valuation justifying the purchase cost in line with the Council's strategic objectives set out in this report. The cost must be within the budget agreed in the Capital Programme.

- 1.5.3 There must be a business case that clearly sets out the financial rationale behind the purchase. This will describe the principles of the acquisition and the tangible benefits.
- 1.5.4 There needs to be a clear exit strategy for the fund. This means that once a scheme reaches the stage where approval is sought to enter in to construction contract, development funding would be sought and the value of acquisition costs expended would be returned to the strategic opportunities fund. Should a scheme not progress then the site can be resold on the open market.
- 1.6 Any acquisitions approved will be reported to the Assets, Regeneration and Growth (ARG) Committee as part of a regular Assets, Land and Property Transactions report. Once a scheme has been developed, the outline business case will also be submitted to ARG Committee for consideration.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Committee approval is also needed where delegated authority levels within the constitution are not high enough to approve spend over £100,000. Delegating authority for the approval of purchases to the Commissioning Director Growth and Development or Section 151 Officer, in consultation with the Chairman of Assets, Regeneration and Growth Committee will enable the council to be sufficiently agile in a competitive property market. All decisions will be made in line with the principle that in the unlikely event that the project doesn't proceed or the full business case or is not approved, the site will be resold at best consideration and the funding returned to the Strategic Opportunities Fund.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Do nothing. This would limit the council's ability to acquire real estate to unlock development opportunities.
- 3.2 Individual acquisition reports could be submitted to ARG on a quarterly basis or to specially convened Urgency Committees. Quarterly committees are too infrequent and Urgency Committees can be very difficult to schedule so relying on these would mean that the council cannot be agile in the competitive property market and would be left with only the less viable or difficult sites.

4. POST DECISION IMPLEMENTATION

- 4.1 Procurement of Agents to support the project will commence in line with the Council's Contract Procedure Rules. Timescales for procurement would be determined per procurement project/requirement and the value involved.
- 4.2 The project governance will be established by end May 2017 The Strategic Opportunities Fund will be managed and monitored by the Development

Pipeline Programme Board with transactions reported to the Assets and Capital Board and Assets, Regeneration and Growth Committee.

- 4.3 A process for identifying, assessing and acquiring real estate will be agreed by Development Pipeline Programme Board.

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. The acquisition of key real estate will enable future development opportunities to support the delivery of Council functions as set out in the Corporate Plan 2015-20, including the delivery of new homes that residents need, and increase revenue streams.

- 5.1.3 The 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 Development Pipeline Programme sets out how the council will use its land holdings to deliver key priorities in the Housing Strategy 2015 - 2025, including.

- Increasing the housing supply- to provide more homes. In the February 2016 Residents Perception Survey access to affordable housing was found to be the issue that most residents are concerned about, demonstrating the importance of increasing the housing supply.
- Delivery of homes that people can afford- to provide more affordable homes for rent and sale.
- Providing housing related support to vulnerable people- for example housing suitable for older people suffering from Dementia.
- Improving quality, particularly in the private rented sector- by developing high quality bespoke purpose built private rented homes.

- 5.1.5 Barnet's Health and Wellbeing Strategy recognises the importance of access to good quality housing in maintaining Well-Being in the Community.

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

- 5.2.1 Within the currently approved Capital Programme, there is a scheme for Development Pipeline Strategic Opportunities Fund, £20m, currently profiled as follows:-

17/18 £8 million

18/19 £10 million

19/20 £2 million

- 5.2.2 The intention is for the fund to be 'revolving' in that spending power will be returned to the fund once properties have been transferred into a development scheme.

- 5.2.3 It is envisaged that most sites would be developed by Barnet - each site purchased will be transferred into a Development Pipeline scheme at purchase price plus purchase costs and the cost of holding the asset – with the Development scheme making a business case for the investment. If a business case cannot be worked up, the site would be sold at market value, and costs recovered that way.

- 5.2.4 Building acquisitions would be let on a short term basis, where practical, in order to generate revenue until the property is needed for development. For acquisitions that include housing stock that is suitable for use as temporary accommodation this use could assist in the Council meeting its statutory responsibilities towards homeless households and limit the use of time limited Bed and Breakfast accommodation for families. In this case up to £15,000 rental income could be received per property per annum.

- 5.2.5 The procurement of the technical advice / agents will be undertaken in accordance with Contract Procedure Rules, Appendix 1 Table A. Options for the procurement will be considered to ensure best value and quality for the specific requirements of the project. If the purchase is successful, fees can be capitalised to become part of the purchase cost.

5.3 Social Value

- 5.3.1 The strategic opportunities fund will increase investment in regeneration in Barnet and the supply of homes to meet housing need.

- 5.3.2 The Council will seek to provide employment opportunities for local people and opportunities for small and medium enterprises through the procurement of the construction contracts for the delivery of development pipeline schemes.

5.4 Legal and Constitutional References

- 5.4.1 Section 120 of the Local Government Act 1972 provides that a principal council can acquire land (whether situated in or outside their area) by

agreement for the purposes of any of their functions or the benefit, improvement or development of their area. The decision must be made taking into account all relevant considerations including the price to be paid.

5.4.2 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”.

5.4.3 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”. Approval of this report by Assets Regeneration and Growth Committee includes delegation of approval of the purchase of individual property real estate to the Commissioning Director for Growth and Development via a senior officer DPRs. The intention is for approval of these transactions to sit above the requirement for such approvals to come back to committee for approval. Once a scheme has been developed, the outline business case will also be submitted to Committee for consideration.

5.5 Risk Management

5.5.1 The table sets out the key risks associated with the proposed strategic opportunities fund.

Risk	Mitigation
Schemes are not brought forward on sites acquired.	Provided acquisitions are made in line with principles set out in section 1.5, this should minimise the risk of failure. Should a scheme not progress then the site can be resold on the open market.
Drop in property values	Council holds on to the asset for a longer period.
Stamp Duty - may need to be paid twice (in event of purchase by developer)	Advice will be sought with regards to Stamp Duty application.

5.6 Equalities and Diversity

5.6.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

5.6.2 The Council has taken account of its Equalities Policy and paid due regard to equalities as required by the legislation issues in relation to the strategic opportunities fund. The proposals in this report anticipate a positive impact for residents and do not raise any negative equalities issues because the strategic opportunities fund will:

- 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.

5.6.3 Equality and diversity issues will need to be considered as part any proposed development and Equality Impact Assessments will be undertaken on a scheme by scheme basis.

5.7 Consultation and Engagement

5.7.1 Consultation on all schemes proposed will be undertaken on an individual basis. This will include, but not be limited to, statutory consultation undertaken as part of the planning process. Each development project will be expected to produce a full consultation and engagement plan that will be used to demonstrate how the council has consulted with its citizens at various stages of the project life cycle. A library of evidence for the findings will be kept by the project team.

5.7.2 Consultation and engagement on schemes will also be monitored by the Development Pipeline Programme Board.

5.8 Insight

5.8.1 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 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, 8th September 2014, Strategic Asset Management Plan
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7885&Ver=4>

- 6.3 Assets Regeneration and Growth Committee, 8 September 2014, Barnet Development Pipeline
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7885&Ver=4>
- 6.4 Policy and Resources Committee, 1 December 2016, Business Planning - Medium Term Financial Strategy 201720 and draft budget for 201718
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=8731&Ver=4>
- 6.5 Full Council, 7 March 2017, Report of Policy and Resources Committee – Business Planning 2017 – 2020
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=8819&Ver=4>