



Assets, Regeneration, and Growth

24/04/2017

Title	Grahame Park: PDA variation update
Report of	Cath Shaw, Commissioning Director for Growth and Development
Wards	Colindale
Status	Public
Urgent	No
Key	Yes
Enclosures	
Officer Contact Details	Martin Smith 0208 359 7419

Summary

The Grahame Park Regeneration Programme is nearing the successful completion of stage A. The Council and its partners, Genesis Housing Association (GHA) are about to embark on stage B with a planning application for the concourse (plots 10,11, and 12) anticipated by the end of April 2017. As part of this they have agreed a wide range of adaptations to the phasing, design, delivery, and funding of the programme, in compliance with the Supplementary Planning Document, agreed at Full Council in July 2016. These amendments need to be reflected in the Principal Development Agreement (PDA), the agreed development contract between London Borough of Barnet (LBB) and GHA. Attached to this report (annex A) is a draft initial deed of variation which will enable the scheme to proceed. However the PDA is a long complex document and both parties have agreed that this deed will be followed up with a further deed following planning approval for the concourse scheme.

Recommendations

1. That the Committee notes the progress to date in agreeing the revisions to the Principal Development Agreement.
2. That the Committee agrees the proposed draft Deed of Variation to record initial necessary changes to the Principal Development Agreement and delegates authority to the Commissioning Director, Growth and Development to finalise its terms and complete the document.

3. That the Committee notes that officers will bring forward to a future ARG for approval a further Deed of Variation, after the planning position is clarified.

1. WHY THIS REPORT IS NEEDED

- 1.1 Since its formal adoption in 2007 the Grahame Park PDA has been varied by the agreement of both parties. The last two years have seen considerable changes within stage A and the PDA itself proposes a fundamental review at stage B. The key elements of that review are now in place and to minimise risk to both parties' significant changes to the scheme both retrospective and going forward need to be recorded in the principal contract. The draft Deed of Variation at annex A indicates key areas of revision.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Grahame Park estate was built in the 1960s and 1970s by the Greater London Council, with 1777 units built around a central 'concourse'. In 2007 the Council signed a development agreement with Choices for Grahame Park, a subsidiary of Genesis Housing Association (GHA), for redevelopment of the estate to provide 3,400 units in two stages. In keeping with common practice at the time, the development agreement sought to replace a mono-tenure estate with a mixed tenure development, enabling both a broader social mix and the use of profits from market sale housing to fund affordable housing and community facilities.
- 2.2 Stage A, comprising 717 units, was partly delivered prior to the economic downturn and is now on-site with the remaining units. It is due to be substantively completed next year. A review of stage B in Autumn 2013 concluded that original master plan was no longer fit for purpose, and should be updated to reflect the demand for family housing and more traditional street layouts. It noted that the critical first step was the demolition of the concourse, to challenge the 'estate feel', create a better environment for residents, and improve sales values. The Autumn 2013 report also concluded that there were significant viability and cash flow challenges in delivering the scheme.
- 2.3 Since then two significant pieces of work have been concluded:
- 2.4 GHA have secured a low cost loan of £56m from the HCA, to address cash flow issues. The loan agreement was signed in Spring 2016 and the money needs to be spent by March 2019.
- 2.5 GHA and Re have worked together to produce, and the Council has agreed, a revised Supplementary Planning Document to govern the development of Stage B. The SPD was formally adopted at full Council in July 2016. The SPD doesn't affect existing Council policy with regard to re-housing council tenants: secure council tenants housed before 2003 will be re-housed in a new home in Grahame Park provided by GHA. The

existing s106, agreed in 2007 and still valid requires the provision of social rented, shared ownership and low cost units. On completion of stage A GHA will have provided a total of 717 new homes of which 364 (52%) will be private sale or rent. The remainder will be affordable with 235 (32%) social rent, 38 (5%) affordable rent and 80 (11%) shared ownership.

- 2.6 In addition, Plot 8, which formed part of Stage A, will no longer be used for residential and community uses, and will instead be the site for the Council's new office building.
- 2.7 Following formal agreement of the Principal Development Agreement (PDA) between the Council and Genesis in 2007 both parties have periodically agreed amendments to the PDA to enable the scheme to continue in a changing financial and legislative climate. The most recent of these amendments to reflect the proposals for plot 8 (see above) was approved by ARG in November 2015.
- 2.8 The recent adoption of the Supplementary Planning Document (see above) and agreement to the Government loan, necessitates further important work to update and amend the PDA. This work is critical as it will to a large extent determine the progress of the scheme over the next 10 years.
- 2.9 Furthermore, GHA are bidding for an additional £12m under the Government's Recycled Capital Grant Fund (RCGF) and are required to include this funding within the revised PDA.
- 2.10 Trowers and Hamlins (T&H) have been advising the Council on the SPD since 2006 .They have considerable specialist knowledge and expertise and under their existing authority will support the Council in the upcoming PDA negotiations.
- 2.11 T&H and GHA lawyers have agreed a two-stage process for bringing the PDA up to date and fit to support the project through the Stage B delivery phase. The first stage, to be completed by end April 2017, is to put into place an initial Deed of Variation which will:
- 2.12
 - Record current timescales for the conclusion of Stage A of the regeneration project, and re-set the long stop date for Stage B;
 - Record the numbers/tenures of new homes produced in Stage A, and those envisaged to be delivered in Stage B;(currently not available)
 - Record specific changes to Stage A as originally envisaged, such as the change of use of Plot 8 from Genesis residential to Council office;
 - Amend the conditions precedent as they relate to the Stage B viability review, including use of Recycled Capital Grant (RCG), confirming the revised tenure mix of 50% affordable and 50% private, surplus, overage, and external benchmarking;
 - Update key documents and schedules – programme, list of principal consultants, rehousing arrangements for resident leaseholders etc.

- 2.13 A further Deed of Variation will follow later in 2017, following the grant of planning approval for Stage B. This will record the planning-approved detail of Stage B and update the bulk of the PDA schedules to make them relevant for the remainder of the project as it proceeds.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 There is no 'do nothing' option. In order for the scheme to proceed in an orderly fashion the PDA must be updated to reflect historic and anticipated changes. The current state of the PDA represents risks to both parties.
- 3.2 A further option would be to wait and undertake a single stage variation post planning. This option was discounted because of the requirement of the HCA to include the RCGF grant funding to GHA within the PDA at the earliest possible date.

4. POST DECISION IMPLEMENTATION

- 4.1 The HCA will formally agree the RCG F, (see above) which will determine housing numbers for the concourse application. In April 2017 the Council and GHA will formally sign and seal the initial Deed of Variation and commence work on the second DOV (see 2.13 above) . Also in April /May 2017, GHA will formally submit the concourse planning application which will be considered by committee in Nov/Dec 2017. A further Deed of Variation will be submitted for approval in Spring 2018.

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:
1. of opportunity, where people can further their quality of life
 2. where people are helped to help themselves
 3. where responsibility is shared, fairly
 4. where services are delivered efficiently to get value for money for the taxpayer
- 5.1.3 The Amended PDA will determine the delivery of stage B of Grahame park and as such will shape every aspect of the development of the area but with a special focus on 1 and 4
- 5.1.4 The plan proposes a number of achievements. Those particularly relevant to this initiative as follows;

- 5.1.5 • more involved and resilient communities, with residents taking on greater responsibility for their local areas
- 5.1.6 • there will be a broad offer of skills and employment programmes for all ages
- 5.1.7 • a clean and attractive environment, with well-maintained roads and pavements, flowing traffic, increased recycling
- 5.1.8 • a responsible approach to regeneration, with thousands of new homes built and job opportunities created
- 5.1.9 • customer services will be intuitive and flexible

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

The proposed variations have limited financial impact; the overall financial arrangement, where the Council provide land at nil cost, and Genesis meet development costs, is unchanged. There are some changes to the financial arrangements, eg the waiver of viability tests for plots 10,11 and 12, Schedule A, para 4 (which is a risk for Genesis), and the inclusion of the proposal to apply for £12m under the government's Recycled Capital Grant Fund (RCGF) – Deed of Variation para 6. Other items in the draft revised Head of Terms, eg Surplus/Overage are unchanged – Schedule A, para 6.1. The loan arrangements detailed in Schedule A, para 10 - have already been agreed (ARG Nov 2015).

An estimated sum of £65,000 is included across two years in the revenue budget for Grahame Park to meet the legal costs of the work. There is a current agreement within the PDA that the Council can reclaim up to £200,000 pa from Genesis for its regeneration costs; that arrangement is agreed to continue but negotiations are underway with GHA to extend or replace the cap with an annually agreed budget. This budget is held within the Regional Enterprise (RE) area's revenue budget, within the Housing Revenue Account.

5.3 Legal and Constitutional References

- 5.3.1 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 to authorise procurement activity within the remit of the Committee and any acceptance of variations or extensions if within budget in accordance with the responsibilities and thresholds set out in Contract Procedure Rules. If the proposed variation does not fall within these rules a new procurement exercise is needed. The Council Constitution and Scheme of delegations set the rules relating to delegation thresholds for decision-making and authorisations.
- 5.3.2 The PDA contains an unusually detailed review and change/variation clause to deal with anticipated amendments to implement Stage B and it is considered that the proposed changes to be documented by the deeds of

variation are therefore highly likely to comply with Regulation 72 of the Public Contracts Regulations 2015.

5.4 Risk Management

- 5.4.1 There is one significant risk associated with the initial PDA variation; if the variation isn't agreed with immediate effect there is potential for GHA to lose £12m of Recycled Capital Grant Fund (RCGF) which would have a negative impact on the whole scheme viability and reduce the anticipated level of affordable homes the scheme is capable of providing.
- 5.4.2 The contingency measure is agreement by this committee to the initial deed which contains within it the authority to proceed with the grant.

5.5 Equalities and Diversity

The Equality Act 2010 places a duty on the Council as follows:

(1) A public authority must, in the exercise of its functions, have due regard to the need to—

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are:

- age;
- disability;
- gender reassignment;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

- 5.6 This report has considered the Equality Act 2010 and in particular how its proposals are designed to reduce the inequalities of outcome which result from socio-economic disadvantage. 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, in this instance Colindale and more specifically Grahame Park. This benefits all sections of society by directly addressing the shortage of housing in the Borough across all tenures.
- 5.8 The Supplementary Planning Guidance (SPD) for Grahame Park was adopted by full council on July 26 2016 The SPD contains within it a full Equalities Impact Assessment. which assesses the masterplan impacts on all the Council's target equalities groups.

5.7 Consultation and Engagement

- 5.7.1 The Council and its partners GHA are engaged in a wide range of consultations which are required at every stage of the regeneration programme. The recently adopted SPD required extensive consultation with residents and stakeholders during 2015 and 2016.
- 5.7.2 The Council and GHA are currently engaged in a design consultation which is a central element in the preparation of the detailed planning application to be submitted in April 2017. This will be followed by a further consultation later in the year.
- 5.7.3 Following the Council giving authority to the appropriate Chief Officer to make up to three Compulsory Purchase Orders (CPO's) for plots 10,11 and 12 at September 2016 ARG, the council has commenced further consultation with all leaseholders and freeholders across the estate.
- 5.7.4 In addition the re-housing and voluntary buyback processes both require considerable engagement with resident groups and there are regular (monthly) surgeries held as well as the regular circulation of newsletters etc.
- 5.7.5 The re-housing of secure and non-secure tenants from homes within the concourse is now well underway and the council is consulting as appropriate.

5.9 Insight

- 5.9.1 There are no data sources available that are applicable to this proposal.

5.10 Social Value

The Public Services (Social Value) Act 2012 requires that when procuring services, local authorities must consider how what is proposed might improve the economic, social and environmental wellbeing of the relevant area and how in conducting the process it may act with a view to securing that improvement. The recommendations in this report do not lead to a fresh procurement exercise.

- The re-development of Grahame Park brings with it a range of social value, including;
- Enhancement including new retail and leisure opportunities within an area already designated as a local hub
- Environmental and highways improvements
- The creation of large scale local employment and training opportunities in a disadvantaged neighbourhood with disproportionately high levels of unemployment
- Major new housing ,education ,health, childcare and other key infrastructure developments

6. BACKGROUND PAPERS

6.1 30th November 2015 Assets Regeneration and Growth Committee. PDA variation

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=8311&Ver=4>

6.2 July 2016 .Full Council. Supplementary Planning Document

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=8825&Ver=4>
