

	Assets, Regeneration and Growth Committee 24th July 2017
Title	2-10 Hermitage Lane, NW2 2ET
Report of	Deputy Chief Executive
Wards	Childs Hill Ward
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A - Site Plan and Site Boundary Line
Officer Contact Details	Abid Arai, Development Programme Director (Re) Abid.Arai@barnet.gov.uk 0208359 4980

Summary The report seeks the necessary approval to progress the development opportunity at Hermitage Lane NW2. A proposed scheme has been taken through a pre-application process and has received a favourable response from the planning authority.

Recommendations <ol style="list-style-type: none"> 1. That Committee notes the initiation of this project 2. Subject to the approval of funding from Policy and Resource Committee, the committee authorises procurement of a multi-disciplinary professional team if required to progress the development opportunity to an Outline Business Case.

1. WHY THIS REPORT IS NEEDED

1.1 The Opportunity

- 1.1.1 The existing site comprises of a poor quality mixed use block with retail uses at ground floor with 2 flats above, a builders yard to the rear and 4 bungalows managed by Barnet Homes. The combined site has good redevelopment potential and an initial design confirms that 27 private and 15 affordable housing units together with ground floor retail and associated car parking spaces could be provided.
- 1.1.2 The redevelopment would therefore provide an increase in affordable housing provision, significant development profit and a much improved street scene with a high quality design.
- 1.1.3 Whilst the redevelopment site would be profitable in its own right, the Council is aware that a site to the rear, 6 Devonshire Place, is currently being marketed and could be useful to acquire to facilitate the development. An initial offer was made which was rejected but we understand that matters are not proceeding with the selected party and there is now the opportunity to acquire this site. However further work would need to be carried out to see if combining this site would add value to the proposed scheme or whether it could potentially be developed in isolation.

1.2 Landlord and Tenant Issues

- 1.2.1 Whilst the Council owns the entire site there are a number of tenancies which will need to be terminated for the redevelopment to proceed. The current situation is as follows:
- 1.2.2 The Tenant at 10 Hermitage Lane, a builder's yard, has served a s.26 notice on the Council requesting a new 12 year tenancy when their existing lease expires on 23rd June 2017.
- 1.2.3 The Council has served a counter notice on the grounds of redevelopment and is awaiting a court date at which time the Council will need to show that it has a settled intent to redevelop the site, planning permission has been granted for the redevelopment and a building contract has been let. On this basis the court is likely not to award a new lease to the tenants but they could be offered a short term tenancy to remain in occupation until construction is due to commence.
- 1.2.4 The tenancy for 2-8 Hermitage lease expires on 21st July 2017 and as the tenants are in rent arrears, negotiations are being undertaken to take surrender of these premises with the possibility of a short term licence being put in place until the property is required for construction.
- 1.2.5 The four bungalows are owned by the Council and managed through Barnet Homes. Therefore it is considered that vacant possession can be obtained subject to the tenants being offered suitable alternative accommodation.

1.3 Planning

- 1.3.1 The site has been initially assessed for highways and ecology issues and at this stage no adverse impacts are foreseen although more detailed survey work will need to be undertaken. The initial scheme design has been well received and the proposed redevelopment has been consulted on with the Council's planning department as part of pre-application process and a positive response was received in March 2017.
- 1.3.2 Therefore a full application is likely to be favourably considered taking into account the pre-application comments on the design.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Barnet has the largest population of any London borough with 393,000 residents. This figure is expected to grow by 76,000 over the next 25 years; an increase of 19%. With a third of the borough designated green belt, Barnet Council has to be innovative in how more homes can be built in the borough whilst retaining the borough's distinctive outer London character.
- 2.2 As detailed in the Housing Strategy (2015-2025), and in response to the need for more housing in Barnet and in London as a whole, Barnet Council has committed to increasing the supply of housing in the borough, particularly affordable housing whilst maximising the Council's land resources. With this in mind a Development Pipeline Programme was established identifying Barnet owned sites that could provide locations for housing development schemes. The programme directly supports the Corporate Plan objective of responsible growth and regeneration.
- 2.3 As a strategic housing authority, the London Borough of Barnet has considered how best to meet future housing demand based upon limited resources available in terms of land.
- 2.4 The London Plan and Barnet's Local Plan recognise the pressing 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 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. The development of this site for residential purposes will provide much needed accommodation in the Borough and a commercial rental stream from the retail unit.
- 2.5 In line with all levels of policy - national, Mayoral and local policy and guidance, the development will optimise the use of this property and provide much needed private and affordable housing

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Barnet Council are committed to building new homes and supporting infrastructure to meet the increasing demand for local housing. All available sites are being considered and proposals are being compiled where viable.

3.2 Options available to the Council are;

a) Do nothing

Renew the existing leases; this option would not contribute to the supply of new housing overall, or to the Council's ambition to build more homes. The existing site will require investment from the Council to maximise the commercial value of the leased units at market rates.

b) Do Minimum

Sale on the open market: whilst this could deliver a Capital receipt, the Council would be forgoing the wider economic benefits through delivery of a mixed tenure scheme. The Council would also be forgoing revenue through the letting of the commercial units.

c) Do Maximum

Direct delivery of a mixed tenure homes and commercial units, maximises potential development profit by bringing the best product to the market. The opportunity to acquire the land to the rear potentially creates a marriage value between the two sites and delivers a more comprehensive development.

4. POST DECISION IMPLEMENTATION

4.1 Subject to approval, the Re will procure a multi-disciplinary professional team to progress the design and submit a planning application, subject to approval of an Outline Business Case. The Project will be governed through a project delivery board and managed in line with the Council's project management toolkit and gateway reviews.

4.2 The anticipated total contract duration for the development of the site is 20 months as per the programme detailed below.

4.3 The proposed timeline 2017 - 2019;

- Commission July 2017
- Outline Business Case October 2017
- Planning submission November 2017
- Technical stage 4 design Feb - May 2018
- Full Business Case July 2018

- Start on site October 2018
- Project completion 2019

4.4 Key activities following approval will be;

- Development of the design RIBA stages 1-3 &, stages 4-7 post planning
- Stakeholder engagement and Communications
- Refinement of the procurement strategy and preparation, evaluation of tender documents
- Approval of an Outline Business Case
- Submission planning application
- Development of a Technical design
- Commercial and contractual negotiations with the contractor
- Full Business Case
- Obtaining vacant possession of 2-10 Hermitage Lane and the four Barnet Homes bungalows
- Development of a Sales & marketing strategy, including product specification
- Management of post-construction handover including establishing a robust management strategy
- Preparation of a site constraints report for 2-10 Hermitage Lane to ascertain whether there are any title provisions which may inhibit development and whether any third party consents are needed for disposal.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Corporate Plan 2015-2020 has a strategic objective to “promote responsible growth, development and success across the Borough”. It 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 and where services are delivered efficiently to get value for money for the taxpayer. The proposal will help meet these objectives by providing good quality private and affordable lifetime homes, through a community co-design process that strengthens community relations and confidence in the Council.
- 5.1.2 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.
- 5.1.3 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.
- 5.1.4 The Council’s Housing Strategy, agreed in 2015 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.

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

- 5.2.1 The financial appraisals performed as part of the review suggests that the proposed development is viable and is forecast to deliver an overall surplus and long term rental income from the retail units.
- 5.2.2 A full report will be presented to the Policy and Resource Committee at a later date seeking budget approval prior to commencing any procurement activity as required.
- 5.2.3 The total development budget is being finalised and will comprise construction costs, fees, loan interest, and other associated costs. It is proposed that this outlay will be funded through a combination of internal and external (prudential) borrowing until cash receipts from the sale of developed housing is realised. It has been assumed that all project costs will be capitalised in accordance with Section 16 of the Local Government Act 2003.
- 5.2.4 The EU procurement regime, implemented in the UK by the Public Contracts Regulations 2015, applies to contracts let by contracting authorities for works, services and supplies. Any procurement to be conducted as part of this project must be in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules
- 5.2.5 The process for procuring a contractor to build the new homes will be updated in the Outline Business Case.
- 5.2.6 All homes delivered will be built in accordance with the London Housing Supplementary Planning Guidance March 16 or any subsequent updates that may be introduced
- 5.2.7 Value for money will be delivered through the procurement and market testing of the contractors builds costs.
- 5.2.8 The Council developing the site rather than sharing with a development partner represents best value for the Council.
- 5.2.9 Both Council Tax and New Homes bonus grant will be reported back in the Full Business Case.
- 5.2.10 Legal possession of 2-10 Hermitage Lane and the four Barnet Homes bungalows need to be obtained in order for the development to proceed.

5.3 Social Value

5.3.1 This proposal aims to deliver policy compliant housing sites and in addition the list below sets out the other expected social benefits from this development:

- Opportunity to facilitate new products being introduced to promote first time buyers i.e. Home buy/First buy
- Contributing to the housing needs of residents and making savings in Temporary Accommodation costs
- 10% wheelchair accessibility
- The proposal will be subject to a planning obligation to provide employment and skills opportunities for local residents in line with the Councils Employment and Skills Supplementary Planning Document.
- Continue to work with commercial businesses to ensure that the town centre benefits from growth, whilst supporting the relocation of any affected businesses within the borough
- Will help increase revenue for local businesses

5.4 Legal and Constitutional References

5.4.1 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"

5.4.2 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. This statutory provision requires that, except with the consent of the Secretary of State for Communities and Local Government, 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. Disposal of the units built for sale on the open market complies with section 123. Whether any additional consents are needed for disposal, for example under the Housing Act 1985, should be investigated as part of a site constraints report.

5.4.3 Council Constitution, The Management of Asset, Property and Land Rules, Appendix 2, Table B sets out the acceptance thresholds which provide authority for the action. Financial arrangements in excess of £100,000 must be approved by Assets, Regeneration and Growth Committee.

5.4.4 Under article 15A of the Council's constitution the Assets, Regeneration and Growth Committee can authorise procurement activity within the remit of the Committee, and authorise any acceptance and variations or extensions if within

budget in accordance with the responsibilities and thresholds set out in the Contract Procedure Rules.

5.5 Risk Management

5.5.1 Key risks will be reported to the Development Pipeline Board via a monthly highlight report.

5.5.2 A detailed risk register will be produced and approved upon project initiation, key project risks are;

Risk	Mitigation
Build cost inflation	Undertake a procurement exercise and monitor Build cost indices (BCIS) and Tender price inflation (TPI), ensuring we have a cost led design
Planning not granted/ Judicial Review	Early engagement & consultation with Local Planning authority and stakeholders for buy in
Vacant possession is not obtained on 2-10 Hermitage Lane and Barnet Homes bungalows	Work with the Council's legal advisor to negotiate a surrender of the lease. Work with Barnet Homes to find suitable alternative accommodation for the tenants of the four bungalows
Sales Risk	Seek external advice to ensure we have suitable marketing intelligence in place at all design stages

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 who share a relevant protected characteristic and those who do not foster good relations between people who share a relevant protected characteristic and those who do not.

5.6.2 The broad purpose of this duty is to integrate considerations of equality into day to day business and to keep them under review in decision making, the design of policies and the delivery of services.

5.6.3 The re-provision of additional high quality housing in the Borough will assist first time buyers, many of whom are currently priced out of the market. In addition, much needed affordable rented housing will also be provided, as well as promotion of further construction jobs in the borough.

5.6.4 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, however a full EIA will be considered in due course.

5.7 Consultation and Engagement

5.7.1 The proposed residential and mixed-use scheme will be designed following detailed market research identifying local market trends and demand. Members including ward Councillors, local MPs, key local groups, adjoining schools and residents will be consulted in progressing the application. Their views will be sought on the development of proposals. Key issues are likely to be traffic and parking implications, mix of accommodation and density, affordable housing, trees, and impact on existing neighbouring amenity. These issues will be addressed in the design proposals.

5.7.2 Public exhibitions will be organised to seek resident's views, in relation to the proposals, constraints and opportunities including indicative layout and house type designs.

5.7.3 In taking forward the sites to planning a number of issues will need to be considered in designing the scheme following the consultation process, notably:

- The range of housing typologies (houses, flats)
- The types of tenure (private-for-sale, affordable-for-rent and shared ownership)
- The distribution of housing types and tenures across the portfolio of sites.
- Design and architecture
- Traffic movement
- Parking provisions
- Existing and proposed residential amenity
- Amenity space
- Trees and landscaping
- Impact on heritage assets
- The re-provision of commercial space

5.7.4 A Communications/stakeholder engagement plan will be put in place. The plan will set out the strategy for engagement through the delivery stages.

5.7.5 Initial high level internal engagement has been undertaken with the Development Pipeline Programme Board, the Leader and Deputy Leader as part of the Tranche 4 programme which included Hermitage lane. Local ward councillors will also be consulted on the evolving scheme design and to establish any particular local issues that will need to be addressed.

5.7.6 However, prior to engaging with occupiers/tenants internal stakeholders will be consulted and their views will inform the design and planning process.

5.7.7 A detailed consultation programme will be produced to support the scheme delivery through the planning process, construction, handover and sales and marketing to enable the team to minimise risks and manage local expectations as well as avoid any negative or reputational issues.

5.8 Insight

5.8.1 Considered data relating to the Council's Housing Needs Assessment – LBB Housing Department.

5.8.2 Considered data relating to property values – LBB Property Services, GL Hearn and Market intelligence/Capita Asset Services.

5.8.3 Considered data relating to build costs – Build Costs Information Services – Royal Institute of Chartered Surveyors.

5.8.4 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, 8 September 2014

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7885&Ver=4>

6.3 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>

6.4 Assets Regeneration and Growth Committee, 16th March 2015

<http://barnet.moderngov.co.uk/documents/s21974/BARNET%20DEVELOPMENT%20PIPELINE%20-%20TRANCHE%201.pdf>

6.5 Assets Regeneration and Growth Committee, 1st June 2015

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

6.6 Assets Regeneration and Growth Committee, 7th September 2015

<https://barnet.moderngov.co.uk/documents/s25552/BARNET%20DEVELOPMENT%20PIPELINE%20-%20MOXON%20STREET.pdf>

Appendix A – Boundary Site plan

