

	<p style="text-align: center;"><b>Assets, Regeneration &amp; Growth Committee</b></p> <p style="text-align: center;"><b>25 March 2019</b></p>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Burnt Oak Broadway Flats Rooftop Development Outline Business Case</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Chairman of the Assets, Regeneration &amp; Growth Committee</p>
<p style="text-align: right;"><b>Wards</b></p>	<p><a href="#">Burnt Oak</a></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><b>Appendix 1: Outline Business Case – Burnt Oak Broadway Flats Rooftop Development</b></p> <p><b>Appendix 2: Site plan</b></p>
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## Summary

Barnet Homes has been commissioned to act as development agent on behalf of Barnet Council to develop a pipeline of affordable housing as rooftop developments on existing flatted accommodation.

This report sets out a recommendation to develop one additional storey above the existing flatted blocks at “Burnt Oak Broadway Flats” which includes Crokesley House, Curtlington

House, Clare House, Kedyngton House and Coleswood House. This development will continue the current strategy to provide new affordable accommodation within the Borough, delivering savings to the Council against its temporary housing costs.

Burnt Oak Broadway Rooftop Project represents the first rooftop development for affordable housing of this nature delivered by the Borough. It includes the development of 18 new homes and improvements to the estate's public realm, parking and communal areas. The new dwellings would be owned by the London Borough of Barnet and managed by Barnet Homes.

This report includes as an annex the Outline Business Case for the Burnt Oak Broadway development. The ARG report seeks approval of the Outline Business Case. Barnet Homes will continue to seek Planning consent for the project and the subsequent procurement of a building contractor. This report proposes to delegate authority to the Deputy Chief Executive to approve the final contract sum provided it is within the parameters of the budget agreed in the Housing Revenue Account Business Plan by Housing Committee in October 2017 and the associated Full Business Case.

## **Officers Recommendations**

**That the Assets, Regeneration and Growth Committee:**

- 1. Note and approve the Outline Business Case for the Burnt Oak Broadway Flats Rooftop Development, attached at Appendix 1 and to delegate authority to the Deputy Chief Executive to approve the Final Business Case.**
- 2. Delegate authority to the Deputy Chief Executive to agree the final contract sum within the parameters of the approvals and business case and subject to the public procurement rules.**

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

- 1.1 Barnet Homes has been commissioned by Barnet Council to act as development agent on behalf of Barnet Council to develop a pipeline of affordable housing as rooftop developments of flatted accommodation.
- 1.2 The attached Outline Business Case sets out the option to develop one additional storey to the existing Burnt Oak Broadway Flats blocks to provide high quality affordable housing. The project will deliver 18 new homes for affordable rent as well as make improvements to the estate's public realm, parking and communal areas.
- 1.3 The approval of the Outline Business Case by the Assets, Regeneration and Growth Committee is required in order to submit a Planning application and work towards entering into a build contract to deliver the project.

### **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The estate consists of five flatted blocks in a linear formation along the eastern side of the A5. This site has been selected for the proposed project for the following reasons:
- 2.1.1 The blocks require re-roofing at an estimated cost of almost £1,000,000, which could be avoided through delivery of the proposed project.
  - 2.1.2 The existing blocks are only three floors high and the addition of new dwellings is unlikely to visually detract from the current building form.
  - 2.1.3 The existing staircase arrangements mean the new build homes can be integrated into existing communities through shared stairwells, creating greater community cohesion.
  - 2.1.4 With the proposed redevelopment of the adjacent Stag House, new developments on the opposite side of the road, next door at the former Tesco store and at the old Bald Faced Stag as well as further north at the former Registry Office there is the opportunity to further enhance the built environment in this area with this scheme.
- 2.2 The new dwellings would be owned by the London Borough of Barnet and managed by Barnet Homes.
- 2.3 Subject to the approval of the Outline Business Case by the Assets, Regeneration and Growth Committee, Barnet Homes will be able to progress the submission of the Planning application and work towards getting the scheme through Planning Committee in summer 2019.
- 2.4 A contractor will then be appointed through an OJEU compliant tender process.
- 2.5 This report proposes to delegate authority to the Deputy Chief Executive to approve the final contract sum provided it is within the parameters of the budget agreed in the Housing Revenue Account Business Plan by Housing Committee in October 2017 and the associated Full Business Case.

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

- 3.1 All options are listed within the Outline Business Case report (Appendix 1).
- 3.2 Do nothing i.e. do not proceed with the construction of additional homes and replace the flat roof on a like for like basis

- 3.2.1 This option is likely to cost in the region of £950,000 for which the existing leaseholders would be liable to pay their share of the works. This would also provide no additional benefit to the estate environment or block appearance.

### 3.3 Construct additional homes funded through an investor

- 3.3.1 The total number of affordable homes delivered would be reduced.
- 3.3.2 Barnet Homes would have little contractual relationship with the leaseholders, increasing the risk of poor communications and challenges around the management of the existing estate.
- 3.3.3 The quality of the new build units could not be guaranteed.
- 3.3.4 Reductions in benefits to the Council, in terms of revenue savings.

## 4. POST DECISION IMPLEMENTATION

- 4.1 Subject to Committee approval of the Outline Business Case, Barnet Homes will continue to work on the design of the scheme and will seek planning permission for the proposals.
- 4.2 Subsequently Barnet Homes will tender the project through an OJEU compliant process, in order to achieve best value on the scheme.
- 4.3 Delegated authority to the Deputy Chief Executive to approve the final contract sum provided it is within the parameters of the budget agreed in the Housing Revenue Account Business Plan by Housing Committee in October 2017 and the associated Full Business Case.

## 5. IMPLICATIONS OF DECISION

### 5.1 Corporate Priorities and Performance

- 5.1.1 Barnet Council's Housing Strategy 2015-2025 states that Barnet has the largest population of any London Borough with an estimated 393,000 residents in 2015. This is expected to grow by a further 19% over the next 25 years.
- 5.1.2 The London Borough of Barnet's LBB Housing Needs Assessment (HNA) has indicated that the Borough has a requirement for an additional 27,000 dwellings over the next 15 years and the GLA has set LBB a target of 28,000 dwellings by 2030.

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

- 5.2.1 A total budget of £4,989,000 was approved at Policy and Resources Committee in December 2016 and is contained in the Council's Housing Revenue Account capital programme.

- 5.2.2 The updated construction cost estimate of the proposed project is £5,128,912. It should be noted that this estimate is based on current market intelligence and is subject to change. Including on costs and contingency, the estimated Total Scheme Cost budget is estimated to be £6,103,405.
- 5.2.3 An initial cost modelling exercise of the Housing Revenue Account has demonstrated that the proposed project has a neutral impact on the Housing Revenue Account Business Plan.
- 5.2.4 The project will be tendered to a list of contractors through an OJEU compliant process. If the tender price exceeds the approved budget then a value engineering exercise may be considered.
- 5.2.5 If necessary, a bid request for additional funding will be reported to the Policy & Resources Committee for approval.
- 5.2.6 Barnet Homes has an established Development Team with the required experience to deliver this project. Barnet Homes manages the existing estate on behalf of London Borough of Barnet. They have successfully delivered works projects within occupied social housing settings and engaged with residents and leaseholders before, during and after the works are completed.
- 5.2.7 Barnet Homes will manage the project in accordance with the LBB project Management toolkit, which has been adopted for the delivery of this scheme. It incorporates monitoring and controls to ensure the project is delivered effectively and that budgets and programme are maintained and reported through the appropriate channels.

### 5.3 **Social Value**

#### 5.3.1 Expected social value from this project will be:

- The provision of a sustainable development on an existing site with good public transport accessibility with access to local services.
- The opportunity to improve the public realm of the estate, to benefit residents existing and new.
- Contributing to the housing needs of residents within London Borough of Barnet.
- Making savings in temporary accommodation costs through the ability to allocate to new homes for affordable homes.
- Helping to address the shortfall of available accommodation within the Borough.
- New affordable homes which will provide a higher quality of accommodation and greater level of security for households

currently living in temporary accommodation and/or in poor private rented sector accommodation.

- Net increase in Council tax revenues.
- A much-improved street scene with a high-quality design.
- A 'test' development to ensure further rooftop developments are considered on other low-rise blocks around the Borough.

## 5.4 Legal and Constitutional References

5.4.1 The Council's Constitution, Article 7 – Committees, Forums, Working Groups and Partnerships sets out the responsibilities of all council Committees. The ARG Committee has responsibility:

- For regeneration strategy and oversees major regeneration schemes, asset management, employment strategy, business support and engagement.
- To submit to the Policy and Resources Committee proposals relating to the Committee's budget for the following year in accordance with the budget timetable.
- To make recommendations to Policy and Resources Committee on issues relating to the budget for the Committee, including virements or underspends and overspends on the budget. No decisions which result in amendments to the agreed budget may be made by the Committee unless and until the amendment has been agreed by Policy and Resources Committee.
- To receive reports on relevant performance information and risk on the services under its remit.

5.4.2 Barnet Homes will consult with the existing leaseholders on the estate regarding the impact of the proposed work on them. They will seek to vary the leases by agreement with lessees through deeds of variation, to represent the larger split of properties within each chargeable block, which will lead to a reduction in each leaseholders' 'share' of the service charge.

5.4.1 The blocks are designated in the Housing Revenue Account.

## 5.5 Risk Management

5.5.1 The table below outlines the main risks that have identified for this scheme and the actions taken to mitigate against them:

Risk	Impact (1-5)	Likelihood (1-5)	Total (1-25)	Mitigating actions
That Planning consent is not granted	4	2	8	<ul style="list-style-type: none"><li>• Pre-application meeting held with Planners</li><li>• Local stakeholder consultation held, including</li></ul>

				with ward members
Opposition from local residents	3	4	12	<ul style="list-style-type: none"> <li>Local consultation exhibition completed in January 2019</li> <li>Scheme design is Planning compliant</li> </ul>
That the design is not fit for purpose	4	1	4	<ul style="list-style-type: none"> <li>Experienced design team appointed</li> <li>Surveys carried out to inform design</li> <li>Robust employer's requirements drafted</li> <li>Housing Management teams have commented on design</li> </ul>
That the HRA cannot fund the development	3	2	6	<ul style="list-style-type: none"> <li>Consider delivery by Opendoor Homes, with financial benefit to LBB</li> <li>Use GLA grant as cross-subsidy</li> <li>Consider converting some affordable rent to shared ownership, to cross-subsidise cost</li> </ul>
Delay to project delivery	4	2	8	<ul style="list-style-type: none"> <li>Request contractor's programme as part of invitation to tender</li> <li>Compare programme to BCIS benchmarks of similar projects</li> </ul>

				<ul style="list-style-type: none"> <li>• Ensure regular programme reporting is requested and monitored</li> </ul>
Lack of interest from tendering contractors	5	2	10	<ul style="list-style-type: none"> <li>• Network Homes contractor's framework likely to be used</li> <li>• Soft market testing carried out</li> <li>• Packaging with the Stag House project will make this more attractive to contractors</li> </ul>

## 5.6 Equalities and Diversity

5.6.1 This report presents evidence on how increasing Barnet's supply of homes will benefit individuals and the Council. The report sets out the benefits of new housing provision for Barnet, based on an understanding of Barnet's population profile and population need. This document also sets out the specific benefits of delivering a scheme of 18 new homes at the Burnt Oak Broadway Estate in Burnt Oak, HA8.

5.6.2 Over recent years national increases in homelessness against a backdrop of welfare and benefit reform has affected all local authorities and social housing providers, but particularly those in London. The increased demand for housing has placed pressure on an already strained and limited housing supply.

5.6.3 At a local level, Barnet has experienced increased high levels of demand for affordable housing, whilst sources of supply have been limited. Demand has been exacerbated by the buoyant private rental market in the borough, which is increasingly unaffordable for those on lower incomes. Loss of private rental accommodation is now the most common reason for a homelessness application, with residents who might previously have made their own arrangements in the private rental sector approaching the local authority.

5.6.4 In Barnet, there was an 42% increase in new housing needs assessment applications between 2011/12 and 2016/17. In addition, there was an overall 21% decrease in letting within Council stock from 2011/12 to 2016/17 and Barnet has below levels of social housing on average compared to other London boroughs.



## **5.7 Corporate Parenting**

5.7.1 None in the context of this report.

## **5.8 Consultation and Engagement**

5.8.1 Barnet Homes contacted the ward members in January 2019 to notify them of the proposed works and to invite them to a local consultation event.

5.8.2 On 29 January 2019 an exhibition was held to consult the local community on the development proposals. Over 300 local residents were invited, including residents of the existing site. Approximately 11 people attended.

5.8.3 Key comments can be summarised as follows:

- Concern from leaseholders over whether they would be recharged the cost of any of the works
- General support for improvements to the public realm
- Concern regarding the existing parking arrangement and future demand for spaces
- Concern regarding the impact to them of construction process

5.8.4 Barnet Homes has drafted a factsheet in response to these comments and distributed to the residents of the existing blocks.

## **5.9 Insight**

5.9.1 Barnet has 393,000 residents and this figure is expected to grow by 76,000 over the next 25 years; an increase of 19%.

5.9.2 The Council's Housing Strategy 2015-2025 identifies the need to increase housing supply and to deliver homes that people can afford. The Burnt Oak Broadway Rooftop Development Flats project will facilitate the delivery of new homes for affordable rent in the borough to meet housing need. The affordable rent will be set at 65% of the market rent, in line with the Council's affordable rents policy.

5.9.3 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. There are currently in excess of 2,700 households living in temporary accommodation which presents significant budgetary pressures for the Council.

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

5.9.5 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.

## **6. BACKGROUND PAPERS**

- 6.1 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>
- 6.2 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>
- 6.3 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>
- 6.4 Assets, Regeneration and Growth Committee, 12 December 2016, Development Pipeline Tranche 3 - Affordable Housing Programme  
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=8640&Ver=4>
- 6.5 Policy & Resources Committee, 1 December 2016, Business Planning – Medium Term Financial Strategy 2017/20 and Draft Budget for 2017/18  
<https://barnet.moderngov.co.uk/documents/s36377/Appendix%20C%20-%20Capital%20Additions.pdf>
- 6.6 Housing Committee, 23 October 2017, Housing Revenue Account (HRA) Business Plan  
<https://barnet.moderngov.co.uk/documents/s42698/Housing%20Revenue%20Account%20HRA%20Business%20Plan.pdf>

accompanying HRA business plan appendix

<https://barnet.moderngov.co.uk/documents/s42699/Housing%20Revenue%20Account%20HRA%20Business%20Plan%20App%201.pdf>