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Meeting	Cabinet Resources Committee
Date	24 June 2013
<b>Subject</b>	<b>Local Authority New Housing Programme</b>
Report of	Cabinet Member for Housing
Summary	To consider the business case and approve funding and property arrangements for Barnet Homes to build new affordable homes on behalf of the Council.

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Officer Contributors	Pam Wharfe, Director for Place Martin Cowie , Assistant Director of Strategic Planning and Regeneration Nicola Bird, Housing Development Partnership Manager
Status (public or exempt)	Public (with exempt report)
Wards Affected	All
Key Decision	Yes
Reason for urgency / exemption from call-in	N/A
Function of	Executive
Enclosures	None
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## **1. RECOMMENDATIONS**

### **1.1 That the committee :-**

- (i) approve an addition to the capital programme of £567,000 to build three new affordable homes for rent on the land at Alexandra Road, N10 shown edged in red on the plan in appendix 1**
- (ii) agree that the land at Alexandra Road shown edged in red on the plan in appendix 1 is no longer required for the purpose for which it is currently held and is appropriated for planning purposes to facilitate the building of the new homes in accordance with the planning permission**
- (iii) approve an addition to the capital programme of £7,093,000 to build a further 38 affordable homes on the 4 sites identified in appendix 2.**
- (iv) delegate authority to the Director of Place to agree other schemes not named in 1.1 (iii) should any of the schemes fail and subject to the costs not exceeding £7,093,000 for the delivery of 38 homes.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Cabinet - 25 February 2013** – approved the council’s business plan 2013/14 - 2015/16, which included an overview of the HRA Business Plan which identified the opportunity to build new Council homes including priorities for supported housing identified with Adults and Communities, subject to a business case being developed and considered by a future committee
- 2.2 Cabinet - 14 September 2011** – (i) agenda item 6 - Housing Strategy resolved to agree Barnet’s approach to the key national policy changes set out in Appendix 1 to the report and (ii) agenda item 7 - Regeneration Strategy approved the Regeneration Strategy

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

**3.1** The building of new affordable homes will contribute to the Corporate Plan 2013/16 strategic objectives to:

- Create the right environment to promote responsible growth, development, and success across the borough
- Support families and individuals that need it – promoting independence, learning and well being.

**3.2** The programme to build new affordable homes supports the strategic objectives in the council’s Housing Strategy 2010-2025 which include:

- Increasing housing supply, including family sized homes, to improve the range of housing choices and opportunities available to residents; and

- Promoting mixed communities and maximising opportunities available for those wishing to own their home.

3.3 The programme to build new affordable homes supports the strategic objectives in the council's Regeneration Strategy which include:

- Enhance Barnet as a Successful London Suburb through delivery of quality new places and neighbourhoods in the areas of the borough in greatest need of investment and renewal
- Deliver sustainable housing growth and infrastructure, and improve the condition and sustainability of the existing housing stock
- Ensure residents in all areas of the borough can share in Barnet's success while taking responsibility for the well-being of their families and their communities

#### **4. RISK MANAGEMENT ISSUES**

4.1 All sites selected for residential development will need to be evaluated by the Council's Property Services and legal teams to ensure that new housing development is possible and any easements or restrictions that could effect the development will be dealt with in the appropriate way. In some cases it may be necessary to appropriate the land for planning purposes to facilitate this.

4.2 There is a risk that not all the sites identified will be successful in obtaining planning permission. To mitigate against this pre application meetings will be considered with a named planning officer to provide advice.

4.3 Costs will be controlled through regular monitoring by the Council to ensure the schemes deliver within the budget.

4.4 It is proposed to fund the new build programme through usable right to buy receipts. Failure to spend these will result in the receipts being returned to the CLG with interest.

#### **5. EQUALITIES AND DIVERSITY ISSUES**

5.1 The new affordable housing units will be let in accordance with the Allocation Policy. The Housing Allocations Scheme agreed in January 2011 was subject to a full equalities impact assessment which included extensive consultation with residents and housing applicants on the former housing register. A further equalities assessment of the revised planned Housing Allocations Scheme has been undertaken to ensure it does not disadvantage any households on the basis of ethnicity, faith, gender, disability or sexual orientation or age.

#### **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

##### **Finance**

- 6.1 It is proposed that the new affordable homes will be funded through the Housing Revenue Account (HRA) surpluses and through usable capital receipts generated through the revised Right to Buy scheme. The HRA surplus for the end of 2012/13 is estimated to be £16 million.
- 6.2 In April 2012 a new HRA self financing system was introduced which allowed the Council to retain all rents generated locally to meet the costs of managing and maintaining council homes. As a result of the change to the financing system, the Council developed a 30 year Business Plan in 2012/13, which set out how the HRA would generate surpluses over and above the cost of managing and maintaining the Council's housing stock.
- 6.3 The business plan demonstrated that the HRA would generate funds which could be used to fund other priorities including the building of new homes. The total amount available for borrowing under the HRA headroom is £38.7 million.
- 6.4 In 2012 changes were also introduced to the right to buy scheme. This has meant that the Council is able to retain a higher level of capital receipts as long as these receipts are used to provide new affordable homes and match funding from other sources of Council funding. The match funding could come through the HRA surpluses on the account balance, New Homes Bonus, Community Infrastructure Fund or the use of HRA headroom borrowing. The right to buy receipts settlement the Council has received based on a notional figure is summarised below:

Receipts to be retained for new build 12/13	£1.8 million
Match funding required from other sources	£4.5 million
Value of new build programme	£6.3 million

In order to retain the usable receipts, the Council will have to spend £2.6 million on new housing by December 2015 and a total of £6.3 million by March 2016.

- 6.5 This programme to build 41 affordable homes at a cost of £7.660m will be funded through usable capital receipts achieved through right to buy sales and supported by HRA surpluses from the balance account. The HRA modelling shows that the HRA can support this level of funding and still retain capacity helping to deliver other priorities in the HRA Business Plan, including Supported Housing and Regeneration.
- 6.6 The costs are summarised in the Exempt Report .

### **6.7 Procurement**

Barnet Homes will procure the new build programme in accordance with their procurement rules. These are comparable with the Council's procurement rules. Depending on the size or nature of the site actual procurement will be through the use of existing local, regional or national agreements for both the constructors and the professional/technical services, one off tender exercises.

Any procurement will ensure value for money to the Council through Barnet Homes undertaking a bench marking exercise of other social housing providers agreed with the Council which are building new affordable homes in terms of total costs including build costs, professional fees and project management delivery fees.

Procurement will aim where practical and possible to use Barnet based services and suppliers, particularly small and medium businesses located in the borough.

## **6.8 Staffing**

The construction of the new homes will be managed by Barnet Homes staff who are supported by consultants with specialist skills when appropriate. These costs will be included in the capital costs of each development site.

## **6.9 Property**

It is recommended to appropriate the land known as Alexandra Road, N10 and shown edged in red on the site plan (attached as appendix 1) for planning purposes. The land was previously a car park for the benefit of the surrounding housing estate but has not been used for a number of years and is longer required by the authority for that purpose. Barnet Homes secured planning permission in March 2013 to redevelop the land for new housing and the appropriation of the land for planning purposes will facilitate its redevelopment in accordance with that permission. As a result of the appropriation the land will be held by the general fund. The rules for use of right to buy usable receipts will allow the council to use these even if the properties are held outside the HRA as long as the total spend is in accordance with paragraph 6.5 above.

All sites where new development is to be considered as part of the Council new build programme, will be evaluated by Property Services to ensure that development is possible.

## **7. LEGAL ISSUES**

The Council has a power under s122 of the Local Government Act 1972 to appropriate land from one statutory purpose to another where:

- The land is no longer required for the purpose for which it is currently held; and
- The purpose for which the land is to be appropriated is one for which the authority is empowered to acquire land by agreement.

The Council is empowered to acquire land for planning purposes under sections 226 and 227 of the Town and Country Planning Act 1990. Where land is appropriated for planning purposes, section 237 of the 1990 Act operates to enable development to lawfully proceed in accordance with planning permission, notwithstanding that the development will interfere with pre-existing third party rights affecting the development land (for example

restrictive covenants or easements). Any third parties whose rights are interfered with or obstructed shall not be able to enforce those rights against the owner of the land but shall instead have a statutory right to compensation.

The procurement of construction works must comply with the Public Contracts Regulations 2006 where the works value exceeds the relevant statutory threshold.

## **8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)**

- 8.1 Council Constitution, Part 3, Responsibility for Functions – details responsibilities for Executive functions. Section 3.2 details that the Cabinet Member for Housing is the lead on budget and policy formulation and implementation relating to housing. In particular working with Barnet Homes, housing associations and other providers to secure the optimum provision and associated environmental, neighbourhood development and social facilities for all those members of the community not living in private accommodation, or for those who require public sector housing.
- 8.2 Section 3.5 outlines the terms of reference of the Cabinet Resources Committee which includes Capital and revenue finance, forecasting, monitoring, borrowing and taxation.'

## **9. BACKGROUND INFORMATION**

- 9.1 The Council is facing difficulties in meeting its obligations to provide housing for households in housing need in the borough. This is due to the reduction in supply of private rented sector homes available to housing applicants largely due to a combination of market conditions and welfare reform. In response to this, sites have been identified on HRA land that could provide an additional 300 new build homes over the next 10 years.
- 9.2 The changes to the HRA and the use of Right to Buy receipts as mentioned in paragraph 6.4 above have given the Council the opportunity to build new affordable homes. If new build opportunities are not progressed using the right to buy receipts, these receipts will have to be returned.
- 9.3 Deliver of these homes can begin in 2013/14 with the first completed homes early in 2014/15.
- 9.4 The new homes will be owned by the Council with Barnet Homes managing the construction process. On completion, the homes will be managed by Barnet Homes in accordance with the existing management arrangements. The Council will receive all the rent charged on the properties.
- 9.5 All the new homes will be let in accordance with the Council's Allocation Policy
- 9.6 Barnet Homes as the Council's ALMO already has an existing contractual arrangement in place and a management structure to incorporate the additional properties into their portfolio at no additional cost to the Council.

They are familiar with the sites and the residents that live in the surrounding area. Mechanisms are in place to work and consult with residents on the development opportunities. Barnet Homes has delivered the Decent Homes Programme and successfully managed the building contracts to deliver these.

- 9.7 The new homes will be predominately family sized accommodation to meet priority housing need. In addition, a number of fully accessible wheelchair homes will be included to meet the needs of the increasing number of applications from people with physical disabilities. Development of independent housing for people with physical disabilities has also been identified as a priority for Adults & Communities.
- 9.8 The rents charged on the new affordable homes will be in accordance with the rent setting guidelines reported at Cabinet Resources Committee in February 2013 in the report on the Council's draft budget.
- 9.9 Alexandra Road will be the first scheme to progress and planning permission was issued in March 2013. The construction of the new homes will begin in the later part of the summer 2013 and complete early in 2014/15.
- 9.10 Barnet Homes is progressing detailed options on a further 4 sites which are surplus to the existing use but suitable for residential use. These sites are:-
- Brent Place, Barnet
  - Tarling Road, N2
  - Warwick Close, EN4
  - Haldane Close, N10

Site	Planning application submission	Start on site	Practical completion	Outputs in no of Homes
Brent Place, EN5	September 2013	January 2014	December 2014	9
Haldane Close, N10	September 2013	January 2014	December 2014	13
Tarling Road, N2	October 2013	March 2014	February 2015	8
Warwick Close, EN4	September 2013	March 2014	February 2015	8
<b>TOTAL</b>				<b>38</b>

The estimated cost for these sites is £7.093 million.

Location maps are attached in appendix 2.

Further information is provided in the exempt report

9.11 If the sites identified in paragraph 9.10 do not progress for whatever reason, Barnet Homes will have the opportunity to submit other sites to replace these on the understanding that the costs do not exceed £7.093 million to deliver the same number of homes.

## 10. LIST OF BACKGROUND PAPERS

10.1 none

<b>Cleared by Finance (Officer's initials)</b>	<b>JH</b>
<b>Cleared by Legal (Officer's initials)</b>	<b>MA</b>