

AGENDA ITEM: 17 Page nos. 80 – 88

Meeting	Cabinet Resources Committee
Date	10 February 2005
Subject	Stonegrove / Spur Road housing estates – progressing the estates regeneration scheme
Report of	Cabinet Members for <ul style="list-style-type: none"> • Housing Neighbourhoods and Community Safety • Resources • Performance, Partnerships & Best Value
Summary	This report makes proposals that seek to progress the estates regeneration scheme and to safeguard the Council's capital finance position. The report reminds Members of (i) the primary objectives of the regeneration scheme and (ii) the financial liabilities already arising, and to consider an early disposal of part of the scheme land to commence achievement of (i) and significantly reduce the risks arising from (ii).

Officer Contributors	David Stephens, Chief Valuer, Resources Directorate Jonathan Lloyd-Owen, Regeneration Manager
Status (public or exempt)	Public
Wards affected	Edgware
Enclosures	N/A
For decision by	Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	N/A

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1. RECOMMENDATIONS

- 1.1 That agreement be given in principle to the freehold sale of the land on the Stonegrove/Spur Road housing estates shown edged black on plan No.1 attached to the report to Family Housing Association subject to:**
- i. the grant of consent by the ODPM; and**
 - ii. final approval by the committee of the financial arrangements as a condition of the land transfer.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1** Cabinet 10 December 2001 - Agreed that Family Housing Association be approved as the Council's preferred development partner for the regeneration of the Stonegrove and Spur Road estates and the appropriate Chief Officers be instructed to work with Family Housing Association to progress the regeneration proposals, reporting to future meetings of Cabinet on property acquisition and land transfer issues as appropriate
- 2.2** Cabinet 9 September 2002 – Agreed that the Heads of Terms agreed with the consortium of Family Housing Association and Unitary and with Edgware School as set out in the report, including the underwriting provisions, be approved in principle and the Borough Solicitor be instructed to complete the necessary documents in forms to his approval subject to the final financial arrangements being approved by a future meeting of the Cabinet Resources Committee.
- 2.3** Cabinet Resources 4 November 2003 – considered a report detailing the financial provisions of the Underwriting Agreement and the events which would trigger payment by the Council to the consortium. The committee agreed to enter into the Underwriting Agreement.
- 2.4** Planning and Environment Committee – 22 September 2004 – approved, subject to conditions and reserved matters, the grant of an outline planning application for the Stonegrove/Spur Road Regeneration Scheme.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1** The Corporate Plan commits the Council to 'plan and manage land use and development in Barnet enhance quality of life and provide tangible benefits for the community.' The proposals in this report will do this by (i) achieving an early implementation of the regenerations scheme; and (ii) significantly reducing the Council's exposure to financial risk.
- 3.2** The Council is required by the ODPM to bring its housing stock up to Decent Homes standard by 2010. The Council has undertaken to achieve this standard on the regeneration estates substantially through redevelopment and the re-provision of the existing housing.

4. RISK MANAGEMENT ISSUES

- 4.1** The main risks to the Council's regeneration policy objectives and its financial exposure are set out in the report.

- 4.2 The proposals expressly provide for the contingency of the overall regeneration scheme not proceeding and the Council's payment obligations in the underwriting agreement being triggered. In such an instance the financial arrangements will provide for the Council to achieve full market value for the phase C land (based upon the scheme to be built) which can be used to offset the underwriting agreement liability and is expected to also produce a capital surplus which can be used for other capital programme priorities.
- 4.3 The Business Plan for the Stonegrove scheme has assumed a Housing Corporation contribution to the affordable housing element. The £8.6m on offer for the phase C scheme is an early 'win' but the money must be committed shortly otherwise there is a risk that this funding could be lost to the Borough. If this happens then there is a chance that it will adversely impact upon the chances of other Housing Corporation funding becoming available.
- 4.4 The disposal for either scenario is conditional upon the consent of the ODPM and to the grant of planning permission.
- 4.5 This report is agreeing in principle to certain land transactions taking place ahead of the Principal Development Agreement being signed. The result of further discussion and negotiation with the development partner will be reported back to a subsequent meeting of this committee, at which time a full risk assessment on each of the possible outcomes will be provided.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 If the report proposals are agreed, officers will enter into detailed discussions with Family Housing Association regarding the financial arrangements for each of the scenarios, reporting the outcomes to a future meeting of the committee for further consideration.
- 5.2 If the land transfer ultimately proceeds then it is expected that the £8.6m Housing Corporation funding will be secured.
- 5.3 When reporting back to the Committee upon the results of the further negotiations with Family Housing Association, the issues of the Council's £8m contribution to the overall scheme and any restrictions on spending any capital receipt from the Phase C site will be addressed.

6. LEGAL ISSUES

- 6.1 None.

7. CONSTITUTIONAL POWERS

- 7.1 Constitution – Council Procedure Rules – Financial Standing Orders & Rules for Disposal of Land and Real Property.
- 7.2 Constitution – Part 3 Responsibility for Functions – Section 3.6 Functions delegated to the Cabinet Resources committee – All matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.

8. BACKGROUND INFORMATION

REASON FOR THE REGENERATION SCHEME

8.1 It was reported to the 10.12.01 Cabinet meeting that in July 2001 the then Department for Transport, Local Government and the Regions (DTLR) had issued guidance to Local Authorities on meeting 'Decent Homes' standards. The guidance set out the criteria for determining whether homes failed the reasonable state of repair test. In particular the guidance referred to a home failing the test if it lacked three or more of the following:

- i. A reasonably modern kitchen;
- ii. A kitchen with adequate space and layout;
- iii. A reasonably modern bathroom;
- iv. An appropriately located bathroom and WC;
- v. Adequate noise insulation;
- vi. Adequate size and layout of common areas for blocks of flats.

Homes should also provide a reasonable degree of thermal comfort.

8.2 It was stated in the 2001 report that it was known from the stock condition information available at the time that on the Stonegrove and Spur Road estates the kitchens, bathrooms and windows would fail the criteria tests, and in particular that poor windows and inadequate heating systems lead to severe condensation, substantial heat loss and fuel poverty. The DTLR had issued all Local Authorities with a target date of 2010 for all homes to meet the standards. This would be a major task for the Council and therefore the regeneration of the Stonegrove and Spur Road estates was seen as an ideal opportunity to have nearly 500 homes re-provided to fully meet the decent homes criteria.

8.3 In response to the need to address the heating, condensation and general structural repair problems and the modernisation requirements for the homes on these estates, opportunities of working with a Housing Association partner to regenerate the estates were investigated. It was clear from the consultation with the residents that they had firm aspirations about what they expected from any regeneration of the housing estates. As well as modern, comfortable, energy efficient homes, they also want a thriving community – good parking, well lit streets, recreational and community facilities, shops, good public transport links, employment opportunities, and integration with the proposals for the new Edgware School City Academy. It was considered that this presented a clear opportunity for the Council to meet the Governments requirement of Local Authorities to ensure their housing stock met the Decent Homes Standards.

- 8.4 Residents support has been strong throughout the consultation, design and planning phases of the scheme; in August 2003 88% of estate households voted in favour of the regeneration proposals on a turnout of 75%. A Partnership Board with strong resident representation has been established to guide and drive the development and the long-term management of the neighbourhood.

BASIS OF AGREEMENT WITH THE CONSORTIUM

- 8.5 The following principal terms agreed with the consortium of Family Housing Association and its developer partner, Unitary, were considered and approved by the committee at its meeting on 9 September 2002:
- i. The Council to transfer to the consortium the majority of the land and buildings on the Stonegrove and Spur Road housing estates with vacant possession and on a phased basis for the sum of £1.
 - ii. The Council to also transfer to the consortium the freehold of the 3.34 hectares approximately of the existing Edgware School land subject to (a) the prior construction by the trustees of new buildings to accommodate the London Academy on the remainder of the Edgware School land; and (b) the acquisition by the trustees of a sufficient interest in the green belt land on the north side of Spur Road for use as playing/sports fields.
 - iii. As the project was being promoted by the Council, the consortium was seeking an agreement for the Council to underwrite part of its development costs. The exempt report included a schedule of the costs which were likely to be incurred by the consortium up to the date when the project becomes unconditional. The costs will be incurred incrementally and thus the full amount of the agreed underwriting may not become payable. Additionally, the costs will not be payable if the consortium withdraws for any reason other than those within the underwriting agreement. The schedule of the costs likely to be incurred by the consortium up to the date when the matter becomes unconditional and the regeneration works start on site were subject to further negotiation but it was anticipated that the final figure could be in the region of £1.2m to £1.3m.
- 8.5 It was further reported that if it was agreed that these costs were to be underwritten by the Council the expenditure could be met from the sale by the Council of the surplus school lands for residential development. If the housing estates regeneration was not proceeding but the London Academy scheme did go ahead, the Council would still need to sell this land so that the school/DfES could receive the agreed £6m. It is understood that the consortium's costs have now exceeded £1.3m.
- 8.6 Although there has been significant progress on various elements of the project, Officers have not so far been in a position to report to the Committee on the overall financial package and therefore none of the land has yet been transferred.

CURRENT POSITION/COMMITMENTS

- 8.7 The Planning and Environment Committee at its meeting on 22 September 2004 resolved to grant outline planning permission for the housing estates regeneration scheme subject to referral to the Secretary of State and the Mayor of London and to the applicant entering into a Section 106 Agreement. Formal grant of the outline planning permission has not yet happened.
- 8.8 Whilst there have been on-going discussions with Family Housing Association and Unitary, the Principal Development Agreement has not been finalised and works remains to be done on preparing the Compulsory Purchase Order (CPO). There has however been positive progress on both of these issues.
- 8.9 Whilst the grant of the outline planning permission, assuming it happens, will remove one of the triggers which would require the Council to make payment pursuant to the under-writing agreement, other triggers are still capable of occurring. These include:
- i. Failure to achieve a confirmed CPO;
 - ii. Non-release of the 'surplus' former Edgware School lands for use as part of the housing regeneration scheme;
 - iii. If the Council withdraws from the project;
 - iv. The project is financially unviable.
- 8.10 In regard to the 'surplus' former Edgware School lands, whilst there has been provisional agreement with All Souls College to take an appropriate interest in the land on the north side of Spur Road for use as playing fields by the Academy, the transaction has not yet been completed. Thus, an element of risk still attaches to this trigger.
- 8.11 As previously reported, it was hoped that the release of the 'surplus' school lands would realise sufficient money from Family Housing Association to cover the costs of acquiring the All Souls land. Unfortunately, because of timing issues this is no longer possible. The purchase price and other costs linked to the All Souls land purchase is to be covered by prudential borrowing of around £3m. Thus, the Council now has the revenue burden of this borrowing as well as an on-going risk of having to pay out £1.3m on the under-writing agreement with that latter sum not being covered by the suggested land transaction whilst the All Souls land 'purchase' is outstanding.
- 8.12 In addition to the above commitments and risks the meantime the Council still has a duty to take action to ensure that its housing stock meets Decent Homes Standards. The residents on the estates have the same expectation.

AN OPPORTUNITY TO PROGRESS THE SCHEME AND MITIGATE RISK

- 8.13 The Council needs to take forward the regeneration scheme and at the same time look for opportunities to improve its financial position, and in particular to reduce its financial risk. Consequent upon the issues referred to in paragraph 8.11 above officers have given consideration as to how the under-writing liability can be off-set without impacting on capital receipt expectations elsewhere. It is believed that an opportunity to do this exists within the Stonegrove/Spur Road regeneration area.
- 8.14 Attached to the report is a plan showing part of the existing housing estate. It comprises a community centre (which is used infrequently, but in the main by Barnet College), 44 garages in blocks - 30 of these are currently occupied upon a weekly rental basis, and some grassed amenity areas. The whole has an area of approximately 0.7 hectares/1.7 acres. Within the outline regeneration scheme this is known as the Phase C site. The scheme shows this as potentially being developed with a scheme of 74 one, two and three bedroom affordable housing units. In isolation, the site has the potential for generating value as well as progressing the regeneration scheme in a logical fashion.
- 8.15 The Phase C site has been selected because (i) its redevelopment does not require the rehousing of any residents; (ii) within the current redevelopment scheme, it will provide new affordable housing which will be used to start the decanting from other phases; and (iii) it is not deemed to be the highest value land on the estates which will be required to deliver maximum value to provide cross-subsidy for the scheme as a whole.
- 8.16 Officers have taken the initiative and discussed with Family Housing Association the possibility of this site being developed in advance of confirmation of the overall development as an early win. The idea being that the site would initially be transferred to the Housing Association at nil value but upon the following basis:
- i. If the regeneration scheme is to proceed then the site will be developed with the intended 74 affordable housing units. The land value for such a scheme will be agreed and provision made in the transfer agreement for that to be properly factored into the regeneration scheme business plan. This would be in line with the principal terms already provisionally approved and as referred to in paragraph 8.5 (i) above.
 - ii. If the regeneration scheme is not to proceed then Family Housing Association will seek planning permission to develop the site with a mix of private and affordable housing. The transfer arrangements will include provision for the Council to receive full market value from Family Housing Association for the land based upon the granted planning permission.
- 8.17 This report is seeking an in principle agreement to the proposal so that Officers can take engage with Family Housing Association on land values and how that value will be maximised to the Council's benefit in either scenario, with the outcome being reported to a future meeting of the committee for further consideration.

- 8.18 In both scenarios the Council will have 100% nomination rights to the affordable housing. If the Stonegrove scheme proceeds then the nomination rights will be used for the re-housing of tenants from other parts of the estate. If the regeneration scheme does not proceed then the nomination rights are likely to assist with whatever other course of action the Council pursues for improving the standard of housing on the estate. Both scenarios are subject to the grant of a detailed planning permission.
- 8.19 Family Housing Association has done some work on the proposals. By taking the land for the 74 unit scheme it can secure Housing Corporation grant of £8.6m to support this part of the scheme provided works start on site before 1st April 2006 – this sum was always assumed within the Business Plan, but delays within the project have now made this deadline more critical. If scenario (ii) is pursued a lesser sum of grant money may be available and secured proportionate to the reduced number of affordable units to be provided.

BENEFITS FOR THE COUNCIL

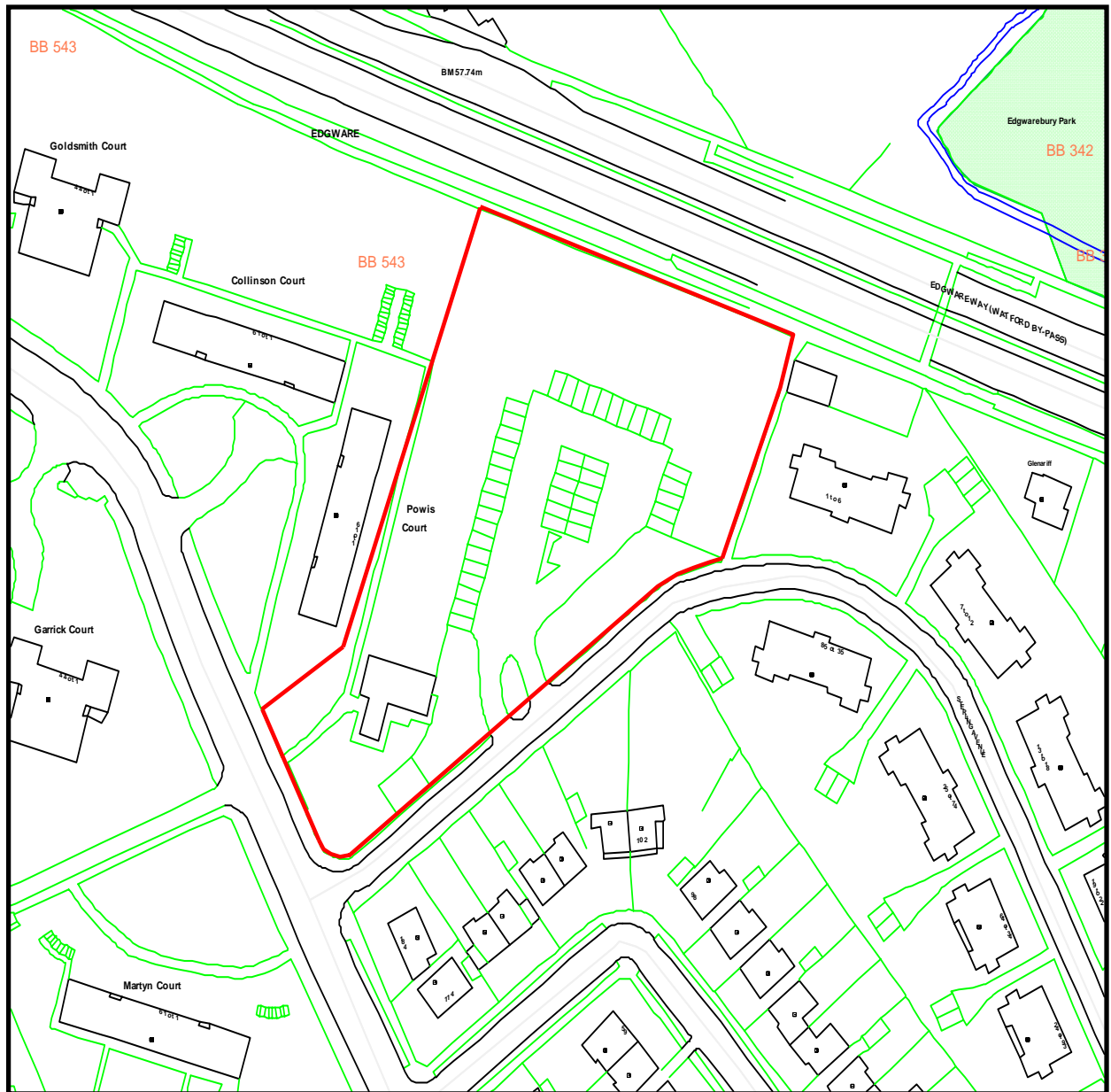
- 8.20 The most significant advantage for the Council is that this arrangement will fully mitigate the liability for the £1.3m potentially due under the under-writing agreement. If the scenario i. development goes ahead then it means that the whole project is proceeding and the under-writing agreement is no longer operable. However, if scenario ii. Is pursued then the Council can expect a sufficient capital receipt to cover the under-writing agreement liability and leave other capital to be invested in alternative capital schemes or possibly to repay part of the prudential borrowing for the All Soul's College land purchase.
- 8.21 If scenario i. proceeds it will attract £8.6m of investment in improving the housing stock in the Borough and will facilitate the next stage of the regeneration project. If scenario ii. Proceeds the nomination rights will be available to assist the borough in meeting the housing needs of those on the housing register.
- 8.22 Were it not for the regeneration scheme officers would be looking for in-fill sites such as this where housing development schemes can have the advantage of solving local problems and providing much needed modern housing – the development on the Gold Lane garages site in Burnt Oak is a good example of this.

9. LIST OF BACKGROUND PAPERS

- 9.1 None.

BS: POJ
BT: CM

Plan 1- Community centre, garages and adjoining land, Stonegrove Spur Road



Not to scale

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