	ASSETS, REGENERATION & GROWTH COMMITTEE 7 September 2015
Title	Pocket Development, Land Fronting B &Q, Cricklewood Lane NW2
Report of	Director of Place (Re.)
Wards	Childs Hill
Status	Public with the exception of Appendices 1 and 3 which are “Not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended”.
Urgent	No
Key	Yes
Enclosures	Exempt Appendix 1 Heads of Terms, Appendix 2 Site Plan Exempt Appendix 3 Valuation and Commercial Terms
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Summary

As a strategic housing authority the London Borough of Barnet considers how best to meet future housing demand based upon limited resources available in terms of land.

The Council's existing Housing Strategy has the overarching objective of providing housing choices that meet the needs and aspirations of Barnet residents, and the draft Housing Strategy which Housing Committee approved for consultation is consistent with this. This report seeks approval to dispose of the site to Pocket Living (2013) LLP; comprising 0.45 acres of green open space fronting the B&Q warehouse in Cricklewood NW2 (edged blue in Appendix 2). The site was purchased by the Council in September 2004 for £500 from the Crown Estate on the basis that the land could not be built on.

Subsequent negotiations with the Crown Estate have led to an agreement in principle for this restriction to be withdrawn and the proceeds shared equally between the Crown Estate and the London Borough of Barnet.

Pocket has secured funding in the form of an interest-free loan from the Greater London Authority (GLA). This funding is conditional on LBB committee approval and Pocket requires earliest confirmation from LBB to ensure the funding is allocated to the LBB scheme.

Recommendations

That the Committee resolve to:

- 1. Declare the land as surplus to the council's requirements**
- 2. Approve the draft Heads of Terms in Appendix 1**
- 3. Approve the advertisement of the proposal to dispose of public open space (edged blue in Appendix 2) under section 123(2A) Local Government Act 1972 and report the outcome back to the Asset Regeneration and Growth Committee for consideration of responses and final decision.**
- 4. Authorise the Commissioning Director for Growth and Development in consultation with the Chairman of the Asset Regeneration and Growth Committee to finalise the detail of the legal documentation and exchange contracts with Pocket on the terms detailed in this report.**

1. WHY THIS REPORT IS NEEDED

- 1.1** The Council's policy on land disposal requires ARG approval for a disposal of this value. This report provides a rationale for the disposal of this land on the basis that it can be considered surplus to Council's requirement. It informs the reader of the disposal terms, associated risks and the benefits of the proposal, and the necessary consultation processes. It aims to facilitate the decision-making process by providing background, context and the details of the commercial deal and the resulting cost/benefit analysis within the scope of current policy positions.
- 1.2** The Council's Local Plan has identified capacity to build 27,000 new homes in the borough. This provides an opportunity to make sure that that the on-going housing needs of residents are met, as well as ensuring that the borough remains a vibrant and dynamic place where individuals and businesses can thrive. The Local Plan 2012 recognised the need for a range of accommodation tenures and sizes to reflect the needs of a changing and growing population. This report details the proposed mixed tenure development for which the land is recommended for sale.
- 1.3** It seeks delegated authority to exchange contracts and complete the transaction subject to planning consent, and public advertising of the intention to dispose of open space.

2. REASONS FOR RECOMMENDATIONS

- 2.1** The Barnet Housing Needs Assessment (HNA) estimates that 27,000 new homes will be required between 2015 and 2025. The London Plan has tasked Barnet with delivering 28,000 new homes, although the recent alterations have recommended raising this to 31,000. Demographics are changing with more Londoners living on their own. Barnet's 7 major regeneration sites are expected to deliver over 20,000 houses of the target. Barnet's challenge is to

find remaining sites to meet their Greater London Authority (GLA) target without diminishing Green Belt Land. The disposal of this land will contribute toward the delivery of this corporate objective by creating new provision for affordable housing accommodation in the Borough.

- 2.2** The subject plot fronting B&Q, on Cricklewood Lane is currently an open space primarily used as a disabled access ramp to the B&Q store. It is regularly fly-tipped and attracts rough sleepers among other social issues such as alcohol and substance misuse. The proximity to local businesses means on-going disturbance to businesses, environmental degradation, and Health & Safety concerns resulting from substance/alcohol misuse and excessive littering. Retention of the site in its existing condition would not only allow these problems to continue, but also drain the Council's resources in terms of on-going management costs.
- 2.3** Conversely, the site represents a significant development opportunity. This report proposes the disposal of the site to Pocket Homes for a scheme of 42 intermediate-affordable units with retail space on the ground floor. It is an innovative scheme that would bring a sustainable, affordable and modern development to Barnet.
- 2.4** The proposed scheme is in keeping with the Council's draft Housing Strategy which explores other means of helping people access home ownership, for example the potential for building smaller, more affordable starter homes for people who would prefer to own a smaller home outright rather than a larger one through shared ownership. Pocket is an innovative developer of starter homes that is already active in 10 London boroughs. It proposes an alternative intermediate housing solution to the more traditional shared-ownership model by offering compact homes that are owned outright. Pocket serves a segment of Londoners who work hard and contribute much to London culturally, socially and economically. This group of Londoners are ineligible for social housing and for whom owner occupation is a rapidly receding dream. They are currently in private rental accommodation, with monthly rents typically taking up 55% of their average monthly gross earnings, impairing their ability to save a deposit. This has an impact on recruitment and retention of staff for London businesses.
- 2.5** The Mayor of London's Housing Covenant 2012 recognises this problem and agrees that more flexible products are necessary for London's mid-market. Pocket, with support from the GLA, aims to tackle this issue by creating a more affordable product at 80% of market value and by making it available to local residents only. The proposed scheme on Cricklewood Lane will be available to the residents of Barnet only. All future resale, in perpetuity, will also be restricted to 80% of market value. The GLA support is also conditional upon Pocket reinvesting its profit in the host Borough.

2.6 As part of the proposed development, Pocket will improve the disabled access into the adjacent retail park and landscape around the retained access. The section of the plot containing the improved access and the landscaping are currently being drawn up by Pocket's Architects but will not be transferred to Pocket. Upon completion of design and planning consent, this area will be excluded from land transfer without any impact on land value and will be presented to the delegated officer to approve the exclusion. Whilst all the improvement works will be carried out by Pocket at its own expense, the ownership will be retained by the Council. Pocket's overall design is also aiming to have as little impact on the newly improved paved area as possible, subject to planning.

2.7 Pocket's proposal has been tested against the London Plan and Local Planning policies. Pocket has also supplied documentary evidence of GLA support and loan commitment. Its development appraisal has been scrutinised internally and compared with other Barnet schemes. The site was then valued independently by the Valuation Office Agency. Details of the valuation and the commercial terms are provided in Appendix 3.

2.8 Key benefits by taking forward the development are;

2.8.1 The benefits of disposing to Pocket are -

- The disposal will save the current site maintenance costs and will generate a capital receipt in the form of land value plus potential overage from a site that currently produces no revenue.
- Assist first time buyers with outright home ownership by building 42 new homes for discounted market sale. The scheme will be 100% affordable and all homes will be sold at 80% of market value to buyers who live or work in the borough.
- All resale in the future will also be at 80% of market value, thereby ensuring that the homes are affordable in perpetuity. This will be ensured by registering a restriction on title for each individual property.
- Provision of new retail space on the ground floor.
- Regeneration and enhancement of the area through –
 - o Architecture and design – Pocket's commitment to quality has resulted in them receiving numerous design awards.
 - o Sustainable Development – Pocket developments are all built to be sustainable, achieving Code for Sustainable House Level 4 and being Lifetime Homes compliant.

- o Improved amenity space - Pocket are committed to enhancing the open space around the development perimeter by improving the pedestrian access into the adjacent retail park, landscaping and street lighting.
- Additional revenue of £417,028 from the New Homes Bonus – The New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use. The amount is calculated based on the extra Council Tax Revenue with a further payment being received for each affordable unit. Due to the combination of a high density design and a 100% affordable scheme it is estimated Pocket developments generally deliver between 30% - 75% more revenue than a traditional house builder. For this scheme, assuming flats of Tax Band C, Pocket estimate the New Homes Bonus will be £417,028.
- Pocket is a private developer which, following several successful developments, has been given access to an interest-free equity loan via the Mayor's Housing Covenant (MHC) to speed up further delivery. All Pockets Housing Covenant Projects are recycled into the fund alongside the GLA's capital over the ten year term of our agreement. Pocket is therefore prohibited from withdrawing any profits or distributing any surplus before 2023. Moreover, there is a commitment from the GLA to reallocate their capital together with Pocket's profits back into more affordable homes in Barnet.
- Whilst the proposed scheme is 100% affordable, LBB will not forgo CIL payments receivable from the scheme. Pocket will contribute CIL payment for 100% of the gross internal space created by the scheme.
- By realising the delivery of more units the Council benefits from economic growth ensuring that the Borough remains an attractive place to live whilst contributing towards its housing objectives

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1** The 'do nothing' approach will retain the site in its current use as public open space and will continue to attract anti-social behaviour. This does not meet the current housing strategy and fails to maximise the full potential land value. The on-going cost of dealing with anti-social behaviour and fly-tipping will continue to be a burden and take away resources that can be used toward other essential services.
- 3.2** The option of selling the site on the open market was considered and excluded to enable Barnet to benefit from the interest-free GLA loan for the scheme and its support for this new affordable housing product that aims to assist first time buyers living in Barnet. This option will also ensure that the completed properties are sold and resold to first time buyers at 80% of market value in perpetuity. In addition, the Developer's profit will be reinvested in Barnet. All of these benefits cannot be guaranteed if the site is sold on the open market.

4. POST DECISION IMPLEMENTATION

- 4.1 Advertising under section 123(2A) of the Local Government Act 1972 for the disposal of open space
- 4.2 Pocket to progress to a full planning application
- 4.3 Preparation of draft contract
- 4.4 Planning consent and subsequent renegotiations if consent is for fewer than 42 units as stated within the Heads of Terms
- 4.5 Statutory consent and further committee approvals, if required
- 4.6 Removal of land use restriction by the Crown Estate
- 4.7 Land transfer
- 4.8 Post-disposal contract monitoring

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Council's Corporate Plan 2015-20 states that the council, working with local, regional and national partners, will strive to ensure that Barnet is a place: (1) of opportunity, where people can further their quality of life; (2) where people are helped to help themselves, recognising that prevention is better than cure; (3) where responsibility is shared fairly; (4) where services are delivered efficiently to get value for money for the taxpayer. The disposal to Pocket for the development of intermediate homes for Barnet residents along with re-allocating housing management cost to other use will help meet these objectives. The proposed retail space on the ground floor will create new opportunities in the area in terms of employment and for those looking to rent retail space.
- 5.1.2 The Council's Estates Management Strategy 2011 – 2015, to be replaced by the Strategic Asset Management Plan 2014 (currently in draft), sets out our commitment to continually review the use of Council Assets so as to reduce the cost of accommodation year on year.
- 5.1.3 Consideration of the proposed Strategic Asset Management Plan is also being considered by Assets Regeneration and Growth Committee, which if approved will form the basis of decisions for the council's property portfolio.
- 5.1.4 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.

5.1.5 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.

5.1.6 The Council's Housing Strategy, agreed in 2010 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.

5.1.7 It identifies a number of core objectives including increasing housing supply, including family sized homes to improve the range of housing available to residents, promoting mixed communities and maximising opportunities available for those wishing to own their home.

5.1.8 The Council has developed a new draft Housing Strategy which reinforces a number of these key aims, including a specific commitment to explore the potential to build smaller more affordable starter homes to help people access home ownership of the type that are provided by Pocket Homes.

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

5.2.1 The potential income from land value will be shared on an equal basis with the Crown Estate, plus any potential overage as detailed in Appendix 1 and 3.

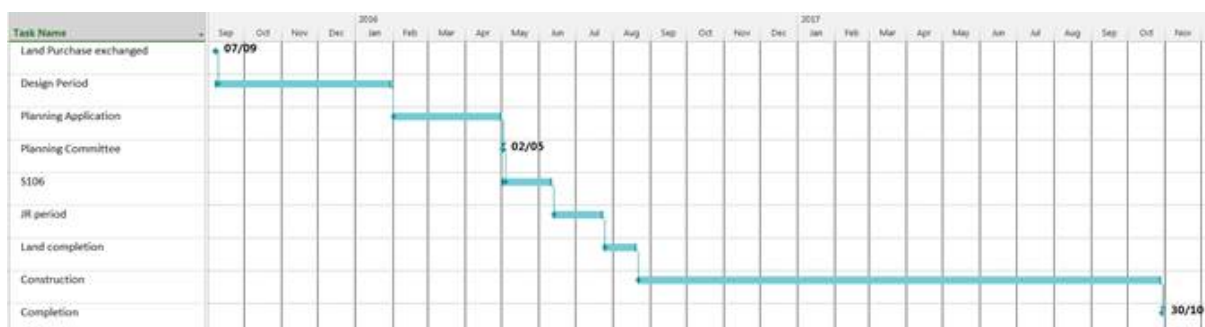
5.2.2 It is considered that this transaction complies with the requirements of Section 123 of the Local Government Act 1972 (as amended) which sets out the guidelines for disposals of public land at best value.

5.2.3 The proposed dwelling will meet Level 4 of Code for Sustainable Homes and Lifetime Homes standards.

5.2.4 The council will also receive New Homes Bonus of £417k to reflect the new build.

5.2.5 Programme

The proposed project is expected to last 26 months from exchange through to completion of construction. Below is the expected development programme -



5.3 Social Value

- 5.3.1 The proposed scheme will create new provision of affordable housing for outright ownership for Barnet residents in perpetuity.
- 5.3.2 Pocket's profit from this scheme will be reinvested in the Borough.
- 5.3.3 New retail provision will increase supply for businesses and create scope for employment opportunities in the area.

5.4 Legal and Constitutional References

- 5.4.1 Local authorities have a 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. The only constraint is that, except with the consent of the Secretary of State, a council cannot dispose of land, other than the grant or assignment of a lease not exceeding seven years, for a consideration less than best that can reasonably be obtained.
- 5.4.2 Council Constitution, Responsibility for Functions, Annex A – The Assets, Regeneration and Growth Committee has responsibility for “Asset Management – all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.
- 5.4.3 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” and Section 2.9 (i) provides “An Annual Work Plan will govern decisions on whether to dispose of an Asset for purposes in accordance with the Corporate Plan objectives”
- 5.4.4 Council Constitution, The Management of Asset, Property and Land Rules, Appendix 2, Table B sets out the acceptance thresholds which provides authority for the proposed action. Financial arrangements in excess of £100,000 must be approved by Assets, Regeneration and Growth Committee.

5.5 Risk Management

- 5.5.1 Public objections to the loss of open space – individual objections will be considered and addressed as appropriate by the Asset Regeneration and Growth Committee.
- 5.5.2 Planning Consent – if planning consent for the current scheme is not secured, LBB will be at liberty to renegotiate the disposal terms with Pocket. Further approval will be sought if the minimum land payment cannot be achieved and the commercial terms are revised.
- 5.5.3 Community Relations Issues – Development of the site might cause concern

for residents due to the loss of open space and how it will impact the local street market. Pocket has acknowledged the importance of local concerns and they have already engaged with consultants to devise a consultation strategy with local residents to ensure that all stakeholders are properly briefed on the reasons for the development.

- 5.5.4 The developer goes bankrupt – Pocket has a strong financial platform which includes a £21.7m interest-free equity loan via the Mayor’s Housing Covenant (MHC) which enable’s Pocket to purchase sites and a £30m revolving credit facility provided by Lloyds to fund construction. The company also has a mature pipeline of developments that will be delivered to the market over the next two years. This is mitigated in the GLA’S contractual step-in rights with Pocket where non-performance by Pocket will enable the GLA to step in and complete the scheme using another developer.
- 5.5.5 The developer land banks the site – As part of terms agreed with the Mayor in exchange for the interest-free equity loan Pocket has agreed to deliver 4000 homes over ten years. Given these ambitious targets Pocket is highly motivated to secure planning permission and deliver the units as fast as possible. The sale agreement will ensure that Pocket is contractually bound to complete the development within a pre-agreed number of years with step-in rights in favour of the Council. The exact terms are to be drawn up by solicitors.
- 5.5.6 The developer is unable to sell the units – Pocket has over 18,000 registered buyers on its database and typically all units are sold or reserved before construction is completed.

5.6 Equalities and Diversity

- 5.6.1 Under the Equality Act 2010, the Council must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The ‘protected characteristics’ referred to are; age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regards to eliminating discrimination.
- 5.6.2 The Council is committed to improving the quality of life for all and wider participation in the economic, educational, cultural, social, and community life in the Borough.
- 5.6.3 The development proposals will make a significant contribution to the provision of additional, high quality intermediate housing in the Borough to assist first time buyers many of whom are currently priced out of the market. It will also promote 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.

5.7 Consultation and Engagement

- 5.7.1 The Pocket scheme is still subject to full planning consent. However, pre-planning consultations have been carried out to ensure that the scheme meets current planning policies and guidelines. The site already benefits from an existing outline planning consent which sets out the building and height parameters. A great deal of care has been taken to reduce the block size to minimise the impact of the proposed development on surrounding properties regardless of this existing consent. This was also to ensure that a number of restrictions on the land, particularly those affecting the nearby railway, are reflected in the new design.
- 5.7.2 The railway operator along with other neighbouring properties will be further consulted at planning application stage to ensure those likely to be affected by the development are given the opportunity to express their views and suggestions.
- 5.7.3 Early engagement with the primary stakeholder in the land - The Crown Estate - has resulted in an agreement by the Crown Estate to remove the restriction on the land which currently restricts any development on this plot.

5.8 Insight

- 5.8.1 In preparation for this disposal, the Pocket scheme has been considered against the Council's Housing Needs Assessment, the draft Housing Strategy 2015-25, and the draft Strategic Asset Management Plan.
- 5.8.2 Design and affordable housing issues have been tested against the London Plan and the LBB Affordable Housing Supplementary Planning Document.
- 5.8.3 Build cost data have been considered against Build Cost Information Services (BCIS) produced by the Royal Institute of Chartered Surveyors and further assessed by the District Valuer.
- 5.8.4 Sale values of the completed units have been compared against data available on the Land Registry and on-line property websites such as Rightmove and Zoopla.

6. BACKGROUND PAPERS

- 6.1 Assets Regeneration and Growth Committee, 16t March 2015
<http://barnet.moderngov.co.uk/documents/s21952/Development%20Pipeline%20Programme%20Tranche%202.pdf>