

	<p>Assets, Regeneration & Growth Committee</p> <p>17 March 2016</p>
<p style="text-align: right;">Title</p>	<p>Development of new affordable homes by Barnet Homes Registered Provider (“Opendoor Homes”)</p>
<p style="text-align: right;">Report of</p>	<p>Commissioning Director, Growth & Development</p>
<p style="text-align: right;">Wards</p>	<p>Brunswick Park, Burnt Oak, Colindale, East Barnet, East Finchley, Finchley Church End, Hale, Mill Hill and Underhill</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>Yes</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix 1: Phase 1 site locations and expected volume of properties Appendix 2: Map of the site locations Appendix 3: Outline Business Case</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Derek Rust, Deputy Chief Executive, Barnet Homes: derek.rust@barnethomes.org, 020 8359 4826</p> <p>Susanna Morales, Development Manager, Barnet Homes: susanna.morales@barnethomes.org, 020 8359 3103</p>

Summary

The Council’s Housing Strategy 2015-2025 sets out how the Development Pipeline Programme will include the building of new homes on existing council land held in the Housing Revenue Account (HRA) to be delivered by the Council’s Arm’s Length Management Organisation (ALMO), Barnet Homes. To date, six homes have been completed and a further 37 will be completed by the end of June 2016.

Barnet Homes is in the process of establishing a new Registered Provider, Opendoor Homes, which will operate as a wholly owned subsidiary of the ALMO. It is proposed that Opendoor Homes will initially develop and own 320 new homes on HRA sites, supported by a loan provided by the Council (approved in principle by Policy and Resources Committee at their meeting of 16 February 2016). The 320 new homes will form the next phase of development as part of the Development Pipeline.

Barnet Homes have reviewed a number of sites on HRA land which they propose can

deliver an initial programme of approximately 320 new homes. Sites for build out of up to 187 homes are included in this report and a further paper will be submitted to Committee in June for the remaining circa 150 properties.

This report seeks approval of the outline business case to submit planning applications with a view to developing up to 187 homes on HRA land on the sites set out in appendix 1 of this report and delegated authority to the Commissioning Director, Growth & Development to approve any necessary substitution of sites proposed in the programme should any sites not progress through the planning process, subject to necessary due diligence and permissions and consultation with Ward Members.

Recommendations

- 1. That the Assets, Regeneration & Growth Committee approves the outline business case (please see Appendix 3) for Opendoor Homes, a subsidiary of Barnet Homes, to make planning applications with a view to developing homes on Housing Revenue Account land for affordable rents.**
- 2. That the Assets, Regeneration & Growth Committee approve the location of the sites included in Phase 1 of the development programme and set out in Appendix 1.**
- 3. That the Assets, Regeneration & Growth Committee note that a further report regarding sites for the second phase of this development programme will be brought to Committee in June 2016.**
- 4. That the Assets, Regeneration & Growth Committee provide authority to agree substitution of sites in the initial programme is delegated to the Commissioning Director, Growth & Development, subject to necessary due diligence and permissions and consultation with Ward Members.**
- 5. That the Assets, Regeneration & Growth Committee note a further report to approve the final Full Business Case for Phase 1 of the development programme will be brought to Committee in September 2016.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Assets, Regeneration and Growth Committee (ARG) approved at its meeting on 9 July 2014, the approach to, and the principles underpinning, the creation of a Development Pipeline on council owned land.
- 1.2 The Council's Housing Strategy 2015-2025 sets out how the Development Pipeline will include the building of new homes on existing council land held in the Housing Revenue Account (HRA) to be delivered by the Council's Arm's Length Management Organisation (ALMO), Barnet Homes.

- 1.3 A high level review of existing housing land owned by the Council suggests that there is potential capacity to build up to 700 new homes on HRA sites across the Borough.
- 1.4 As part of the review of the Council's Management Agreement with Barnet Homes that was undertaken in 2015, a target has been agreed for Barnet Homes to build 500 new homes by 2022, including 320 by 2020.
- 1.5 Barnet Homes has already built six new council homes and is in the process of building 37 more homes on behalf of the Council, which will be completed in phases between March and June 2016.
- 1.6 The Assets, Regeneration and Growth Committee (ARG) approved at its meeting on 30 November 2015 that Barnet Homes should proceed with initial feasibility works for 120 new homes, with the expectation that this would increase to 320 subject to them successfully establishing a Registered Provider (RP) subsidiary. The HRA Business Plan has identified that the HRA has the capacity to fund approximately 120 new homes and these could still be developed should the RP registration be unsuccessful.
- 1.7 Since then, Barnet Homes have reviewed a number of the available HRA sites and identified sites upon which, initially, 320 of the 500 projected target new homes could be built. There are various reasons why the identified sites were chosen for potential residential development:
 - 1.7.1 Most garage sites are underused so return little rental income and/or have become unsightly and cause blight.
 - 1.7.2 The sites tend to be within existing residential areas so the proposed accommodation would be appropriate to its surroundings.
 - 1.7.3 Sites with poor quality amenity space could be improved through the design proposals.
 - 1.7.4 Blighted sites in the absence of the proposed development may otherwise remain so.
 - 1.7.5 There is land capacity within an estate.
- 1.8 The proposed initial development programme of approximately 320 units is called "Tranche 3" and comprises:
 - **Phase 1** – up to 187 new homes delivered by March 2018, including 101 units that have grant-funding from the Greater London Assembly, and;
 - **Phase 2** – Approximately 150 new homes delivered by March 2020.

Please see Appendix 1 for the list of sites included in Tranche 3 Phase 1 and Appendix 2 for a map showing the location of the sites.

- 1.9 Potential sites have also been identified for the second phase of the development programme and are currently being assessed for their development capacity. A further report will be taken to the Assets, Regeneration and Growth Committee in June 2016 for approval to develop these sites subject to satisfactory further due diligence and design development.
- 1.10 Furthermore, Barnet Homes have employed a design team for the sites in preparation for submitting planning applications in phases between April-June 2016. The design team has carried out capacity studies on the sites, instructed professional surveys and developed design proposals.
- 1.11 Proposals for the remaining 180 homes included in the Management Agreement target of 500 new homes referred to in 1.3 above will be brought forward in due course.
- 1.12 Barnet Homes is in the process of establishing a new Registered Provider (RP), Opendoor Homes, with the Homes and Communities Agency which will operate as a wholly owned subsidiary of the Barnet Homes Arm's Length Management Organisation (ALMO).
- 1.13 It is proposed that Opendoor Homes will develop and own the 320 new homes on HRA sites which will be transferred at nil value, supported by a loan provided by the Council.
- 1.14 The loan to Opendoor Homes was approved in principle by Policy and Resources Committee on 16 February 2016 and is conditional upon approval of Registered Provider status by the Homes and Communities Agency. The benefits to the Council of the loan to Barnet Homes include the following:
- 1.14.1 For every new home for affordable rent developed via this route, the Council will receive £2,000 per annum to support the General Fund costs of providing the Housing Options service.
- 1.14.2 The Council will benefit financially from a margin in the region of 1.24% on the proposed loan, which exceeds the return on investment it currently achieves.
- 1.14.3 The increase in supply of affordable housing should lead to a reduction in the use of temporary accommodation. This will also provide an annual net saving to the Council of approximately £2,000 per unit.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Council's Housing Strategy 2015-2025 identifies the need to increase housing supply and to deliver homes that people can afford. The proposals contained in this report will facilitate the delivery of new homes for affordable rent in the borough. The affordable rent will be set at 65% of the market rent, in line with the Council's affordable rents policy.
- 2.2 The new 10 year Management Agreement with Barnet Homes includes a target of developing 500 homes for affordable rent by March 2022, to be built

and owned by the new RP subsidiary, Opendoor Homes and managed through Barnet Homes.

- 2.3 The loan proposals outlined in section 1 of this report will have a financial benefit to the Council as set out in 1.14 of this report.
- 2.4 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.
- 2.5 All the new homes provided will meet the Lifetime Homes standard. At least 10% will be fully wheelchair adapted, meeting the objective in the Council's Housing Strategy of providing housing to support vulnerable people.
- 2.6 Barnet Homes has undertaken initial consultation with ward members on the sites. Further consultation with key stakeholders including the affected local communities will be undertaken and comments and feedback received will inform the design of the sites.
- 2.7 There are social benefits associated in developing these sites. The design proposals will improve the landscape of the sites and help to design out any areas of blight and improvements will be made to local amenity space.
- 2.8 A high-level review of the proposed accommodation on the sites shows that at least 1,000 bed spaces could be created by developing 320 new homes, providing a cost effective alternative to expensive temporary accommodation.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Council could decide not to build new homes on HRA Land, this would not meet the objectives set out in the Council's Housing Strategy and is not recommended.
- 3.2 The Council could dispose of the land but again this would not meet the objectives set out in the Council's Housing Strategy and is not recommended.
- 3.3 Transferring the sites to an alternative Registered Provider for housing development would provide new affordable housing and contribute to the supply of housing overall within the borough but is not recommended if the Council has its own Registered Provider, of which it is the sole shareholder. The Council would also be unlikely to benefit from the substantial additional financial benefits that will be provided through transferring the sites to Opendoor Homes (please see section 1.14).
- 3.4 The Council could develop the homes itself using Housing Revenue Account (HRA) funding however there is only capacity for approximately 120 new homes to be funded within the HRA. This would not meet the delivery objectives set out in the Council's Housing Strategy and would also be unlikely to benefit from the substantial additional financial benefits that will be provided through transferring the sites to Opendoor Homes.

4. POST DECISION IMPLEMENTATION

- 4.1 Barnet Homes will seek to finalise approval for the establishment of Opendoor Homes with the Homes and Communities Agency by July 2016, following which part of the loan, linked to expenditure incurred thus far will be made available to the new RP by the Council. Further information regarding the loan is in the Policy & Resources paper from February 2016.
- 4.2 Barnet Homes/Opendoor Homes will proceed with submitting planning applications for the sites in phase 1 of this development programme between April-June 2016. The site locations, a brief description of the site and expected volume of properties is included as Appendix 1.
- 4.3 This report seeks approval for authority to be delegated to the Commissioning Director for Growth & Development to approve the substitution of appropriate and suitable alternative sites to ensure 320 new homes are provided should any sites not be progressed through the planning process. This would be subject to necessary due diligence and permissions and consultation with Ward Members.
- 4.4 Potential sites have been identified for the second phase of development and are currently being assessed for their development capacity. A further report will be presented to the Assets, Regeneration and Growth Committee (ARG) in June 2016 for approval to develop these sites, subject to satisfactory due diligence and design development outcomes.

- 4.5 Barnet Homes/Opendoor Homes will continue to develop design proposals for further sites in order to reach the target of delivering 500 new affordable homes.
- 4.6 Reports will be brought forward to ARG seeking approval to transfer HRA land to Opendoor Homes once the application for registration with the HCA has been approved and the loan facility completed and available.
- 4.7 Following the planning application process, Barnet Homes/Opendoor Homes will procure a contractor to develop the approved sites. The project will be funded via the loan from the Council as described in section 1 and as approved in principle by Policy and Resources Committee on 16 February 2016.

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:
- Of opportunity, where people can further their quality of life
 - Where people are helped to help themselves, recognising that prevention is better than cure
 - Where responsibility is shared, fairly
 - Where services are delivered efficiently to get value for money for the taxpayer
- 5.1.2 The Council's Corporate Plan also sets out how residents will see a responsible approach to regeneration, with new homes built and job opportunities created.
- 5.1.3 London Plan and Barnet's Local Plan recognise the 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 London Plan and Core Strategy set challenging targets for the delivery of new housing, with the former having increased the minimum annual target for Barnet to 2,439 homes per annum.
- 5.1.4 The highest priority of the Council's Housing Strategy is increasing the supply of housing with the population of Barnet forecast to increase by 19% over the next 25 years.
- 5.1.5 London Plan and Barnet's Local Plan recognise the 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 London Plan and Core Strategy set challenging targets for the delivery of new housing, with the former having increased the minimum annual target for Barnet to 2,439 homes per annum.

- 5.1.6 Barnet's Health and Wellbeing Strategy recognises the importance of access to good quality housing in maintaining Well-Being in the Community.
- 5.1.7 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.
- 5.1.8 The Tranche 3 development programme will be managed by Barnet Homes with strategic management and oversight from the Development Pipeline Project Board, as well as biannual update reports to ARG to review the programme milestones and costs.
- 5.1.9 Progress updates will be included in the Council's Annual Regeneration Report with analysis of spend against the budget, completions against the target and narrative on how value for money has been achieved (as discussed further in 5.2.5).
- 5.1.10 The Tranche 3 development programme will also be monitored against KPIs set in the Assets, Regeneration and Growth Committee's Commissioning Strategy.

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

- 5.2.1 An exercise has been completed by 31ten Consulting, an independent development consultancy, on behalf of the Council to review the level of the loan required for Opendoor Homes and the potential interest rate that should be used.
- 5.2.2 This included a sensitivity and scenario analysis to establish the potential risks to any loan from the Council to Opendoor Homes, the new Registered Provider. The review also assessed different scenarios on the financial model such as varying the build cost, development delays and different interest rates.
- 5.2.3 The review concluded that Barnet Homes would borrow £57.5m in stages to deliver the 320 new homes, which would be paid back within 32 years. Barnet Homes will pay a margin of 1.24% on the loan, along with an annual payment of £2000 per property upon completion which provides a source of income to the Council. Further detail regarding the loan is included in the Policy and Resources Committee report of 16 February 2016.
- 5.2.4 At present it is proposed to draw down the loan for phase 1 of Tranche 3 in the following instalments. This is based on the estimated development costs included in the loan calculations, amounting to £35,215,000 (for 187 units):

	2016/17	2017/18	2018/19
Tranche 3 Phase 1 development	£11,940,000	£18,000,000	£800,000

and on costs (187 units)			
Capitalised interest	£2,500,000		
Arrangement fee	£575,000		
Working capital	£1,400,000		
Total:	£16,415,000	£18,000,000	£800,000

5.2.5 The loan will be released in stages and each stage will be agreed via the Council's gateway review process to ensure that the project delivers value for money. A value for money statement will be prepared by an independent cost consultant that includes benchmarked costs. This is also required by the Greater London Authority as part of their regulatory audit process. These arrangements will be included in the loan agreement, with the details included in the FBC.

5.2.6 Procurement of the design and build contractor will follow an OJEU compliant process; Barnet Homes has access to different procurement frameworks that could be utilised dependent on achieving the best quality and value for money.

5.2.7 Build costs will be benchmarked against other local tender prices by the project cost consultant as well as through the Shelton Development Service's Catalyst Benchmarking Club which benchmarks development costs for the G15¹ housing associations, registered providers and local authorities.

5.2.8 The Full Business Case for the project, including the tendered build costs, will be brought to ARG in September 2016 prior to signing contracts and starting on site. This will include the value for money statement noted in 5.2.5.

5.3 It is proposed that the land is transferred at nil value from the Housing Revenue Account to Opendoor Homes to enable development and a report will be brought forward to ARG seeking approval for this once the application for registration with the HCA has been approved.

5.4 **Social Value**

5.4.1 Barnet Homes will seek to provide employment opportunities for local people and opportunities for small and medium enterprises through the procurement of the construction contract for the delivery of affordable housing.

5.4.2 This will be achieved by incorporating an assessment of the social value contractors can deliver, and will form part of the selection criteria in the procurement process.

5.5 **Legal and Constitutional References**

¹ The G15 are London's 15 largest housing associations

5.5.1 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”.

5.5.2 Council, Constitution, The Management of Assets, Property and Land Rules provide the governance structure within which the Council may acquire, lease, act as landlord, licence, develop, appropriate, change use of or dispose of Assets within its Asset Portfolio. The Rules inter alia are aimed at enabling the Council’s holdings of land and property to be maintained and developed in a manner which enhances Social Value Section 2.8 states that the “Strategic Asset Management Plan will govern decisions on the future direction of the development of the Council’s Built Environment”.

5.5.3 Site specific legal [title] matters for the sites included in the programme have been explored through joint working with LBB Customer & Support Group and HB Public Law.

5.6 Risk Management

5.6.1 The table below sets out the key risks associated with the proposals to develop the sites and their mitigation.

Risk	Mitigation
There is a risk that Barnet Homes do not secure approval for its application for Registered Provider status for Opendoor Homes from the Homes and Communities Agency.	<p>Whilst the risk of this is low, the Council would still have the option of delivering 120 new homes on HRA land using HRA funds and Right-to-Buy receipts as set out in the HRA Business Plan.</p> <p>Barnet Homes have received professional advice throughout the registration process from Campbell Tickell, specialists in this field.</p>
There is a risk that planning approval is not granted for one or more of the sites.	<p>Barnet Homes have engaged with the Planning Service from early on in the process and pre-application meetings are being held regularly.</p> <p>Barnet Homes have also employed experienced Planning Consultants to assist with the Planning process.</p> <p>A stakeholder engagement plan has been drafted to ensure that Members and local communities are sufficiently consulted throughout the process.</p> <p>Alternative sites have been identified with development potential, should a site drop out of the programme, that could be</p>

	substituted into the programme.
There is a risk that one or more of the sites does not have clean legal title.	Barnet Homes has worked with CSG Property Services and HB Public Law to obtain site assembly packs, including reports on legal title. Any legal issues are being referred to HB Public Law for advice on resolution prior to the start of any works on site.
There is the risk that following procurement and design development, final build costs will be higher than current estimates.	It is understood that there is provision within the loan agreement for increasing the loan should the build costs increase. A value engineering exercise will be completed by the project team following the procurement process to ensure that schemes are delivered that offer the best value for money.

5.7 Equalities and Diversity

- 5.7.1 The new affordable housing units delivered by Opendoor Homes will be let in accordance with the Council's Allocations scheme, which has been subject to a full equalities impact assessment which included extensive consultation with residents, housing applicants and other stakeholders, including local Housing Associations and third sector organisations.
- 5.7.2 A full equalities impact assessment was completed for The Housing Strategy 2015-2025 which identified that the Strategy would have a positive impact on all sections of Barnet's Community.
- 5.7.3 The proposals in this report do not raise any negative impacts for equalities and demonstrate that the Council has paid due regard to equalities as required by the legislation. The proposals anticipate a positive impact for residents because they:
- Underline the Council's aim that all residents from our diverse communities – the young, old, disabled people and those on low incomes – benefit from the opportunities of growth.
 - Contribute to Barnet's commitment to fairness - to be mindful of the concept of fairness and in particular, of disadvantaged communities - which was adopted at Policy and Resources Committee in June 2014.
 - Form part of Barnet's Housing Strategy 2015-2025 which includes the objective to deliver homes that people can afford.
 - Provide homes for people who are homeless and may be currently disadvantaged.

5.8 Consultation and Engagement

- 5.8.1 Extensive consultation was undertaken in relation to the Housing Strategy, including a 12 week public consultation between 6 January 2015 and 31 March 2015. The consultation included an online survey as well as presentations to the Housing Forum, Barnet Homes Performance and Advisory Group, and Barnet Landlords Forum. The consultation was reported in full to Housing Committee on 19 October 2015.
- 5.8.2 Barnet Homes customers were asked “What are your priorities for new affordable housing in Barnet?” as part of a consultation on the new ten year Management Agreement recently agreed with the ALMO. Survey respondents identified provision of housing as a priority and were positive about Barnet Homes proposed role in building new affordable housing. The need for more affordable housing in Barnet was acknowledged as a key priority that would help to address concerns raised about homelessness in the Borough.
- 5.8.3 A stakeholder consultation plan is in place to ensure that key stakeholders are sufficiently consulted through the process. Ward councillors, residents and communities local to each site are being consulted prior to the planning applications being submitted. Public resident consultation meetings will be held where required and individual consultations will be undertaken with residents as requested. Feedback from the consultation activities will be included in the final scheme designs.

5.9 Insight

- 5.9.1 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 Cabinet Resources Committee, 24 June 2013, ‘Local Authority New Housing Programme’<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=151&MId=7457&Ver=4>
- 6.2 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> .
- 6.3 Assets Regeneration and Growth Committee, 8th September 2014, Strategic Asset Management Plan
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7885&Ver=4>
- 6.4 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>

- 6.5 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>
- 6.6 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>
- 6.7 Council, 20 October 2015, Report of Housing Committee – Housing Strategy and Commissioning Plan
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=8340&Ver=4>
- 6.8 Housing Committee, 19 October 2015, Housing Revenue Account (HRA) Business Plan
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&MId=8268&Ver=4>
- 6.9 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>
- 6.10 Policy and Resources Committee, 16 February 2016, Loan to Barnet Homes' Registered Provider (Opendoor Homes) for the development of new affordable homes
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=8351&Ver=4>