

	<p>Assets, Regeneration and Growth Committee</p> <p>12 December 2016</p>
<p>Title</p>	<p>Development Pipeline Tranche 3 - Affordable Housing Programme</p>
<p>Report of</p>	<p>Commissioning Director, Growth & Development</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>Yes</p>
<p>Enclosures</p>	<p>None</p>
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<p>Summary</p>
<p>The Council’s Housing Strategy 2015-2025 states that a Development Pipeline Programme will include the building of new homes on existing council land, which will be delivered by the Council’s Arm’s Length Management Organisation (ALMO), Barnet Homes. Acting as the Council’s agent, Barnet Homes has already completed 43 homes for letting at affordable rents.</p> <p>Barnet Homes is now in the process of establishing a new Registered Provider, TBG Open Door Homes [“Opendoor Homes”] which will operate as a wholly owned subsidiary of the</p>

ALMO. On 11 July 2016 ARG approved the outline business case for Opendoor Homes, a subsidiary of Barnet Homes to undertake the next phase of development by taking transfer of Housing Revenue Account and General Fund sites and building 320 new homes on them. The cost of the works will be supported by a loan provided by the Council (approved in principle by Policy and Resources Committee at their meeting of 16 February 2016 and Full Council on 1 March 2016).

Should Opendoor Homes' registration be further delayed, it is proposed that 3 sites: Back Lane, Basing Way Green and Elmshurst Garages, [the "Early 3 Sites"] be transferred to Opendoor Homes. These works will be funded by Right to Buy receipts (30%) and from the HRA (70%), subject to approval by Policy and Resources Committee on 1 December 2016.

This report requests Committee to note and approve the full business case and approve transfer of the land to be developed as affordable housing.

Recommendations

1. That Committee approve the full business case for Tranche 3 Development Pipeline for the Council to dispose of the following sites ["the Sites"] to Opendoor Homes a wholly owned subsidiary of Barnet Homes in accordance with the parameters of the full business case:

Early 3 Sites	Postcode	Ward
Back Lane	HA8 0HS	Burnt Oak
Basing Way Garages	N3 3DB	Finchley Church End
Elmshurst Crescent	N2 0LN	East Finchley

Sites	Postcode	Ward
Sheaveshill Court	NW9 6SJ	Colindale
Hanshaw Drive	HA8 0AP	Burnt Oak
The Croft	HA8 0FH	Burnt Oak
Linden / Pine Rd	N11 1ER	Brunswick Park
Adamson Court	N2 9BW	East Finchley
Norfolk Close	N2 8ET	East Finchley
Burnt Oak Registry Office	HA8 0AU	Burnt Oak
Friern Court	N20 0NJ	Totteridge
Basing Way Green	N3 3DB	Finchley Church End
Summers Lane	N12 0JY	Woodhouse
Prospect Ring	N2 8BP	East Finchley
Warwick Close	EN4 9SF	East Barnet
Alexandra Road	N10 2EY	Haringey

West Close Garages	EN5 3BY	Underhill
West Farm Place	EN4 9DS	East Barnet
Brunswick Park Road	N11 1JH	Brunswick park
Underhill Court	EN5 2BD	Underhill
Church End Library	N3 1SA	Finchley Church End

- 2. That Committee approve the disposal of the Sites by the Council to Opendoor Homes pursuant to the terms of the Development Agreement**
- 3. That Committee approve to fund the cost of construction of affordable homes on the Sites to a maximum limit set out in the full business case and pursuant to the Loan Facility Agreement and to approve the use of Right to Buy receipts as detailed in Paragraph 7.3 Financing Tranche 3 of the full business case**
- 4. That the Committee resolve that land, comprising the Early 3 Sites and the Sites, is suitable for appropriation if necessary as it is no longer required for the purpose for which it was originally held.**
- 5. That the Committee approve the use of Right to Buy receipts to fund building works in advance of the proposed Loan Facility as described in Paragraph 1.10 below.**
- 6. That the Committee declare of the Sites which constitute Open Space land surplus to requirements and that, subject to the statutory advertisement and consultation, the Committee approve the disposal of such sites.**
- 7. That authority is delegated to the Commissioning Director Growth and Development to obtain any statutory or other consents required to dispose of the Sites both under Housing Act 1985 where the Sites comprise land held under the HRA and also under s123 of the Local Government Act 1972 where land is held in the general fund. To delegate authority to use such of the general consents available for the disposal of the Sites and where required to apply for consent to disposal to the Secretary of State.**
- 8. That authority is delegated to the Commissioning Director Growth and Development to appropriate for planning purposes or any other relevant purposes of land included in the Sites identified in the full business case at Appendix 1A of the full business case to enable disposal and to facilitate the building of new homes in accordance with the planning permission and the specific Development Agreement for the Early 3 Sites and the separate Development Agreement in respect of all the residual Sites and to take all necessary steps that may be required to ensure statutory compliance in order to dispose of the Early 3 Sites and the Sites and to take all necessary steps that may be required to dispose of the Sites.**
- 9. That authority is delegated to the Commissioning Director of Growth and Development to implement the statutory advertising and consultation procedure in respect of any of the Sites comprising Open Space land and**

if any objections are received to consider the same in consultation with the Chairman of the ARG committee and if then it is considered suitable; to proceed with the formal appropriation of the land to complete the disposal of the Sites.

- 10. That authority is delegated to Commissioning Director, Growth & Development to dispose of each parcel of land comprising the Early 3 Sites and the Sites pursuant to the proposed Development Agreement and subject to Opendoor Homes becoming a Registered Provider by registration by the Homes and Communities Agency**

1. WHY THIS REPORT IS NEEDED

- 1.1 The attached report sets out the Full Business Case for transfer of sites to Opendoor Homes and provision of a loan to build them out as affordable housing. The land on which the new affordable homes is to be built is owned by Barnet Council and a resolution, including an approval of the financial terms of the disposal, is required to transfer the land to Opendoor Homes, the preferred vehicle for development of the sites.
- 1.2 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.
- 1.3 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.
- 1.4 As part of the review, undertaken in 2015, of the Council's Management Agreement with Barnet Homes, 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 43 new council homes on behalf of the Council.
- 1.6 Barnet Homes has reviewed a number of the available HRA sites and identified those upon which, initially, 320 of the 500 projected target new homes could be built, e.g. unused garage sites within established residential areas or sites with capacity on poor quality amenity space, which could be improved as a result of development. On 17 March 2016 ARG approved the outline business case for Barnet Homes to make planning applications with a view to developing affordable homes on these sites and to expect a full business case for the transfer of the sites in September 2016. Barnet Homes

has employed a design team and has now secured 13 planning permissions and sought tenders for building out 18 of the sites

- 1.7 Barnet Homes has set up TBG Open Door Homes Limited as a subsidiary organisation of The Barnet Group, which is in turn a subsidiary organisation of Barnet Council. An application was made to the Homes and Communities Agency to make Opendoor Homes a registered provider. Opendoor Homes' business plan was submitted to the HCA in September 2016, who has since requested further information. It is anticipated that the process of registration will be concluded in January 2017.
- 1.8 Subject to approval of Registered Provider status, it is proposed that Opendoor Homes will develop and own the 320 new homes on HRA sites which will be transferred at nil value. Opendoor Homes requires finance to fund the development of the sites and this report also sets out the case for the Council to lend finance to Opendoor Homes at a commercial rate. Approval of the terms of the loan and a decision to release funds are therefore also required.
- 1.9 The loan to Opendoor Homes was approved in principle by Policy and Resources Committee on 16 February 2016 and was ratified by full Council on 1 March and is conditional upon approval of Registered Provider status by the Homes and Communities Agency.
- 1.10 Should Opendoor Homes' registration be further delayed, it is proposed that three sites are transferred to Opendoor Homes. Such works will be pursuant to the Development Agreement with TBG Open Door Homes. The works will be funded by Right to Buy receipts (30%) and from the HRA (70%), subject to Policy and Resources Committee approval on 1 December 2016. In the event that Registered Provider status is not forthcoming it is proposed that Opendoor Homes will transfer the sites back to the Council and continue to build out the three sites as the Council's development agent under a development agreement. Stamp Duty Land Tax may be payable if the sites have increased in value.

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 Council owns various small garage sites and areas of unoccupied land, which are either unused or attract anti-social behaviour. These parcels of land are in or near existing Council-owned residential accommodation and whilst serving very little useful purpose are in good locations for affordable housing, being close to established transport, education and retail facilities.

These sites present a good opportunity for the development of affordable housing.

- 2.3 The Barnet Group currently provides an excellent service for the management of the Council's housing stock and is ideally placed to extend this function to additional properties – not least to replace stock lost through Right to Buy sales. As the Council's ultimate subsidiary, Opendoor Homes is seeking to build consolidate its viability as a landlord and is looking to increase its stock holdings. It is currently seeking registered provider status with the Homes and Communities Agency (HCA). This will not only ensure independent regulation of the organisation at arms' length from the Council, but will also provide a route to securing external GLA affordable housing grant, another source of capital funding.
- 2.4 Development of the small sites in Tranche 3 will help to increase Opendoor Homes' portfolio. It also provides an excellent opportunity for the Council to secure a commercial return on its investment and to deploy Right to Buy receipts, which would otherwise be forfeited to central government.
- 2.5 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.
- 2.6 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.
- 2.7 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. The Council will have 100% nomination rights for lettings of this property, which will be let at affordable rents. Nomination rights will be secured by a Nomination Agreement. Affordable Rents (inclusive of service charges) will be set at 65%. In exceptional circumstances Intermediate and Affordable Rents (inclusive of service charges) may be set at a higher level, up to at no more than 80% of the estimated market rent, with the authorisation of the Opendoor Homes Board.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 There are various ways in which the HRA and General Fund land can be used to provide affordable housing. Not all of these need involve Opendoor Homes. The options include:
- 3.2 Do nothing

This option would not contribute either to the supply of new housing overall, nor to the Council's ambition to build more homes on HRA and General Fund land.

3.3 Transfer the sites to a Registered Provider

This option would provide new social housing and contribute to the supply of housing overall within the borough but would not provide the financial benefits of on-lending and the "homelessness dividend".

3.4 Sale on the open market

Many of the sites are too small to trigger the requirement for a legal agreement to secure affordable housing. Whilst the number of new homes would be unchanged, the vast majority would only be available for sale at market rates. Open market sale would not produce an on-going revenue benefit to the General Fund nor take up Right to Buy receipts, which would otherwise be forfeited to central government

3.5 The Council could develop itself

This option would not provide the additional financial benefits of on-lending and the "homelessness dividend" contribution to the costs of homelessness of the Opendoor Homes proposal.

3.6 Deliver mixed-tenure schemes.

As outlined above, this option would not deliver the ongoing revenue benefits to the Council of the Opendoor Homes proposal. The locations are generally within lower value neighbourhoods, decreasing potential profit. .

3.7 Opendoor Homes is the preferred option as it meets all critical success factors:

- Barnet Homes' dedicated Development Team can and has worked as an independent applicant to achieve successful planning applications. Opendoor Homes' independent status allows the planning authority to consider applications with due professional distance.
- Opendoor Homes will procure works in accordance with Barnet Homes' standing orders and in compliance with OJEU requirements where necessary. The lessons learnt from delivering the Tranche 0 programme will be deployed to ensure robust project management and cost containment.
- Barnet Homes has long experience of managing affordable housing and knows its customer base well.

4 POST DECISION IMPLEMENTATION

- 4.1 Subject to Opendoor Homes becoming a Registered Provider, Barnet Council will make a loan to be applied to the cost of carrying out the building works and associated costs such as legal and professional fees, management costs, finance and interest cost. The loan will be secured as a fixed charge against the property to be developed in the Tranche 3 programme.
- 4.2 The loan will be drawn down in monthly stages so that funding is available to pay development fees and contractor's applications for payment. This is set out in Appendix 2 of the full business case. On each draw down the Council will benefit from the payment of an arrangement fee. Barnet Homes will provide a schedule of payments made at the end of each quarter for reconciliation purposes. Draw-down for subsequent quarters will be adjusted to reflect variations. Interest will be paid on a quarterly basis and the loan is to be repaid in full by 30 March 2055 or later by agreement.
- 4.3 Barnet Council will transfer each site to Opendoor Homes with clean title. Opendoor Homes make an annual payment annum to the Council for each completed property (subject to scheme viability) and will grant 100% nomination rights for all initial lettings and subsequent voids. Opendoor Homes is responsible for submitting planning applications, appointing professional consultants and building contractors and managing the new homes when constructed.
- 4.4 A value for money statement will be prepared by an independent cost consultant including a tender report that includes benchmarked costs. At Practical Completion of each site the cost consultant will provide a forecast of the Final Account. This procedure reflects the standard requirements of the Greater London Authority for grant claims and scheme audit.
- 4.5 The delivery of the programme will be in six groups of sites and it proposed that reporting is at this level. Barnet Council as lender and provider of land will receive quarterly financial and programme monitoring information and more regular exception reporting should this be necessary. This will have particular relevance to variations to the Business Plan and any specific implications on the loan, the gifting of Right to Buy receipts or the release of sites for Opendoor Homes to develop
- 4.6 Reporting will cover:
 - Overall progress
 - Phase appraisals
 - Finance
 - Quarterly cost update
 - Cash flow including loan and RTB
 - Risks
 - Coordination with The Barnet Group and Barnet Council

- 4.7 The Barnet Group’s governance arrangements provide complementary assurance on the delivery of the programme, both strategically and within the financial constraints as follows:

Level	Responsibility and control
Executive	Quarterly management accounts and forecast
ODH Board	Individual scheme approval – strategic and financial Business plan update
TBG Board	Quarterly forecast and revised ODH business plan

Opendoor Homes will procure works in accordance with Barnet Homes’ standing orders and in compliance with OJEU requirements where necessary. The lessons learnt from delivering the Tranche 0 programme will be deployed to ensure robust project management and cost containment.

Tranche 3 will be partially funded by on-lending from Barnet Council to Opendoor Homes and gifted Right to Buy receipts as grant. It is anticipated that loans will be drawn down at monthly stages; the timing of this will be coordinated by LBB and Opendoor Homes to meet the needs of the development programme and the phasing of Right to Buy receipts.

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 The 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 Barnet's Health and Wellbeing Strategy recognises the importance of access to good quality housing in maintaining Well-Being in the Community.
- 5.1.6 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.
- 5.1.7 The Tranche 3 development programme will be managed by Barnet Homes with strategic management and oversight from the Development Pipeline Project Board, reporting to ARG to review the programme milestones and costs. When Opendoor Homes achieves Registered Provider status it is proposed that the delivery of the programme will be in six groups and reporting will be at this level. Barnet Council as lender and provider of land will receive quarterly financial and programme monitoring information and more regular exception reporting should this be necessary. This will have particular relevance to variations to the Business Plan and any specific implications on the loan, the gifting of Right to Buy receipts or the release of sites for Opendoor Homes to develop.
- 5.1.8 Progress updates will be included in the Council's Annual Regeneration Report with analysis of spend against the budget and completions against the target.

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. The review concluded that Barnet Homes could borrow £57.5m in stages
- 5.2.3 It is proposed to draw down the loan/RTB receipts in annual amounts, subject to review according to the needs of the programme. This is based on the estimated development costs included in the loan calculations
- 5.2.4 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.

- 5.2.5 Procurement of the design and build contractors has followed OJEU compliant process.
- 5.2.6 Opendoor Homes' professional construction cost consultants will provide a tender report and a value for money statement for each site before the building contract is let.
- 5.2.7 The Full Business Case for the project is attached to this report. It includes an interim report from the cost consultant, including results from projects put out to tender thus far and budget costs for remaining schemes.

5.3 Social Value

- 5.3.1 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. Tender documentation includes a requirement that the contractor undertakes to use all reasonable endeavours to ensure that local labour represents 20% of the total number of person-weeks required on site.
- 5.3.2 Contractors will also be invited to state what further social value they can deliver, and an assessment of this will form part of the selection criteria in the procurement process.

5.4 Legal and Constitutional References

- 5.4.1 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”.
- 5.4.2 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”.
- 5.4.3 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. Devonshires Solicitors will report on title for Opendoor Homes.

5.4.4 Where land is subject to third party rights it may be prudent to appropriate the land for planning purposes to extinguish third party rights on any of the Sites. Such appropriation must be undertaken prior to the transfer and before works under the planning permission commence. Section 122 of the Local Government Act 1972 empowers a local authority to appropriate land held by it from one statutory purpose to another if it considers that the land is no longer required for the purpose for which it is currently held. The approval of the Secretary of State is required under s 19 of the Housing Act 1985 to the appropriation of land held in the Housing Revenue Account to other uses. If appropriated the Site cannot be subsequently transferred at undervalue without consent of the Secretary of State.

In order to dispose of land not held for planning purposes for the development and subsequent disposal it will be necessary to adopt 2 separate but linked processes as follows:

- a) To appropriate the land so that it is no longer held for its existing purposes, and is instead held for planning purposes (so section 203 Housing and Planning Act 2016 can be relied upon to clear the title to the land) and then;
- b) a disposal of the land to the Opendoor Homes.

5.4.5 The Housing Committee is responsible for the Housing Strategy (incorporating the Homelessness Strategy) and working with Barnet Homes to ensure the optimum provision of housing and associated facilities for those who require social housing.

5.4.6 A number of Sites are designated land in the HRA. Section 32 of the Housing Act 1985 allows the Council to dispose of land held for housing purposes provided it has the consent of the Secretary of State ("SoS"). The General Consent for the Disposal of Land held for the purposes of Part II of the Housing Act 1985 (2013) allows for the disposal of land held within the HRA in certain circumstances. There are specific rules as to the value at which a site is disposed and this will depend on whether the land falls under the definition of vacant land or includes land which falls under the definition of dwelling houses and unless a specific general consent applies site specific decisions will have to be made by the Chief officer as to what consents are required for disposal of each site in the HRA and this will be finalised through joint working with LBB Customer and Support Group and HB Public Law and the ALMO . Where HRA land is disposed of at an undervalue the Council must have regard to the Sections 24 and 25 of LGA 1988 Act (if privately let accommodation is to be provided) and also the State Aid provisions when making any transfers at an under-value. Any other land must be disposed of land at market value.

5.4.7 Different provisions apply to the sites that held in the general fund. Local authorities are given powers under Section 123(1) of the Local Government Act 1972 (as amended) to dispose of land held by them in any manner they wish but the disposition must be for not less than best consideration that can be reasonably obtained assessed by a valuer. Any disposal less than best

consideration that can be reasonably obtained requires the express consent of the Secretary of State. In determining best consideration the Local Authority must have regard to commercial and/or monetary value to the Local Authority. Specific consent can be obtained for a particular site or it may be possible to dispose of the site using the General Consent 2003 (under LGA 1972). The general consent will apply where the Council considers the disposal of the site will contribute to the achieving or securing the promotion or improvement of the economic, social or environmental well-being of its area. The General Consent permits disposal at an undervalue in these circumstances but in all cases the disposal cannot be at an undervalue which exceed £2,000,000.

Where any of the Sites comprises public open space the advertising requirements for the disposal of open space pursuant to S.123 (2A) of the Local Government Act 1972 apply. The proposed disposal must be advertised for two consecutive weeks in a newspaper circulating in the area in which the land is situated, with any objections to the proposed disposal being considered by the Council. The advertisements in accordance with the statutory requirements should provide for a period of four weeks from the date of the first public notice for any objections to be made. Any objections made to the disposal will have to be considered before the disposal proceeds

5.4.8 Where land is disposed either from the HRA or GF at less than market value or best consideration there is a concern about whether the State Aid provisions apply. An exemption to State Aid exists for services in the general economic interest and if Opendoor Homes is letting accommodation at less than market value then the relevant exemption may apply provided always that the land is acquired and developed for social/affordable housing to qualify for this exemption.

5.4.9 The Council has taken the project through the following governance procedures, leading up to presentation of the full business case for transfer of the sites to Opendoor Homes.

20 October 2015 - The Council approved the creation of a Registered Provider subsidiary of Barnet Homes.

30 November 2015 - Assets and Regeneration Committee (ARG)

- Approved proposals to develop new affordable homes for rent on existing housing land owned by the Council through Barnet Homes.
- Noted expenditure of up to £2.1m from the Council's Housing Revenue Account (HRA), the costs to achieve planning consents for approximately 120 affordable homes.
- Noted that a further report will be put forward in March **2016** with details of proposed sites for development on Council owned housing land following consultation with ward councillors and local residents.

1 March 2016, the Council

- approved the of a loan of £57.5m to Opendoor Homes, subject to approval of the establishment of Opendoor Homes as a Registered Provider by the Homes and Communities Agency
- resolved that authority be delegated to the Council's Section 151 Officer to increase the loan amount up to £65m during the draw down period, if needed to provide contingency for unanticipated increases in costs over the life of the development programme.
- resolved that authority be delegated to the Council's Section 151 Officer; in consultation with HB Public Law and other professional advisors as appropriate, to agree the legal documentation to support the loan, including the Loan Agreement and Development Agreement.
- resolved that authority be delegated to the Council's Section 151 Officer, in consultation with HB Public Law, to authorise entering into the Agreements on behalf of the Council and to do such acts as are reasonably required to give effect to the Agreements.

17 March 2016 ARG

- Approved the outline business case for Opendoor Homes, a subsidiary of Barnet Homes, to make planning applications with a view to developing 170 homes on Housing Revenue Account land for affordable rents.
- Approved the location of the sites included in Phase 1 of the development programme
- Noted that a further report regarding sites for the second phase of this development programme would be brought to Committee in June 2016
- Provided authority to agree substitution of sites in the initial programme be delegated to the Commissioning Director, Growth & Development, subject to necessary due diligence and permissions and consultation with Ward Members.
- Noted 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.

11 July 2017 ARG

- Approved the outline business case for Opendoor Homes, a subsidiary of Barnet Homes, and delegated authority to officers to make planning applications with a view to developing 150 homes for affordable rents
- Approved the location of the sites included in Phase 2 of the development programme
- Agreed substitution of sites in the programme is delegated to the Commissioning Director, Growth & Development, in consultation with the Chairman and subject to necessary due diligence and permissions and consultation with Ward Members.
- Agreed acquisition of homes for sale on the open market that may further enable the development of sites in the programme is delegated to the Commissioning Director, Growth & Development, in consultation with the Chairman subject to necessary due diligence and permissions.

- Noted a further report to approve the final Full Business Case for Phase 2 of the development programme would be brought to Committee in December 2016.

6 October 2016

Policy and Resources Committee approved a further advance of £900,000 to be made available to Barnet Homes to fund consultants' fees in anticipation of HCA registration in December 2016

5.5 Risk Management

5.5.1 The key risks for the project are concerned with

- **Finance** – that the costs of developing the sites are too high: building price escalation and cannot be contained within the business plan taking account of the contingency sums available

Mitigation – a number of financial scenarios have been modelled to prove that the Opendoor Homes business plan can contain cost increases. The loan agreement allows for further contingency borrowing.

- **Loan repayment** – that the loan becomes unaffordable to Opendoor Homes and default of payment arises

Mitigation – the business plan allows for sufficient deductions to be made from rental income, including a realistic assessment of voids, management and maintenance allowances, major repairs sinking fund and service charge costs.

- **Programme delay** – incurring increased loan interest costs without rental income

Mitigation - The project team will monitor the progress of works on site, anticipating problems and managing solutions. Sanctions (LADs) will be put in place to ensure that works are kept to programme

- **Future Government policy** regarding affordable housing rents or other significant changes of legislation

Mitigation – the business plan allows for a certain amount of rent control but a prolonged rent freeze would require the business plan to be remodelled and repayment terms renegotiated.

- **Contractor failure** – contractors become insolvent or are affected by wider economic uncertainty

Mitigation - The financial status of contractors will be scrutinised and performance bonds put in place to cover the additional costs of contractors going into liquidation

- **Delay** in achieving Registered Provider status

Mitigation - The HCA has approved the first stage of the registration process. The programme could commence by transferring the first three sites to Opendoor Homes and commencing construction using HRA funds and Right to Buy receipts.

- **HCA fails to confirm Opendoor Homes' status as a Registered Provider**

Mitigation - In the extremely unlikely event that registration is not forthcoming, Opendoor Homes will transfer back to the Council those sites, which had been transferred to Opendoor Homes prior to achievement of Registered Provider status, and continue to build them out as development agent. Such transfer back provisions will be secured in a specific development agreement and transfer. This is only relevant to those sites transferred prior to ODH achieving RP status.

5.5.2 A risk register has been compiled, in order to monitor risk and action taken to mitigate risk.

5.5.3 All risk will be managed by LBB in its role as funder and Opendoor Homes in its role as a regulated Registered Provider. Risks will be escalated through the governance arrangement outlined in the project structure chart. High risks will be reported to LBB through regular highlight reports and financial returns.

5.5.4 The business plan has been subjected to external validation and stress testing to understand the potential impact of these risks and the potential mitigations that could be brought forward to manage them.

5.6 Equalities and Diversity

5.6.1 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.

5.6.2 Allocation of properties acquired will be made in accordance with the Council's Housing Allocations Policy. Analysis of data has shown that women and members of Barnet's black and minority ethnic communities are over represented among those living in temporary accommodation. Over 70% of households in temporary accommodation are from non-white households, compared to around 40% of the Borough's population as a whole. Of those in temporary accommodation the main applicant is female in 65% of households.

5.6.3 It is not expected that these groups will be adversely affected by implementing the policies set out in this report. However the impact will be monitored to ensure that these groups are not adversely affected.

All units of accommodation that are procured will meet minimum standards and in placing households into accommodation out of the borough the Council will consider the needs of protected groups.

5.6.4 Ten per cent of the homes to be built will be suitable for wheelchair users. All houses and ground floor flats will be built to Lifetime Homes standards. 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.

5.6.5 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.

5.6.6 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.

5.7 Consultation and Engagement

5.7.1 A Stakeholder Engagement Plan has been prepared. The plan has been followed in respect of planning applications already sought and:

- Sets up a stakeholder engagement team
- Identifies key stakeholders
- Maps sites by ward and potential political sensitivities
- Reviews housing management concerns
- Combines an assessment and preparation of a risk register
- Agrees a bespoke engagement plan for each site
- Briefing of relevant ward members and committee chair, shadow chair and senior member

5.7.2 Public consultations have taken place before a planning application for each site. This has been a useful learning experience and the views of those consultees have been taken into account where feasible.

5.8 Insight

5.8.1 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

- 6.1.1 Cabinet Resources Committee, 24 June 2013, 'Local Authority New Housing Programme'<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=151&MId=7457&Ver=4>
- 6.1.2 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> .
- 6.1.3 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>
- 6.1.4 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>
- 6.2 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>
- 6.3 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>
- 6.4 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>
- 6.5 Housing Committee, 19 October 2015, Housing Revenue Account (HRA) Business Plan
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&MId=8268&Ver=4>

- 6.6 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>
- 6.7 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>
- 6.8 Assets, Regeneration and Growth Committee, 17 March 2016, Development of new affordable homes by Barnet Homes Registered Provider ("Opendoor Homes")
<http://barnet.moderngov.co.uk/documents/s30501/Development%20of%20new%20affordable%20homes%20by%20Barnet%20Homes%20Registered%20Provider.pdf>
- 6.9 Delegated Powers Report, 2 June 2016 Commissioning Director of Growth and Regeneration approved the substitution of some sites within the programme in order to ensure outcome targets can be met.
- 6.10 Assets, Regeneration and Growth Committee, 11 July 2016, Development of new affordable homes by Barnet Homes Registered Provider ("Opendoor Homes")
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=8881&Ver=4>
- 6.11 Approval was received from Policy and Resources Committee on 1 December 2016 for £8m for the Development Pipeline Tranche 3 HRA. This will be funded by Right to Buy Receipts of £2.4m (30%) and £5.6m HRA (70%).

