

	Assets, Regeneration and Growth Committee 27 November 2017
Title	Microsites Programme & Microsites Phase 1
Report of	Councillor Daniel Thomas
Wards	All
Status	Public with an accompanying Exempt report and appendix
Urgent	No
Key	Yes
Enclosures	Appendix 1 – Business Justification Case (Public) Appendix 2 – Crispin Road site plan Appendix 3 – Mayhill Road site plan Appendix 4 – Quinta Drive site plan Appendix 5 – Ryecroft Crescent site plan Appendix 6 – Reets Farm Close site plan
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Summary

This report seeks approval from ARG committee to proceed with the Microsites Phase 1 project which will deliver 10 affordable rented homes across four sites, including 8 wheelchair accessible bungalows.

The intention is to bring forward further phases of the 'Microsites' programme to deliver affordable and specialist housing on smaller scale infill sites across the borough.

ARG committee approval is required for the transfer of land to Opendoor Homes from Barnet Council.

Recommendations

That the Assets, Regeneration and Growth Committee

- 1. Approve the Business Justification Case for Phase 1 of the Microsites Programme attached at Appendix 1, for the sites included in the plans at Appendices 2, 3, 4, 5 (and also the contingency site at Appendix 6 if any of the four priority sites cannot be developed).**
- 2. Delegate authority to the Deputy Chief Executive in consultation with the Chairman of the Committee to agree the terms of a development agreement with Opendoor Homes based on the principles set out in the business case.**
- 3. Authorise the transfer of the four sites at Appendices 2, 3, 4 and 5 (and also the contingency site at Appendix 6 if any of the four priority sites cannot be developed), on a long leasehold or freehold basis.**
- 4. Delegate authority to the Deputy Chief Executive 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 Site and where required to apply for consent to disposal to the Secretary of State on a sale at less than best consideration.**
- 5. Delegate authority to the Deputy Chief Executive to appropriate, where required, for planning purposes or any other relevant purposes of land included in the Site to enable disposal and to facilitate the building of new homes in accordance with the planning permission and the Development Agreement and to take all necessary steps that may be required to ensure statutory compliance in order to dispose of the Site and to take all necessary steps that may be required to dispose of the Site.**

1. WHY THIS REPORT IS NEEDED

- 1.1 This report makes recommendations based on the attached Business Justification Case for the transfer of four sites at Crispin Road, Mayhill Road, Quinta Drive, and Ryecroft Crescent to Opendoor Homes for the development of 10 houses for affordable rent, including eight which will be wheelchair accessible.
- 1.2 The land is owned by the London Borough of Barnet and a resolution including the financial terms of the disposal is required to transfer the land to Opendoor Homes, the preferred vehicle for the development of the sites.
- 1.3 It is proposed that the developments are to be funded through subsidy in the form of Section 106 commuted sums and Right to Buy receipts.

- 1.4 In December 2016, ARG approved the Full Business Case for the Development Pipeline Tranche 3 affordable housing programme. The programme is on track to deliver 320 homes, funded through a loan agreement between the London Borough of Barnet and Opendoor Homes.
- 1.5 There are however a number of smaller scale sites known as 'Microsites' which are ideally suited to deliver wheelchair accessible housing which meets a particular housing need and can help Barnet Council achieve a number of savings. The Business Justification Case sets out a strategy and business case for developing these schemes.

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 proposed Phase 1 of the Microsites programme contained in the Business Justification Case report will facilitate the delivery of new houses for affordable rent in the borough.
- 2.2 The delivery of new affordable rented houses will help to meet the objective in the Council's Housing Strategy to prevent and tackle homelessness, by reducing the use of temporary accommodation.
- 2.3 In addition to this, eight out of the ten homes in Phase 1 of the Microsites programme are to be wheelchair accessible bungalows which will help meet a particular housing need and achieve associated savings for the Social Care budget.
- 2.4 The Council owns various small garage sites and areas of unoccupied land, which are underutilised and in some cases attract anti-social behaviour and are a maintenance burden and therefore present good opportunities for development.
- 2.5 ARG have already approved the Full Business Case for Tranche 3 and the transfer of 20 sites to ODH, at its meeting on 12 December 2016. The transfer of a further four sites will bring forward the delivery of much needed affordable housing and go further to establishing an asset base for the wholly Council owned Registered Provider, Opendoor Homes.

3 OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 A number of alternative options including 'Do Nothing' and various disposal options including more commercial development of alternative tenure have been considered and are included in the Business Justification Case.
- 3.2 The preferred option is to transfer the sites to Opendoor Homes and utilise Section 106 commuted sums and Right to Buy receipts to deliver affordable rented accommodation which provides a number of economic benefits and revenue savings to the Council.

4 POST DECISION IMPLEMENTATION

- 4.1 Subject to ARG approval, the four sites at Crispin Road, Mayhill Road, Quinta Drive, and Ryecroft Crescent will be transferred to Opendoor Homes (ODH) for inclusion in the Microsites development programme.
- 4.2 Opendoor Homes will proceed with the development of 10 new affordable homes for rent on the four sites, which will be let to households nominated via the Council's Housing Allocations Scheme.

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 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.
- 5.1.3 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.
- 5.1.4 Barnet's Health and Wellbeing Strategy recognises the importance of access to good quality housing in maintaining Well-Being in the Community.
- 5.1.5 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.
- 5.1.6 The Microsites development programme will be managed by Opendoor Homes with strategic management and oversight from the Development Pipeline Project Board, reporting to ARG to review the programme milestones and costs. Barnet Council as funder and provider of land will receive quarterly financial and programme monitoring information and more regular exception reporting should this be necessary.
- 5.1.7 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 The total budget for the Microsites Phase 1 project is £2,189,999.00 which includes works, fees and contingency. The budget is to be made up of a combination of £1,973,999.36 in Section 106 commuted sums and £845,999.73 in Right to Buy receipts.

5.2.2 ODH will pay the Council a dividend of £4000 a year for each new home once they are completed for a period of 25 years. This revenue stream has a significant value to the Council with a net present value of £585K assuming a discount rate of 4% over 25 years.

5.2.3 There are also a number of savings including from both Temporary Accommodation and care costs associated with wheelchair housing which is set out in the Business Justification Case.

5.2.4 Procurement of the design and build contractors will follow an OJEU compliant process through a new Dynamic Purchasing System.

5.2.5 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.

5.3 Social Value

5.3.1 The Opendoor Homes Employer's Requirements include a provision to promote employment of under-represented groups in the labour market.

5.4 Legal and Constitutional References

5.4.1 Council Constitution, Article 7.5 states that Assets Regeneration and Growth Committee is responsible for asset management.

5.4.2 Council, Constitution, Article 10 Table A states that Assets Regeneration and Growth Committee is responsible for authorising all disposals of land for a Less Than Best transaction.

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 and 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.

- 5.4.5 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.
- 5.4.6 Council Constitution, Article 7.5 states that the Housing Committee is responsible for housing matters including housing strategy, homelessness, social housing and housing grants”.
- 5.4.7 The sites are designated 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 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.
- 5.4.8 Where any of the sites comprise 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.
- 5.4.9 Where land is disposed 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.

5.5 Risk Management

5.5.1 The key risks for the project as a whole are concerned with

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

Mitigation – the budget includes a conservative contingency and risk allowance for works and fees, and value engineering can be undertaken with the selected contractor to bring the contract sum within budget.

- **Programme delay** – may have implications for the expenditure of Right to Buy receipts or Section 106 commuted sums.

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.

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

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

- **Unforeseen sites issues** – this could be a legal issue, or a physical issue related to the site which may render any one scheme unviable. In the event that an unforeseen issue arises, then the Reets Farm Close scheme which has planning permission for a 2-bed house can be used as a substitute for any one site which is affected.

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.

5.6.4 Eighty percent of the homes in Phase 1 of Microsites will be suitable for wheelchair users. 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 Public consultations have taken place before planning application submissions for each scheme. This has helped positively inform the design process.

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 Assets, Regeneration and Growth Committee, 12 December 2016, Development Pipeline Tranche 3 - Affordable Housing Programme <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=8640&Ver=4>