

	<p style="text-align: center;"><b>Assets, Regeneration and Growth Committee</b></p> <p style="text-align: center;"><b>12 March 2018</b></p>
<b>Title</b>	<b>Development Pipeline Tranche 3 - Affordable Housing Programme</b>
<b>Report of</b>	Councillor Daniel Thomas
<b>Wards</b>	All
<b>Status</b>	Public with an accompanying exempt report and appendix.
<b>Urgent</b>	No
<b>Key</b>	Yes
<b>Enclosures</b>	Annex 1 – Tranche 3 Full Business Case updated February 2018 Annex 2 – Proposed Transfer plan of Mount Parade Annex 3 – proposed Transfer plan of Salcombe Gardens
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## Summary

This report requests the transfer of land at Mount Parade and Salcombe Gardens to TBG Open Door Limited to complete the development of affordable housing in the Tranche 3 programme.

## Recommendations

**That the Assets, Regeneration and Growth Committee:**

- Approves the updated full business case for Tranche 3 Development Pipeline for the Council to dispose of the sites at Mount Parade, EN4 9DD and Salcombe Gardens, NW7 2NT (the Sites) to TBG Open Door Limited, which is a wholly owned subsidiary of Barnet Homes, in accordance with the parameters of the updated full business case;**

- 2. Delegates authority to the Deputy Chief Executive to approve the disposal of the Sites to TBG Open Door Ltd at less than best consideration, in accordance with the parameters of the updated full business case and pursuant to the Development Agreement dated 24 May 2017;**
- 3. Delegates authority to the Deputy Chief Executive to obtain any statutory or other consents required to dispose of the Sites under the Housing Act 1985 and where required to apply for consent to disposal to the Secretary of State on a sale at less than best consideration; and**
- 4. Delegates authority to the Deputy Chief Executive to implement the statutory advertising and consultation procedure if either Site comprises Open Space land, and if any objections are received to consider the same in consultation with the Chairman of the ARG committee and, if considered suitable, to proceed with the formal appropriation of the land to complete the disposal of the Sites.**

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 On 11 July 2016 the Assets, Regeneration and Growth Committee approved an outline business case for Opendoor Homes, a subsidiary of Barnet Homes, to build 320 affordable homes for rent and transfer several parcels of land owned by the Council, including land at Mount Parade and Salcombe Gardens, on which ODH will build these new homes. 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).
- 1.2 On 12 December 2016 ARG approved the full business case produced by ODH which listed the sites to be transferred. This was updated at ARG on 24 July 2017, but Mount Parade and Salcombe Gardens were omitted from the list on both occasions.
- 1.3 The list of sites for disposal attached to the December ARG report and updated at ARG on 24 July 2017 have insufficient capacity for the number of units for which funding is available. ODH has reconsidered a further two sites, which had been excluded from both the original and updated lists, and wishes to bring them forward.
- 1.4 The effect on the business plan is neutral: costs and numbers of units are maintained in line with the business plan. A revised full business case which takes account of the inclusion of the land at Mount Parade and Salcombe Gardens is attached for approval.

## **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 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.
- 2.3 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.
- 2.4 ARG has already approved the Full Business Case and the transfer of 20 sites to ODH at its meeting on 12 December 2016 and the substitution of a further 2 sites: Westbrook Crescent and Mount Pleasant at its meeting on 24 July 2017. Further design work has now been carried out and some of the sites approved do not provide sufficient capacity to make up the number of units proposed in the programme. This paper requests the addition of two more sites to provide homes to let at affordable rents for residents of the Borough whose need for suitable accommodation cannot be met in the open market. The addition of land at Mount Parade and land at Salcombe Gardens will ensure that the viability of the business case is maintained and the full 320 new affordable homes are delivered.
- 2.5 Mount Parade comprises a parcel of land used as a car park and a garage court to the rear of shops in Mount Pleasant, East Barnet and is close to established transport, education and retail facilities. The site presents a good opportunity for the development of affordable housing and Barnet Homes has submitted planning permission for 6 new homes.
- 2.6 Salcombe Gardens is a former garage site which is also near existing Council-owned residential accommodation and is close to established transport, education and retail facilities. The garages have been demolished and are currently occupied by the site accommodation of the contractors who are building extra care accommodation in Moreton Close (Ansell Court). This also presents a good opportunity for the development of affordable housing and Barnet Homes have already obtained planning permission for 6 new homes. The proposed development could be brought forward if undertaken by the Moreton Close contractors, because they are already occupying the site and can introduce cost savings by running the two projects in parallel.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 The Council could consider taking no action, but this would not deliver the optimum number of new affordable homes in support of the Council's Housing Strategy, and would impact on the viability of the Full Business Case developed by ODH.

- 3.2 The Council could consider disposing of the sites to another housing provider, however this would not provide the financial benefits of on-lending and the “homelessness dividend” previously reported to ARG.
- 3.3 The Council could consider selling the land on the open market, but this would result on a smaller number of affordable homes being provided, particularly as challenges on the site associated with the need to move services would be likely to impact on the viability of providing affordable housing in line with planning requirements.
- 3.4 The Council could develop itself but 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.
- 3.5 Transfer of land at Mount Parade and Salcombe Gardens to ODH is the preferred option to ensure that ODH is able to deliver the programme of 320 new affordable homes and the benefits associated with this.

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 Subject to ARG approval of the recommendations in this report, the land at Mount Parade and Salcombe Gardens will be transferred to ODH for inclusion in their development programme.
- 4.2 ODH will proceed with the development of 12 new affordable homes for rent on the land, 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 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 residents in the Residents' Perception Survey.
- 5.1.7 The Tranche 3 development programme is 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. Barnet Council as lender and provider of land receives quarterly financial and programme monitoring information and more regular exception reporting should this be necessary. This has 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 As reported to ARG previously, an exercise was 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. The loan was approved by the Council and the loan agreement completed on 24 May 2017.
- 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 transfer of the additional land at Mount Parade and Salcombe Gardens to Opendoor Homes will ensure that the full 320 new affordable homes are delivered. The estimated costs of both schemes of £2.9m will be contained within the approved Opendoor Homes business plan. The additional schemes, in line with existing schemes, will be funded within agreed LBB loan and capital receipts. The Council's approved Capital Programme includes budget provision for the Opendoor Homes schemes.
- 5.2.4 ODH Board approved a revised business plan in November 2017.
- 5.2.5 ODH will pay the council a homelessness dividend a year for each new home completed for the life of the loan, as well as interest above the rate at which the Council is able to borrow from the Public Works Loans Board on the loan provided by the Council.

- 5.2.6 Procurement of the design and build contractors has followed OJEU compliant process.
- 5.2.7 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.
- 5.2.8 The revised Full Business Case for the project is attached to this report to take account of the addition of land at Mount Parade and Salcombe Gardens

### 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 the Assets Regeneration and Growth Committee is responsible for asset management.
- 5.4.2 Council Constitution, Article 10 Table A states that the Assets Regeneration and Growth Committee is responsible for authorising all disposals of land for less than best consideration.
- 5.4.3 Site specific legal and title matters for the Sites have been explored through joint working with LBB Customer & Support Group, Barnet Homes and HB Public Law. Opendoor Homes will obtain independent legal advice on title, and any open space issues which have generically been addressed in the ARG report in December 2016.
- 5.4.4 Council Constitution, Article 7.5 states that the Housing Committee is responsible for housing matters including housing strategy, homelessness, social housing and housing grants.
- 5.4.5. The 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 Deputy Chief Executive 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 Local Government 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.

5.4.6 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.

5.4.7 Where HRA 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 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 slippage** - which potentially could be caused by a referral for disposal to the Secretary of State
- Mitigation - the programme could be reprofiled (and any financial penalties offset) should the contractor not be able to get on site due to a delay in transfer
- **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

5.5.2 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.

5.5.3 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.  
<http://barnet.moderngov.co.uk/documents/s26454/Appendix%20F%20Full%20EIA%20revised.pdf>

5.6.2 Allocation of properties acquired will be made in accordance with the Council's Housing Allocations Policy.

5.6.3 It is not expected that any 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 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;.
- 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; and
- 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 and was included as an appendix to the first Full Business Case. 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, including Mount Pleasant and Sheaveshill. 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 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>

6.2 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>

6.3 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>

- 6.4 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>
- 6.5 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.
- 6.6 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>
- 6.7 Assets, Regeneration and Growth Committee, 12 December 2016, Development Pipeline Tranche 3 - Affordable Housing Programme.  
<http://barnet.moderngov.co.uk/documents/g8640/Public%20reports%20pack%2012th-Dec-2016%2019.00%20Assets%20Regeneration%20and%20Growth%20Committee.pdf?T=10>
- 6.8 Assets, Regeneration and Growth Committee, 24 July 2017, Development Pipeline Tranche 3 - Affordable Housing Programme.  
<http://barnet.moderngov.co.uk/documents/g9337/Public%20reports%20pack%2024th-Jul-2017%2019.00%20Assets%20Regeneration%20and%20Growth%20Committee.pdf?T=10>