

Outline Business Case (OBC): 2-10 Hermitage Lane - Public

APPENDIX ONE – PUBLIC FOR ARG REPORT GOING TO 17 SEPTEMBER 2018

Author:	<i>Steven McIntosh; Meera Bedi</i>
Date:	<i>29 August 2018</i>
Service	<i>The Barnet Group</i>
/Dept:	

Contents

Contents.....	1
Executive Summary	2
1. Strategic Case	3
2. Economic Case	13
4. Financial Case.....	17
5. Management Case	20
Document History	
Distribution List:	

Executive Summary

1. The Barnet Group (TBG) has been commissioned to act as development agent on behalf of the Council to develop a mixed tenure residential development scheme comprising affordable rent, shared ownership and private sale homes.
2. Barnet has the largest population of any London borough with 393,000 residents and this figure is expected to increase substantially over the next 25 years. Barnet Council must be innovative in how more homes can be built in the borough.
3. TBG were instructed to develop a planning application with funding provided by the Council. The application was submitted in July 2018 for 56 homes.
4. Expected benefits from this development include the provision of a sustainable development on a brownfield site and the opportunity to facilitate new products being introduced to promote first time buyers.
5. TBG will be acting as Development Agent for the Council and is recommending entering into contractual arrangements to include a Development Agreement /s with risk and reward elements with the proposed contractor.
6. TBG has assessed the risk of this scheme under key areas, including design, planning and vacant possession.
7. A range of revenue benefits including a Section 106 contribution and Community Infrastructure Levy would be available to the Council, should the scheme proceed.

1. Strategic Case

- 1.1. This document represents the Outline Business Case for the proposed mixed tenure scheme at 2-10 Hermitage Lane, on an underutilised site in an area of a high housing demand.

Corporate Priorities and Performance

- 1.2. The Corporate Plan 2015 – 2020 sets out the Council's vision and strategy for the next five years based on the core principles of fairness, responsibility and opportunity to make sure 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; and where services are delivered efficiently to get value for money for the taxpayer.
- 1.3. The 2017/18 Addendum to the Corporate Plan outlined the key areas of strategic focus for the Council for 2017/18. These included:
- Responsible growth, regeneration and investment; and
 - Building resilience in residents and managing demand.
- 1.4. Within these priority areas, the Addendum to the Corporate Plan included commitments to undertake specific activities. Specifically, the Responsible Growth priority area included a commitment to “regeneration and investment in infrastructure... delivering a pipeline of new homes on Council land.”
- 1.5. The proposal will help meet these objectives by providing good quality private and affordable homes, through a well thought out and designed scheme that strengthens community relations and confidence in the Council.
- 1.6. The Growth Strategy for Barnet recognised that growth is vital for ensuring the future prosperity of the Borough, and maintain Barnet as a successful London suburb.
- 1.7. The Council's Local Plan adopted in 2012, sets out a 15 year ‘vision’ to help shape the kind of place that Barnet will be in the future. It supports the delivery of new homes including affordable dwellings and the use of brownfield land for high quality and sustainable suburban development.

- 1.8. The Council's Housing Strategy, agreed in 2015 has the overarching objective of providing housing choices that meet the needs and aspirations of Barnet residents and sets out how the Council will deal with a number of challenges including high prices, a shortage of affordable housing and the potential threats to the qualities that make the Borough attractive.
- 1.9. If approval is granted to proceed, Hermitage Lane will be the first mixed tenured scheme developed by TBG. The proposed scheme comprises 56 flats consisting of 22 affordable homes (including 4 wheelchair users' dwellings) and 34 homes for private sale. The 22 affordable homes will include a mixture of affordable rent and shared ownership products.
- 1.10. A planning application was submitted in July 2018.
- 1.11. The quality of the Hermitage Lane design is in keeping with current best practice with flats which are designed to meet space requirements as set out in the London Plan. The 4 wheelchair users' flats will be located on the ground floor and will be provided with dedicated parking spaces.

Local context

- 1.12. Barnet has the largest population of any London borough with 393,000 residents. This figure is expected to grow by 76,000 over the next 25 years; an increase of 19%. With a third of the borough designated green belt, Barnet Council has to be innovative in how more homes can be built in the borough whilst retaining the borough's distinctive outer London character.
- 1.13. As detailed in the Housing Strategy (2015-2025), and in response to the need for more housing in Barnet and in London as a whole, Barnet Council has committed to increasing the supply of housing in the borough, particularly affordable housing whilst maximising the Council's land resources. With this in mind a Development Pipeline Programme was established identifying Barnet owned sites that could provide locations for housing development schemes. The programme directly supports the Corporate Plan objective of responsible growth and regeneration.
- 1.14. As a strategic housing authority, the London Borough of Barnet has considered how best to meet future housing demand based upon limited resources available in terms of land.
- 1.15. The London Plan and Barnet's Local Plan recognise the pressing 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 Council's seeks to achieve this objective by increasing

housing supply and maximising the Council's land resources to meet future housing demand whilst creating a long-term revenue stream.

- 1.16. The development of this site for residential purposes will provide much needed accommodation in the Borough.
- 1.17. In line with all levels of policy - national, Mayoral and local policy and guidance, the development will optimise the use of this property and provide much needed private and affordable housing.

Local Need

- 1.18. The Hermitage Lane scheme will provide new affordable homes which will contribute significantly towards reducing the costs to the Council of providing temporary accommodation to households in need. The total cost avoidance is expected to be approximately £42k per year for the Council.
- 1.19. A net increase of 56 new dwellings overall will contribute to meeting the London Borough of Barnet annual monitoring target of 2,349 additional homes per year set by the Greater London Authority.
- 1.20. The new build flats for sale are to be targeted at first time buyers through Help to Buy. This means the sales prices will be capped at future purchasers will receive a cash incentive to be able to buy the flats. Current capped prices are c£600k for a two bed flat and c£450k for a one bedroom flat. These sale prices are significantly lower than full open market flat values.

Project Definition

- 1.21. Hermitage Lane is located in Child's Hill, north of Hampstead. The site is just to the east of Finchley Road and has good public transport links via buses and two stations within 15 minutes' walk. The site also enjoys close proximity to green space in the form of Elm Park to the north.
- 1.22. The existing site comprises of a poor quality mixed use block with retail uses at ground floor with 2 flats above, a further commercial unit and a builder's yard to the rear and 4 bungalows managed by Barnet Homes. The redevelopment would therefore provide an increase in affordable housing provision, significant development profit and a much-improved street scene with a high-quality design.
- 1.23. TBG were instructed by the Council to support their legal action at Hermitage Lane with a view to securing vacant possession from the one existing commercial tenants to enable development of the site to be undertaken. In respect of one of the tenants, the legal case is long

running and complex, but, in essence, if the Council pursues the correct legal recovery actions and can demonstrate development intent it is expected that vacant possession will be obtained. It is difficult to estimate the duration of the proceedings, but it is hoped that the proceedings will conclude in late 2018 or early 2019. In respect of the other vacant possession is anticipated to be achieved in line with the other commercial unit. Any potential impact on the progress of these proceedings is likely to be due to the issue of the legal owner residing abroad.

- 1.24. If the Borough are unsuccessful in their case, the builders' yard will have the option to automatically extend their lease which will delay future development of the Site. In addition, in respect of the other tenant, the Council will need to deal with on going covenant issues
- 1.25. Whilst some design activity had been undertaken through the Borough's previous development agent and ARG approval to do so secured, no recent follow up work had been completed. It became apparent that with some urgency a viable planning application would therefore need to be developed with a compliant planning application before the court hearing in the Autumn.
- 1.26. TBG were instructed to work up a planning application with funding provided by the Council. TBG under its own urgent procurement rules supported by advice from their solicitors agreed to develop a scheme with the proposed contractor, who have strong experience as a constructor developer on similar type developments.
- 1.27. The original architects were also retained to provide some continuity of design. Construction consultants have provided support to TBG in respect of some of the commercial aspects of the scheme.
- 1.28. The original scheme of 47 homes and commercial space was improved to a 56 home scheme with no commercial space after consultation with the local ward members. The split is 60:40 in respect of sales to affordable with some of the affordable being shared ownership products. The scheme will involve the demolition of 4 council owned bungalows to maximise the developable footprint of the scheme. The planning application was submitted during the last full week of July 2018.
- 1.29. Two public consultation events have been undertaken which produced some adverse publicity in respect of displacement of the vulnerable residents of the bungalows. Generally, concerns aired related to the scale of the development, parking and pressure on amenity space. A local Councillor has been fully engaged and whilst supports elements of the scheme does not want the bungalows demolished and would like provision of community facilities/community hall.

- 1.30. The residents of the bungalows (The Graftons) are being supported on a weekly basis by TBG's most experienced Resident Liaison Officer. Three of the residents have now submitted rehousing forms and we are actively seeking to rehouse them. The other has been out of contact recently although there is no concern in respect of this at the moment.

Rationale

- 1.31. This report presents evidence on how increasing Barnet's supply of homes will benefit individuals and the Council. The report sets out the benefits of new housing provision for Barnet, based on an understanding of Barnet's population profile and population need. This document also sets out the specific benefits of delivering a scheme of 56 new homes at the Hermitage Lane site in Child's Hill.
- 1.32. Over recent years national increases in homelessness against a backdrop of welfare and benefit reform has affected all local authorities and social housing providers, but particularly those in London. The increased demand for housing has placed pressure on an already strained and limited housing supply.
- 1.33. At a local level, Barnet has experienced increased high levels of demand for affordable housing, whilst sources of supply have been limited. Demand has been exacerbated by the buoyant private rental market in the borough, which is increasingly unaffordable for those on lower incomes. Loss of private rental accommodation is now the most common reason for a homelessness application, with residents who might previously have made their own arrangements in the private rental sector approaching the local authority.
- 1.34. In Barnet there was a 42% increase in new housing needs assessment applications between 2011/12 and 2016/17. In addition, there was an overall 21% decrease in letting within Council stock from 2011/12 to 2016/17 and Barnet has below levels of social housing on average compared to other London boroughs.
- 1.35. There has been a significant increase (21%) in the number of households in temporary accommodation (numbers have increased from 2,172 in April 2012 to their current level of 2,636 at the end of December 2017).
- 1.36. Barnet has the 6th highest number of households in temporary accommodation in the country. Almost 75% of all the households in temporary accommodation in England are placed by North, East and West London Authorities. This has led to increased pressure in competition for affordable supply.
- 1.37. The net increase of 56 new dwellings at Hermitage Lane will contribute to meeting the London Borough of Barnet annual monitoring target of 2,349 additional homes per year set by the Greater London Authority.

- 1.38. In addition to helping to address the shortfall of available accommodation within the borough and reducing the need to use high cost temporary accommodation, the scheme may provide a dividend to the Council, depending upon the reward model chosen.

Population Need and Demand Management

- 1.39. Barnet has 393,000 residents and this figure is expected to grow by 76,000 over the next 25 years; an increase of 19%.
- 1.40. The Council's Housing Strategy 2015-2025 identifies the need to increase housing supply and to deliver homes that people can afford. The Hermitage Lane scheme will facilitate the delivery of new homes for affordable rent in the borough to meet housing need. The affordable rent will be set at 65% of the market rent, in line with the Council's affordable rents policy.
- 1.41. 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. There are currently in excess of 2,700 households living in temporary accommodation which presents significant budgetary pressures for the Council.
- 1.42. Barnet's Health and Wellbeing Strategy recognises the importance of access to good quality housing in maintaining Well-Being in the Community.
- 1.43. 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.

Expected Benefits

- 1.44. Expected benefits from this development include:
- The provision of a sustainable development on a brownfield site in an area with good public transport accessibility and access to services
 - The opportunity to facilitate new products being introduced to promote first time buyers i.e. Home buy/First buy
 - Contributing to the housing needs of residents
 - Making savings in temporary accommodation costs
 - The provision of affordable wheelchair accessible accommodation

- Helping to address the shortfall of available accommodation within the borough
- New affordable homes which will provide a higher quality of accommodation and greater level of security for households currently living in temporary accommodation and/or in poor private rented sector accommodation
- Net increase in Council tax revenues
- A much improved street scene with a high quality design.
- Providing a financial return to the Council in terms of interest payments on the loan and a contribution to the homelessness budget.
- Social value and employment

Risks

1.45. There are a number of key risks for the scheme that are being managed to ensure the success of the scheme and delivery of the required outcomes. The table below lists the main risks and TBG strategy to mitigate against them.

RISK	PROBABILITY	IMPACT	TOTAL	ACTIONS TO MITIGATE	CURRENT STATUS
Vacant possession of commercial and residential premises	3	4	12	Legal action is already underway on securing vacant possession for the two commercial premises. TBG resident liaison officer is working with the 4 residential tenants with a view to rehousing them within a reasonable time frame.	The Council has instructed lawyers with regards to obtaining vacant possession of both the commercial premises. TBG resident liaison officer working with affected tenants.
Cost increases leading to budget overspend	3	4	12	We will be using a fixed price contract and undergoing value engineering as required with our Employer's Agent, if necessary.	Scheme is currently in planning. Detailed work on costings will be produced at a later date.
Time delays –scheme delivery, impacting on revenue savings	3	4	12	The site will be delivered through a Design and Build contract and all site surveys will be carried out in advance of tenders in order to secure as firm a price as	TBG has a realistic delivery programme and will continue to work closely with the contractor to monitor scheme

				possible. TBG have engaged an experienced construction consultancy to advise on the scheme and has worked closely with the contractor to put together a realistic delivery programme.	progress.
Planning permission	3	4	12	TBG will need to ensure that the scheme meets all planning requirements and is compliant	The scheme has recently been submitted for planning. TBG await any queries received from the planning department
Transfer of site	3	4	12	TBG will request that work is started on the preparation for transferring the site from the Council prior to planning approval.	Scheme still in its early stage.
Sales risk	3	3	9	TBG will obtain suitable marketing advice early in the construction phase	Scheme still in its early stage.

Dependencies

- 1.44. A key project interface is the relationship between TBG and the Council's legal team. The viability of the scheme will be adversely affected if transferring title or securing vacant possession of the commercial premises becomes protracted. Problematic issues will be picked up in regular land transfer meetings between HBP Law and TBG New build development team.
- 1.45. If vacant possession of the bungalows is not secured within a reasonable time frame this could present a risk to the project. TBG's most experienced resident liaison officer will continue to work with the affected residents to ensure they are provided with suitable rehousing options and receive the necessary help and support in relocating.
- 1.46. The new build team have met with the current residents and they accept the Borough's ambitions to provide new homes where possible and are resigned to moving. Two residents, one recently widowed, are keen to move out of the area and on with their lives.
- 1.47. Planning is a major project dependency. TBG has worked closely with the contractor, architect and planning consultant to ensure a viable scheme has been submitted. TBG will continue to liaise with the Council's planning team

to ensure any queries with the application or subsequent conditions (should the scheme be approved) are dealt with promptly.

- 1.48. Consultation is a project dependency in ensuring the project is delivered well and on time. TBG has held two consultation events and will continue to update and inform ward members on the progress of the project. TBG will continue to manage the relationship with the local community throughout the demolition and construction stage.
- 1.49. There is also a Communications Plan that will be agreed for this project and the demolition of the existing properties will be publicised along with progress reports and newsletters, which will be available to local residents through the new build team and the contractor.

2. Economic Case

2.44. The critical success factors for this project have been identified as follows:

1. Increasing the provision of affordable and private accommodation in the Borough.
2. Reducing the number of families in temporary accommodation.
3. Delivering a financially viable and successful mixed tenure housing development scheme.
4. Making effective commercial use of Council-owned land and buildings; this includes recognising Council stock's potential for development, contributing to the Council's development pipeline of affordable housing as set out in the Barnet Housing Strategy 2015 to 2025.
5. Providing a capital/and or revenue receipt to the Council whilst maintaining the freehold of the site.

At this time there is still a significant amount of uncertainty with regards to the estimated income and expenditure relating to this project. Further detail on the financial costs and benefits is required to enable full financial implications to be provided. These will be in place when considering the Full business Case in the next few months.

The financial information available includes expenditure and income headings which are the same under each option, that is, construction costs, decanting costs, grant funding and rental income. Therefore, the key variable will be the Capital receipts generated from the land and/or property sales and where these receipts will be held.

There is a potential appropriation of the land required and if this is HRA land, an adjustment will need to be made between the Housing Revenue Account and General Fund. In addition, capital financing requirements may be required if any future rental income is not to be retained by the HRA.

Should an initial business decision be based purely on the currently available financial information it would point to the traditional approach as the preferred option but as there are other non-financial implications to be considered the decision should not be purely based on the financial implications/benefits. Therefore, permission will not be granted to enter into contract or give transfer of the site until the Full Business Case is agreed.

Options

2.45. Considering the project objective and the desired outcomes from the commissioning client, the following options were considered:

Option A – Do nothing (i.e. do not develop the site)

Do not development the site and renew the existing leases; this option would not contribute to the supply of new housing overall, or to the Council's ambition to build

more homes. The existing site will require investment from the Council to maximise the commercial value of the leased units at market rates.

The 'Do nothing' option would fail to achieve any of the critical success factors as set out above.

The 'Do nothing' option fails to recognise the development potential of the Hermitage Lane site.

Option B – Sell the site

Sell the site on the open market; whilst this could deliver a capital receipt, the Council would be forgoing the wider economic benefits through the direct delivery of a mixed tenure scheme. The Council would also be forgoing the option to retain the freehold of the site whilst also obtaining a capital receipt.

Option C (Preferred Option) – Develop the Hermitage Lane site as a mixed tenure scheme

Direct delivery of mixed tenure homes provides the opportunity to maximise potential development profit by bringing the best product to the market. This option achieves all the critical success factors as set out above:

- 2.46. Based on the above considerations against the critical success factors, the preferred option is to develop Hermitage Lane as a mixed tenure housing scheme (Option C). Through submitting a high-quality scheme for planning, the Council can be provided with a viable and valuable alternative use for this site.

3. Commercial Case

Procurement Strategy and Scope

- 3.1. TBG will be acting as Development Agent for the Council and is recommending entering into appropriate contractual arrangements to include a Development Agreement with risk and reward elements with the proposed contractor.
- 3.2. The Borough instructed TBG to take over on the delivery of this site as the previous attempt had stalled. TBG sought advice from a leading Employer's Agent who has delivered many successful mixed tenure schemes through various models across London for many years. TBG's construction consultant have advised on the procurement route for this project. They will ensure that both the Council and TBG receive value for money from the developer acting as contractor, as well as on the sales through the Development Agreement.
- 3.3. TBG propose to enter into a relatively simple agreement, which does not necessarily involve setting up a special purpose vehicle (e.g. a new limited liability company) with the contractor to deliver the site for the Council. The contractor has indicated they will fully fund the working capital required for the build-out of the scheme.
- 3.4. TBG has developed a variable approach with the contractor to reward that could deliver 3 different outcomes;
 - Traditional approach – land value to the Council, affordable homes purchased by TBG and profit shared by parties
 - Non-traditional approach – no land value, affordable homes gifted to TBG and profit shared by parties – this would enable payment of a revenue dividend to the Council
 - Hybrid – 50:50 of the above – half land value to the Council, half affordable gifted to TBG and profit shared by parties – this would enable payment of a part revenue dividend to LBB
- 3.5. TBG recommend that the site is leased to TBG, with the Council retaining the freehold interest. Should the planning application be granted, and vacant possession of the site is provided, TBG recommend that they provide a sub-lease to the contractor to allow them to proceed with the development.

Potential risk allocation

- 3.6. TBG has assessed the risk of this scheme under key areas and the following table shows where the risk lies or is allocated.

RISK	ALLOCATED TO
Design Risk	The New Build Team within TBG has taken responsibility for this and liaised with the housing management team before agreeing to sign off the design submitted as part of the planning application.
Construction and Development Risk	TBG has commissioned an experienced contractor to submit the planning application, and if Council approval is granted, to develop the scheme under a yet to be finalised Development Agreement with risk and reward elements. The contractor has indicated their willingness to provide the full working capital for the scheme, thereby minimising the risk to the Council. The new build team will benchmark and monitor the development supported by an experienced construction consultant.
Delays – vacant possession	There are two occupied commercial premises on the site and the Council has begun, or will be seeking to begin, legal proceedings to obtain vacant possession. The site contains four bungalows (the Graftons) due to be demolished. The TBG housing management team are liaising closely with the residents of the four bungalows (the Graftons) to offer them suitable rehousing options. NOSP's will be served once planning consent is gained to help safeguard vacant possession.
Delays – Planning	Following several discussions with Barnet's planning department and two public consultation events, a planning application was submitted for a 56-home residential scheme in July 2018. An extensive design process has taken place involving the contractor, their architects and planning consultant, along with TBG and their construction consultant. The project is expected to be presented to the Council's planning committee during the autumn.
Delays - Demand	TBG propose to continue working with their commissioned construction consultant, and will seek out professional sales advice to ensure the shared ownership element of the development is competitively priced and in line with market expectations. The private homes for sale will target the applicants.

RISK	ALLOCATED TO
	eligible for the government's Help to Buy scheme which currently has a maximum purchase price of £600,000. Market intelligence has led to the development of 1 and 2 bed homes for sale aimed at attracting Help to Buy support for the owners in what is a high value area. The responsibility for the sale of the private homes will rest with the contractor. The contractor has shown a good appreciation of build costs through their existing supply chain and have influenced the design to reflect economy of build and with an aim of maximising commerciality/saleability of the new homes.
Demand/Occupancy	TBG has ensured that the specification for the scheme meets employer's requirements and that the space requirements as set out in the London Plan are also met. There is a severe shortage of suitable wheelchair accommodation and the 4 wheelchair users' flats located on the ground floor with dedicated parking spaces will be much in demand. The responsibility for the design and quality of the scheme rests with the New Build Scheme.
Title and legal issues	Early engagement with key parties supported by the Council, client, etc.

Design and Construction of the Scheme

- 3.7. The scheme will be designed using good quality materials and will incorporate many measures that will generate a proficient sustainable proposal, including;
- Use of natural and heat recovery as part of the ventilation strategy for the building;
 - Standards of thermal insulation and avoidance of leakage will be in excess of current building regulation standards;
 - Efficient centralised plant providing heating and hot water;
 - Careful selection of building materials using the 'Green Guide to Materials' to minimise the impact on the environment;
 - Early preparation and implementation of waste management during the construction period and when the scheme is in use – especially recycling/composting;
 - Low cost in use on utility bills for future residents.

3.8. The scheme will also incorporate the following features:

- An internal courtyard which will provide secluded communal amenity space;
- Entrances to the building will have level thresholds;
- Pedestrian access for the residential units will be through the front gated entrance off Hermitage Lane. This gated entrance has been designed to be partially transparent in accordance with Secured by Design standards;
- Extensive cycle storage located to the right of the ground floor entrance lobby;
- Four homes designed to be accessible wheelchair units (with a further 2 units being cross provisioned on another site).

4. Financial Case

Cost Savings

- 4.1. Depending on the rewards package chosen, affordable housing gifted by the Council to TBG could enable TBG to pay a dividend back to the Council.
- 4.2. Other revenue benefits to the Council, excluding homelessness dividend and any on lending:
 - Community Infrastructure Levy
 - Section 106 contribution
 - Net Council Tax increase .
 - Temporary accommodation avoidance
 - Wheelchair accessible homes

Hermitage Lane – current capital costs budget

- 4.3. The construction consultant has provided a works cost budget. Fees and other costs will increase the total scheme cost for the 56-home development. The apportioned total scheme cost for the 22 affordable homes has also been estimated.
- 4.4. The Council have already funded the planning application. This sum will be reimbursed on completion of the scheme.

ProVal Financial Appraisal

- 4.5. Financial appraisals have been carried out which demonstrates that the affordable housing element of the Hermitage Lane scheme has a positive net present value and internal rate of return.
- 4.6. It should be noted that while the ProVal appraisal demonstrates the feasibility of the scheme as a standalone project, this does not consider the significant financial benefits of providing additional affordable housing, which include the reduction in costs associated with temporary housing.

Hermitage Lane Funding Route

- 4.7. The contractor has indicated that they will provide the full working capital for the development.
- 4.8. Three 'Risk and Reward' options have been considered with the contractor that could deliver 3 different outcomes:
 - Traditional approach - a land receipt provided to the Council, 22 affordable homes purchased by TBG, and profit shared by parties;

- Non-traditional approach – assumes no land receipt is provided to the Council, the affordable homes gifted to TBG, and profit shared by parties, with an ongoing annual dividend per affordable unit paid to the Council.
 - Hybrid – 50:50 of the above – 50% of the land receipt is provided to the Council, 11 of the 22 affordable homes are purchased by TBG, and the remaining 11 affordable homes are gifted to TBG, and profit is shared by parties, with a smaller ongoing annual dividend per affordable unit paid to the Council.
- 4.9. Any figures provided at this stage are indicative and are based on a pre-planning submission works costs estimate provided by the appointed construction consultant, a reasonable allowance for fees and other costs, and an assumed start on site in Quarter 1, 2019.
- 4.10. The initial assessment of the scheme submitted is positive although it will be the subject of further due diligence before proceeding further. The contractor has a good appreciation of build costs through their existing supply chain and have influenced the design to reflect economy of build and with an aim of maximising commerciality/saleability of the new homes.

5. Management Case

Risk management

- 5.1. Primary risk management at Board level will be undertaken by the TBG Development and Growth Board. Barnet Homes Development Team produces regular 'Highlight Reports' for the Affordable Housing Board. Borough officers sit on the Affordable Housing Board and receive regular updates through the Highlight Reports. These documents set out the RAG-rated performance of the scheme, against the following categories:
- Time
 - Cost
 - Quality
 - Cashable and non-cashable benefits
 - Resources
- 5.2. This RAG rating of key indicators allows for the Project Board to identify deviation and approve mitigating actions. A tracker of scheduled milestones also allows the Board to identify any delay to forecasted dates.
- 5.3. The Highlight Report also contains a summary of key risks and actions put in place to avoid and mitigate these risks. The Project Board determines risk ownership. Current key risks, generally design-related and financial in nature, are presently owned by the Barnet Homes Development Team. Raising risks at the Project Board ensures the awareness of key partners, and enables risks to be allocated on a shared basis where appropriate.
- 5.4. The Highlight Report document seen by the Project Board communicates the impact and likelihood of residual risk (i.e. the modified risk after the application of internal controls) and the target risk. Based on this information, the Project Board determines the action to take to avoid or mitigate risks, or whether to escalate the risk higher. Additionally, the scheme will be subject to scrutiny and approval from the The Barnet Group board as part of their governance role as a registered provider.

Project Approach

- 5.5. The project will be managed by TBG in accordance with the Council's project management toolkit, which has been adopted for the delivery of this scheme. This incorporates monitoring and controls to ensure the project is delivered effectively and that budgets and programme are maintained and reported back through the appropriate channels.

Project Controls

- 5.6. The project team will be managed by TBG to review progress against the schedule, budget, project outputs and benefits.
- 5.7. The project highlight report will be included within the monthly reporting cycle for the Affordable Housing Project Board.
- 5.8. The project will report upwards through the Affordable Housing Project Board and relevant strategic commissioning boards to communicate progress and for approval of all key decisions.

5.9. Key Milestones for Project

Key Milestones	Completed Date / Forecasted Date
Funding to achieve Planning	July 2018
Outline Business Case	September 2018
Court case to determine status of commercial tenants	October 2018
Planning determination	November 2018
Vacant possession of commercial and residential units	November 2018
Full Business Case	March 2019
Obtain appropriate consents for land transfer	March 2019
Obtain clean title and LBB transfer site to TBG	March 2019
Design and Build contract signed	April 2019
Start on site	Quarter 1 2019
Practical completion	Quarter 4 2020

Deliverable / Product	Quality Criteria	Author	Reviewers	Acceptor
Detailed design to RIBA Stage 3/4 to enable the construction of the new scheme	Analysis that the internal and external layouts and fixtures and fittings meet the needs of the end user group	TBG project team	Development and Growth Board	Council client representative and project sponsor
Project procurement strategy	Analysis that the procurement strategy is compliant with the Barnet	TBG project team	TBG project team Development and Growth Board	Affordable Housing Project Board

	Homes contract procedure rules			
Approval of Full Business Case and contract sum and final budget to enable appointment for the contractor and work to start on site	Assessment that the contract sum offers value for money including analysis of the market conditions	TBG project team	Development and Growth Project Board, Capital Board, Affordable Housing Project Board and a full Gateway Review	Affordable Housing Project Board Full Business Case to go to the Council's ARG committee
Gateway Review at Project closure	There will be a Gateway Review to measure outcome costs against assumptions from the beginning of the scheme as well as lessons learnt moving forward.	TBG project team	TBG project team Affordable Housing Project Board	TBG project team Affordable Housing Project Board

Approach to Consultation

- 5.10. Two public consultation events have been undertaken (21 June 2018 and 23 July 2018) which produced some adverse publicity in respect of displacement of the vulnerable residents of the bungalows. Generally, concerns aired related to the scale of the development, parking and pressure on amenity space.
- 5.11. A local Councillor has been fully engaged and whilst supports elements of the scheme does not want the bungalows demolished and would like provision of community facilities. Meetings have also taken place with other ward councillors who are supportive of the current proposals.
- 5.12. The residents of the bungalows (The Graftons) are being supported on a weekly basis by TBG's most experienced Resident Liaison Officer. Three of the residents have now submitted rehousing forms and TBG is actively seeking to rehouse them. The fourth resident has been out of contact recently although there is no concern in respect of this at the moment.

6 Legal Issues

We have liaised with the Borough's lawyers on the issues that will arise from this project and that will need to be covered in full in time for the Full

Business Case. We have established that the land belongs to Housing Revenue Account.

These areas will cover:

- The structure of the transaction between the Borough and The Barnet Group including whether or not this will entail a freehold transfer or a long lease.
- Negotiations with the commercial tenants on the site.
- All statutory consents required for the residential and commercial aspects of the site.
- Approval of the form of contract or agreements with the contractor/developer.