

	<b>CHIEF OFFICER IN CONSULATION WITH COMMITTEE CHAIRMAN DELEGATED POWERS REPORT</b>
<b>Title</b>	<b>Development Pipeline – Microsites Programme</b>
<b>Report of</b>	Deputy Chief Executive
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	Microsites 2 Full Business Case
<b>Officer Contact Details</b>	Cath Shaw – Deputy Chief Executive Paul Shipway – Head of Housing Strategy

## Summary

This report seeks approval for a revised business case for the Microsites programme and approval for an extension of the existing loan facility that the council has made available to Opendoor Homes.

## Decisions

1. **Approval of the revised full business case for the Microsites programme as attached at appendix 1**
2. **Approval to increase of the existing loan facility available to Opendoor Homes by £1.6m**

### 1. WHY THIS REPORT IS NEEDED

- 1.1 Opendoor Homes are delivering a programme of more than 300 homes for affordable rent on council-owned land.
- 1.2 A part of the Opendoor Homes programme, approvals have previously been obtained from the Assets and Regeneration Committee to build a total of 27 units on smaller sites outside of the scope of the main development programme (see section 6 below).

- 1.3 Budget approvals totalling £8,325,000 were also obtained from the Policy and Resources Committee.
- 1.4 It has subsequently become apparent that some of the proposed sites are not viable, and that the Microsites programme will be reduced to 20 units at a slightly higher cost per dwelling, although the overall cost of the programme will reduce to £6,457,355.
- 1.5 In addition, the amount of the funding that will require a loan from the council to Opendoor Homes has been clarified as being £1,610m.
- 1.6 A revised business case has been prepared as attached at Appendix 1 which requires approval.
- 1.7 The revised business plan also takes account of a £695,000 increase in costs due to the discovery of a large area of asbestos on a site agreed as part of the first tranche of the Microsites programme which is on site.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The revised business case still represents good value with the average cost per unit increasing from £308,333 under the original proposals to £322,867.
- 2.2 Other benefits will remain in place, including cost avoidance from the removal of the need to use temporary accommodation and annual dividends paid by Opendoor Homes for each new home completed.

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

- 3.1 The council could decide not to approve the plan, but this would mean that the new homes would not be delivered.
- 3.2 Some sites agreed as part of the first tranche of the Microsites programme are already in contract, and it would not be feasible to withdraw from these at this stage.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Council officers will work with Opendoor Homes to extend the existing loan agreement by £1,610m.
- 4.2 The development agreement already in place for Tranche 3 already covers the sites at Back Lane and Warwick Close, which will deliver 4 units and 6 units respectively.
- 4.3 The reduced budget envelope will be reflected in the next budget report to the Policy and Resources Committee

4.4 Opendoor Homes will proceed with plans to build 20 new affordable homes for rent.

## 5. IMPLICATIONS OF DECISION

### 5.1 Corporate Priorities and Performance

5.1.1 The Housing Strategy 2019- 2024 includes the objective to deliver more homes that people can afford, this proposal will provide 20 new homes for affordable rent.

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

5.2.1 The total original capital programme budget for Microsites was £8.325m (£2.625m and £5.7m for Microsites 1 and 2 respectively). The programme is to be reduced by £1.868m to £6.457m. As at 31<sup>st</sup> March 2019, £3.0 m had been advanced to Opendoor Homes leaving a revised capital budget of £3.4m for 2019/20 and 2020/21.

5.2.2 The revised cost of the combined Microsites programme is summarised below and takes account of the up-front payment of £2.8m paid to Opendoor Homes in 2018/19:

Funding Source	Spend to date £'000	2019/20 £'000	2020/21 £'000	Total £'000
RTB Receipts	£904			£904
S106 Commuted Sums	£2,110	£482	£1,351	£3,943
Loan from Council		£1,031	£579	£1,610
Totals	£3,014	£1,513	£1,930	£6,457

5.2.3 The total revenue benefits for Barnet Council in pursuing Phase 2 of the Microsites Programme is expected to be over £97,000 per annum. The savings are realised through:

- A dividend paid from Opendoor Homes of £2.8k per property, per year (£28,000 in a full year)
- Savings from care costs due to additional wheelchair accessible homes estimated at £11k per year
- Temporary accommodation cost avoidance estimated at £3,400 per property per year
- Council tax income estimated at £13k per year and
- On lending of 1.24% above the rate at which the Council can borrow from the Public Works Loan Board (PWLB)

5.2.4 The loan is expected to be repaid within twenty years from 2021/22. The total cost to the council for providing the loan is estimated at £1.9m and includes interest payments of £310K (a revenue charge of approximately £90k per year), however as mentioned above, this will be repaid by OpenDoor homes plus additional on-lending of 1.24% above the PWLB rate estimated at £200k.

5.2.5 The main financial impact of this decision is that the cost per unit delivered, compared to the original proposals agreed by the Assets, Regeneration and Growth Committee, will increase by £14,534. This represents a total increase of £290,680.

### 5.3 **Social Value**

5.3.1 The building works will provide social value to the local community via the build contracts and the other local suppliers which will be recommended during the tender process.

### 5.4 **Legal and Constitutional References**

5.4.1 Article 10.4 of the Council's Constitution sets out that Chief Officers in consultation with Theme Committee Chairmen (Policy & Resources; Children, Education, Libraries & Safeguarding; Adults & Safeguarding; Environment; Assets, Regeneration & Growth; Housing; Community Leadership) have delegated authority to make decisions which are not key decisions and which have a value between £181,302 and £500,000.

5.4.2 The Council's Constitution- Decision making – states that if within budget, a full DPR in consultation with the relevant Theme Committee Chairman, is the documentation required for a variation or extension of a procurement value of £500,000 and above.

### 5.5 **Risk Management**

5.5.1 There is a risk that costs will increase further, and a contingency fund has been included in the revised costs to take account of this.

5.5.2 A further risk results to the council in the event of Opendoor Homes defaulting on the loan. This could result in a reduction of the amount owed on the council's balance sheet.

### 5.6 **Equalities and Diversity**

5.6.1 The 2010 Equality Act outlines the provisions of the Public-Sector Equalities Duty which requires Public Bodies to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advance equality of opportunity between people from different groups and foster good relations between people from different groups.

5.6.2 A full equalities impact assessment was completed for The Housing Strategy 2019-2024 which identified that the Strategy would have a positive impact on all sections of Barnet's Community.

5.6.3 Allocation of properties acquired will be made in accordance with the Council's Housing Allocations Scheme. 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. Of those in temporary accommodation the main applicant is female in 65% of households.

5.6.4 It is not expected that these groups will be adversely affected by implementing Phase 2 of the Microsites Programme as set out in this report. However, the impact will be monitored to ensure that these groups are not adversely affected.

5.6.5 All units of accommodation that are procured will meet minimum standards and in placing households into accommodation.

## 5.7 Corporate Parenting

5.7.1 The additional supply of affordable homes provided through the Microsites scheme will help increase opportunities for securing accommodation for care leavers.

## 5.8 Consultation and Engagement

5.8.1 Public consultations have taken place before planning application submissions for each scheme. This has helped to positively inform the design process.

5.8.2 In March 2016 a public consultation event was held in relation to Warwick Close. The consultation event provided residents with a chance to see the proposed scheme through the design development stages of the design. The public were invited to discuss the proposal with members of the architectural team, planning team, the client and local councillors. Through discussion and written feedback both the client and the architectural team were able to consider specific concerns surrounding the proposal. Some of the concerns raised by residents at the consultation included issues related to parking within the site, retention of the amenity for play and the current problem with build-up of rubbish. In response to these concerns, Opendoor Homes introduced dedicated bin stores the landscape strategy was adapted and the parking strategy was updated to include as much extra parking as possible.

5.8.3 In respect of Back Lane, consultation letters were sent to 276 neighbouring properties on two occasions. One comment was received from a local residents association advising the Council that the site is located in an Archaeological Priority Area. Historic England have since confirmed that although there is some archaeological potential which mainly follows the route of the A5 which is a Roman Road, it is considered that the site is located too far from this route to have any archaeological value.

## 5.8 Insight

5.8.1 The Council's Housing Strategy includes information from a Strategic Housing Market Assessment that was carried out in 2018, which suggested an annualised need for 704 affordable homes in Barnet.

## 1. BACKGROUND PAPERS

1.1 Assets and Regeneration Committee November 2017 – Item 12 – Microsites Programme and Microsites Phase 1

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9435&Ver=4>

1.2 Assets and Regeneration Committee November 2017 – Item 10 – Microsites Programme: Phase 2 project Business Justification Case

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9764&Ver=4>

Chairman: Assets, Regeneration and Growth  
Has been consulted

Signed: Deputy Chief Executive

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Date: 29/09/2019

Chief Officer:  
Decision maker having taken into account the views of the Chairman

Signed: Deputy Chief Executive

Date: 30/09/2019  
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