

	<h2>Housing & Growth Committee</h2> <p>14 June 2021</p>
<p style="text-align: center;">Title</p>	<p style="text-align: center;">Strategic Outline Case for the Regeneration of Part of Grahame Park Estate by Barnet Council</p>
<p style="text-align: center;">Report of</p>	<p>Chairman of the Housing & Growth Committee</p>
<p style="text-align: center;">Wards</p>	<p>Hendon</p>
<p style="text-align: center;">Status</p>	<p>Public with accompanying exempt report - Exempt from publication in accordance with paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 on account that it contains information relating to the financial or business affairs of any particular person including the authority holding the information, and information in respect of which professional legal privilege could be maintained in legal proceedings.</p>
<p style="text-align: center;">Urgent</p>	<p>No</p>
<p style="text-align: center;">Key</p>	<p>Yes</p>
<p style="text-align: center;">Enclosures</p>	<p>None</p>
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<h2>Summary</h2>
<p>In 2003, residents of the Grahame Park Estate in Colindale, NW9 voted in favour for a regeneration masterplan that would see the majority of the estate redeveloped by a partner</p>

Registered Provider; Choices for Grahame Park Limited, who are now owned by Notting Hill Genesis (NHG).

Barnet Homes, working as development agent on behalf of Barnet Council, has established a regeneration proposal for part of the Estate. The existing masterplan was approved in 2004, securing outline planning consent.

The proposed regeneration in this Strategic Outline case for part of the Grahame Park Estate would be split into two stages. The intention is to progress the first stage to Outline Business Case and submit a detailed planning application, with the Outline Business Case and detailed planning application for a second stage of the project at a later date.

For the council to implement the regeneration proposal, Choices for Grahame Park Limited will need to agree to exclude it from the Principal Development Agreement dated 30 January 2007. The Barnet Group has met with senior staff from Notting Hill Genesis to discuss their proposals, approaches to partnership and collaboration. They have been positive and supportive of the proposal, subject to the outcome of the detailed work in the next phase.

Bringing forward the regeneration of this part of the estate would result in initial capital cost avoidance of approximately £650,000 to the Housing Revenue Account as some of the planned health, safety and compliance works would no longer be required.

Officers Recommendations

That the Committee

- 1. notes and approves the Strategic Outline Case.**
- 2. note that the detailed funding arrangements will be proposed to the Policy & Resources Committee for approval.**
- 3. that Barnet Homes are appointed as development agent, acting in the best interests of the council, to progress the next phase of work as set out in this report.**

1. WHY THIS REPORT IS NEEDED

- 1.1 This report sets out the Strategic Business Case for the council-led regeneration of part of the Grahame Park Estate.
- 1.2 In 2003, residents of the Grahame Park Estate in Colindale, NW9 voted in favour of a regeneration masterplan that would see the majority of the estate redeveloped by a partner Registered Provider; Choices for Grahame Park Ltd, who are now owned by Notting Hill Genesis (NHG).
- 1.3 The regeneration masterplan has progressed over the last decade with Stage 1 delivering new homes to the south, east and western parts of the estate as well as new council offices and new buildings for Barnet Southgate College. The Trinity Square development of over

400 homes on the eastern side of the masterplan was also constructed. Stage 2 recently gained planning consent in July 2020 which encompasses the southern part of the estate.

- 1.4 However, progress in regenerating the estate has been relatively slow as a result in the main of variable economic and market conditions, as well as the sheer scale of the regeneration challenge. The approach taken to date is largely a linear one working from south to north.
- 1.5 As a result of this, Barnet Homes working as development agent on behalf of Barnet Council, has established a regeneration proposal for part of the estate that builds on their increasing development experience and their experience of developing alternative funding solutions.
- 1.6 For the council to implement the regeneration proposal, Choices for Grahame Park Limited will need to agree to exclude it from the Principal Development Agreement dated 30 January 2007. The Barnet Group has met with senior staff from Notting Hill Genesis to discuss their proposals, approaches to partnership and collaboration. They have been positive and supportive of the proposal, subject to the outcome of the detailed work in the next phase.
- 1.7 Subject to approval of the Strategic Outline Case, the intention is to progress to Outline Business Case stage in early 2022 ahead of submitting a detailed planning application for the first stage of development.
- 1.8 The proposed next phase of work will include technical due diligence of the site, design progression to RIBA stage 1-2, legal and land assembly due diligence, business plan modelling and extensive community and stakeholder consultation. The outcome of these activities will be included in the Outline Business Case which will be presented to the Housing & Growth Committee in early 2022.
- 1.9 The current proposed development model includes the council releasing a part of the site to a Build to Rent investor under a forward-funding agreement to cross-subsidise and enable the development of 207 homes for a mix of affordable tenures. The proposal is predicated on the Housing Revenue Account forward-funding the development costs at current low interest rates as working capital but receiving phased receipt of income to reduce the peak debt. The HRA would also benefit from retention of the resulting affordable housing assets to service the residual debt whilst also meeting future housing need. This approach will be further tested during the next phase of work.
- 1.10 The proposal in this Strategic Outline Case will put the council at the heart of delivering the scheme, making this one of the largest council-led regeneration projects in recent times.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Barnet has the largest population of any London Borough with 394,400 residents. The figure is expected to grow by 452,000 by 2036. With a third of the borough designated green belt, Barnet Council has to be innovative in how new homes can be built in the borough. To deliver an increase in housing completions the council and wider public sector needs to increase its own pipeline of housing delivery. To that end the council is reviewing its assets to consider all suitable sites for redevelopment potential.

- 2.2 The council's Housing Strategy 2019-2024 identifies that delivering more homes that people can afford is a key priority.
- 2.3 The delivery of new affordable rented homes, funded in a variety of ways, will ensure the council's estate is used to help meet the Housing Strategy objective - this is to prevent and tackle homelessness by reducing the use of temporary accommodation, to help meet Housing and Growth Committee savings.
- 2.4 The draft Local Plan (2021-2036) sets out the vision for growth and development in the borough and the delivery of 32,200 new homes and 20,000 new jobs by 2030. The Growth Strategy builds on this, articulating the council's approach to delivering growth and focusing on the places that need intervention.
- 2.5 The trade press reports that there has been a surge in demand for properties in outer London and research from Rightmove shows a trend in recent months for people selling up in the inner London zones and moving further out. Analysis of commuter lines in London shows that northern locations of the Northern line are performing more strongly than the southern locations.
- 2.6 Furthermore, the largest Registered Providers are recording exceptional demand for shared ownership since May 2020, at the height of the pandemic. First time buyer portal Share to Buy, which specialises in shared ownership and help to buy sales, has reported its highest number of registrations ever.
- 2.7 All the new homes provided through this development will meet the former Lifetime Homes standard through a standardised approach centred around building regulations. At least 10% will be fully wheelchair adapted, meeting the objective in the council's Housing Strategy of providing housing to support vulnerable people. The council already provides a range of housing options for vulnerable adults with a focus on helping people live as independently as possible.
- 2.8 The project budget to proceed to Outline Business Case stage is £1.5m. This budget will enable thorough due diligence to be undertaken for the proposed phase, as well as design progression. The due diligence will help to fully define the proposed scheme and de-risk future stages of delivery.
- 2.9 The progression of regenerating this part of the estate would result in initial capital cost avoidance of approximately £650,000 to the Housing Revenue Account as some of the planned health, safety and compliancy works would no longer be required.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 **Do nothing** - An alternative option is to **do nothing**. This option retains the status quo.
- 3.2 **Council directly deliver** - The council would need to forward fund the development using more HRA borrowing, there would be a greater demand for Right to Buy receipts and market conditions would pose a risk to the success of the project, particularly the open

market tenures – all of this risk would fall to the council. These options will be further tested as the next stage of work.

4. POST DECISION IMPLEMENTATION

- 4.1 The budget for delivery of the next phase of work, as set out in paragraph 1.7, will be considered by Policy and Resources Committee on 16 June 2021. This has been included in the HRA Business Plan also being presented to Housing and Growth Committee on 14 June 2021.
- 4.2 Subject to Policy and Resources Committee approval of the project budget, the design will be progressed to RIBA stages 1-2. Technical due diligence will be completed as part of this.
- 4.3 Legal and land assembly due diligence will be instructed.
- 4.4 The development model will be progressed, using valuation and viability modelling, so that a robust strategy can be prepared. Legal and financial advice will be received to support this.
- 4.5 For the council to implement the regeneration proposal, Choices for Grahame Park Limited will need to agree to exclude it from the Principal Development Agreement dated 30 January 2007. The Barnet Group and the council will continue to engage with Notting Hill Genesis in this respect.
- 4.6 The community and stakeholders will be engaged with co-design principles so that the process is open and transparent and their needs can be considered in the proposal.
- 4.7 The Outline Business Case will be presented to the Housing & Growth Committee in spring 2022.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Barnet Plan 2021-2025 sets out the council's vision to make Barnet a great place to live work and visit. It focusses on four priorities over the next 4 years to realise this vision:
 - Clean, safe and well run: A place where our streets are clean and anti-social behaviour is dealt with so residents feel safe. Providing good quality, customer friendly services in all that we do
 - Family friendly: Creating a Family Friendly Barnet, enabling opportunities for our children and young people to achieve their best
 - Healthy: A place with fantastic facilities for all ages, enabling people to live happy and healthy lives
 - Thriving: A place fit for the future, where all residents, businesses and visitors benefit from improved sustainable infrastructure & opportunity
- 5.1.2 This project supports delivery of the Thriving priority, by delivering affordable housing and improved infrastructure.

Barnet Growth Strategy 2019-30

5.1.3 The Growth Strategy sets out the council we will offer greater local opportunities, create better places, encourage more active lifestyles and over time increase the health and well-being of Barnet's residents. The Strategy sets out five goals:

- A growing borough – Delivering more homes that people can afford, ensuring that communities across the borough get a 'growth benefit' from investment. This theme also prioritises creating new jobs for people of all ages, backgrounds and skills levels.
- A connected borough - working with private providers to tackle digitally excluded areas, and with every council home in the borough having access to fast, affordable broadband by 2023. Delivering new and enhanced public transport connections and healthier street design.
- An entrepreneurial borough - supporting businesses, including microbusinesses, to thrive and to adapt to the opportunities of the economy after the pandemic – making Barnet the best place to be a small business in London.
- A borough of thriving town centres - diversifying the role of town centres, encouraging a broad mix of uses, delivering new housing and creating an environment in which businesses can succeed.
- A great borough to live in and visit - delivering social infrastructure to support growth, getting the best out of the borough's green assets, growing the visitor economy and creating a broader canvas for creative industries

5.1.4 Delivering additional housing and an improved public realm at the Grahame Park Estate is also a key element in the council's Growth Strategy.

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

Finance

5.2.1 The current proposed development model includes the council releasing a part of the site to a Build to Rent investor under a forward-funding agreement in order to cross-subsidise and enable the development of 207 homes for a mix of affordable tenures. The proposal is predicated on the Housing Revenue Account forward-funding the development costs at current low interest rates as working capital but receiving phased receipt of income to reduce the peak debt.

5.2.2 The current modelling suggests that the Housing Revenue Account has capacity and there is a long-term beneficial contribution. Sensitivity analysis has been undertaken of the current base case assumptions. Further modelling will be undertaken on an on-going basis to take account of market changes, development and construction costs, scale of the scheme, as well as other factors such as interest rates and other internal projects/pressures within the Housing Revenue Account. Further consideration to be given to the overarching treasury management strategy and the scope to tranche borrow at

current relatively low interest rates. The preferred development model will be presented as part of the Outline Business Case.

- 5.2.3 In the next stage of the project, specialist advice will be taken regarding the use of Housing Revenue Account funds to build general fund housing.
- 5.2.4 The updated Housing Revenue Account Business Plan is being presented to the Housing & Growth Committee under separate cover.
- 5.2.5 The project budget to proceed to Outline Business Case stage is £1.5m from the Housing Revenue Account. This budget will enable thorough due diligence to be undertaken for the proposed phase, as well as design progression. The due diligence will help to fully define the proposed scheme and de-risk future stages of delivery. This is subject to approval by the Policy & Resources Committee.

Value for Money and Procurement

- 5.2.6 Soft market testing for investment partners is underway and will be subject to a competitive process.
- 5.2.7 Independent valuations will be commissioned as necessary to verify and confirm that any disposals are at best consideration to fulfil the council's overriding obligations to secure the same.
- 5.2.8 A chartered surveyor from a Royal Institution of Chartered Surveyors registered construction consultancy will manage the future tender process. This will be in accordance with Barnet Homes' contract procedure rules, acting as development agent for the council.

5.3 Social Value

- 5.3.1 Increasing the utility of existing assets through mixed use redevelopment will enable the council's portfolio of assets to go further towards supporting local needs by helping to provide new opportunities for housing, (in particular, affordable housing) and new, improved community facilities.
- 5.3.2 The main contractor will be required to provide opportunities for employment, training and apprenticeships for local people and use local suppliers where appropriate.

5.4 Legal and Constitutional References

- 5.4.1 Council Constitution Article 7.5 states that the remit of the Housing and Growth Committee includes responsibility for regeneration strategy and oversight of major regeneration schemes, asset management, employment strategy business support and engagement.
- 5.4.2 The Council Constitution, Article 10 Table A states that the Housing and Growth Committee is responsible for authorising all acquisitions and disposals over £500K.
- 5.4.3 The council has a range of powers including the general power of competence under Section 1 of Chapter 1 of the Localism Act 2011 to do anything that individuals can do subject to any specific restrictions contained in legislation and Section 111 of the Local

Government Act 1972 which provides that a local authority has power to do anything which is calculated to facilitate, or is conducive or is incidental to, the discharge of its functions.

5.4.4 Additionally, the council has the power to acquire and dispose of land in accordance with Sections 120 to 123(2A) of the Local Government Act 1972, and subject to obtaining all appropriate consents and approvals.

5.4.5 On any disposal of property, the council is required to observe the requirements of s123(2) of the Local Government Act 1972 to ensure that any disposal is not for a consideration less than the best that can reasonably be obtained, except with the consent of the Secretary of State. Any land held for the purposes of part II of the Housing Act 1985 (which this site is likely to be) can be disposed of under sections 32 to 34 of that Act either in reliance on a general or express consent of the consent of the Secretary of State. To cleanse a site of third party interests, where it is in the public interest to do so and on satisfaction of conditions, land can be appropriated from its current purpose to planning purposes under section 122 of the LGA 1972. Where the land in question is held for housing purposes (as this site is likely to be), the consent of the Secretary of State may be needed for such appropriation. Any disposal of land appropriated for such purposes is effected in reliance on Section 233 Town and Country Planning Act 1990, which requires that it is for the best consideration reasonably obtainable.

5.4.6 The council will need to make the required adjustments between the Housing Revenue Account and the General Fund to account for the value of any housing land appropriated to planning. This will be subject to further specialist advice obtained in the next stage of work and ahead of the Outline Business Case.

5.4.7 The council will need to consider, comply with and obtain any statutory and legal requirements /consents to give effect to the preferred option.

5.4.8 Procurement of public works and services contracts over the relevant value thresholds must observe the requirements of the Public Contracts Regulations 2015, to include the placing of OJEU notices where such contracts are not drawn down from a compliant framework.

5.4.9 In the event the delivery option for the proposed development is with the assistance of a loan/grant by the council to a developer then the council must comply with the rules related to subsidy control, as required by the UK-EU Trade and Co operation Agreement and other relevant agreements, to the extent they are applicable.

5.5 Risk Management

5.5.1 The key business and service risks associated with the potential scope for this project are noted below.

	Risk item	Description	Mitigation	Probability
1	That there are changes in the property market that impact on the	The current model is predicated on the residential rental (and sales market) maintaining	The next stage of the project will include further detailed feasibility and viability analysis including sensitivity analysis and market testing. An alternative to	8

	development model	at current property values and demand.	BTR is market sale and this will be included in the on-going sensitivity and option analysis.	
2	That construction costs will increase and changes in the market will impact the development model	The current model assumes the HRA will be undertaking direct development and directly procuring third party construction partners/contractors.	The next stage of the project will include technical studies and surveys to inform a comprehensive understanding of constraints and corresponding cost implications. This will inform the next stage of design, planning and financial analysis. Soft-marketing testing will be undertaken. Consideration will be given to the merits of incorporating modern methods of construction or offsite manufacturing.	9
3	That other development costs will increase	The model assumes that the HRA will be undertaking direct development and assuming risk of other development costs.	The next stage of the project will enable a detailed assessment and projection of other development costs, as well as corresponding risks and risk allowances.	12
4	That there is a lack of capacity in the HRA or the scheme becomes unviable	The baseline strategy is for the HRA to develop out the whole of Phase One and forward sell the BTR/LLR elements to an investor (or for market sale if investor demand and/or target pricing does is not achieved).	The current modelling suggests that the HRA has capacity and there is a long-term beneficial contribution. Modelling will be undertaken on an on-going basis to take account of changes eg market values, development and construction costs, scale of the scheme, as well as other factors such as PWLB interest rates and other internal projects/pressures within the HRA. Sensitivity analysis has been undertaken of the current base case assumptions. Further consideration to be given to the overarching LBB HRA Treasury management strategy and the scope to tranche borrow at current relatively low interest rates.	12
5	That the legal structures, tax and vires could become	Given the scale of the scheme, as well as market element.	Further analysis to be undertaken re legal structures, tax implications and/or risks should LBB/BH group arrangements be pursued, as	6

	project issues		well as with potential third party partner (investment, development & construction).	
6	That long-term estate and property management do not meet the required standards	The quality of the project will need to satisfy short, medium and long term requirements.	The next stage of work will consider in further detail all aspects of quality and sustainability. From the internal and external design to public realm, efficiency and cost of long-term estate management including management, maintenance, sustainability, life-cycle costs. In addition, socio-economic benefits, housing need and mix. The long-term management and maintenance of this part of the estate will remain with LBB.	6
7	That the community might not support the project, which would impact successful delivery	A lack of community engagement would affect project delivery.	A community engagement expert will be appointed to act a critical guide to the project team. The project would follow the principles of co-design to ensure full community engagement.	12

5.6 Equalities and Diversity

5.6.1 Under the Equality Act 2010, the council must in the exercise of its functions have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- b) advance equality of opportunity between those with a protected characteristic and those without;
- c) promote good relations between those with a protected characteristic and those without.

The 'protected characteristics' referred to are; age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regards to eliminating discrimination.

5.6.2 The council is committed to improving the quality of life for all, and wider participation in the economic, educational, cultural, social, and community life in the Borough.

5.6.3 The project team will undertake an Equalities Impact Assessment in the next stage of the project, which will inform the preferred and proposed approach recommended in the Outline Business Case.

5.7 Corporate Parenting

5.7.1 Barnet Council have a small number of care leavers in temporary accommodation. Increasing the supply of affordable housing is therefore a corporate parenting issue.

5.8 Consultation and Engagement

5.8.1 Consultation with residents and local stakeholders will be of paramount importance and the project aims to be inclusive and transparent. It is proposed that a community engagement expert is appointed to support these aims and the process will follow co-design principles. The strategy will be refined during the next stage of the project.

5.8.2 A full Consultation and Engagement Plan will be used to demonstrate how the council has consulted with its citizens at various stages of the project life cycle, and a library of evidence for the findings will be kept by the project team. Proper record-keeping encourages transparency and we will publish consultation findings with relevant council papers.

5.9 Insight

5.9.1 The council's Housing Strategy and emerging Local Plan respond to evidence such as the Strategic Housing Market Assessment and other needs assessments that have identified a need for increased housing delivery. Barnet has 393,000 residents and this figure is expected to grow by 76,000 over the next 25 years; an increase of 19%.

5.9.2 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. There are currently more than 2,700 households living in temporary accommodation which presents significant budgetary pressures for the council.

5.9.3 Barnet's Health and Wellbeing Strategy recognises the importance of access to good quality housing in maintaining Well-Being in the Community.

5.9.4 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.

6 BACKGROUND PAPERS

6.1 None