



## Housing and Growth Committee

17 February 2022

<b>Title</b>	<b>The Grange Development Outline Business Case</b>
<b>Report of</b>	Chairman of the Housing and Growth Committee
<b>Wards</b>	East Finchley
<b>Status</b>	Public with accompanying exempt report : (i) Exempt from publication in accordance with paragraph 3 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 (ii) Exempt from publication in accordance with paragraph 5 of Schedule 12A of the Local Government Act 1972 - information in respect of which professional legal privilege could be maintained in legal proceedings.
<b>Urgent</b>	No
<b>Key</b>	Yes
<b>Enclosures</b>	Appendix 1: The Grange Development (part of HRA 250 Programme) Outline Business Case (public version) Appendix 2: Red line plan of the proposed site locations – the Grange Estate and surrounding areas, N2 Appendix 3: Equalities Impact Assessment
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### Summary

In Summer 2019, Barnet Council commissioned a review of the Housing Revenue Account's (HRA) capacity by Savills. This review concluded that there is the potential for 250 more homes to be developed by the Council through the HRA.

It was proposed that the projects comprising the 250 units should be delivered by Barnet Homes, acting as development agent for Barnet Council, as part of the “HRA 250” programme of sites. The completed homes would stay within the ownership of the Council. The income generated from these units will be fed back into the HRA.

This Outline Business Case (OBC) seeks approval to progress the first site in the HRA 250 programme, through planning submission and contractor tendering to Full Business Case stage (FBC), for an affordable housing development on land owned by the Council on the Grange Estate and neighbouring areas of Tarling Road and Brownswell Road, N2. These sites are collectively referred to as “The Grange Estate” development.

Barnet Homes acting as development agent for Barnet Council has secured £4,300,000 grant funding from the Greater London Authority (GLA) to deliver 43 new homes at The Grange. These properties will be let at London Affordable Rent.

A sum of £81.034m was originally allocated to the HRA 250 programme. From the start of this financial year 2021/22, the remaining budget is £80.803m. The total estimated budget for the Grange is £19.5m, which includes construction and project on costs. £15.1m of this would be met by the capacity in the HRA and the remaining £4.3m by GLA funding.

In accordance with paragraph 4.12 of the Council’s Housing Allocation Scheme, it is proposed that some of the new homes will be allocated through a Local Lettings Policy. This applies to existing council tenants on the estate who are highly banded (Band 1 or Band 2) in the period before the development completes.

The remaining 207 homes that make up the wider programme of 250 homes will be subject to separate Business Cases, likely to be presented to committee in Q2 2022/23.

#### **Officers Recommendations**

- 1. That the Housing and Growth Committee notes and approves the Outline Business Case for development of sites at Tarling Road, Brownswell Road, High Road and Central Avenue on The Grange Estate, as shown on the appended red line plan, enabling the planning application to be submitted.**
- 2. Delegate authority to the Deputy Chief Executive in consultation with the Chair of the Housing and Growth Committee:**
  - I. To approve the Full Business Case for Barnet Homes to appoint a contractor and deliver the scheme to completion**
  - II. To authorise the negotiation and settlement of any lawful claims or compensation payments consequential upon the implementation of the development scheme**
  - III. To approve the implementation of a Local Lettings Policy, if there is sufficient highly banded local demand in the period before the development completes.**
- 3. Note that the updated programme budget was presented to the Policy & Resources Committee in February 2022 for information.**

## **1. Why this report is needed**

- 1.1 Barnet Homes has been commissioned to act as development agent on behalf of Barnet Council to develop a pipeline of affordable housing as part of the GLA funded programme known as the "HRA 250".
- 1.2 The approval of the Outline Business Cases is required in order to submit a planning application and work towards entering into a build contract to deliver the scheme.
- 1.3 Delegated authority for the Full Business Case is required so that a contractor can be tendered and appointed, once planning has been determined, in time to start on site before the grant funding deadline of March 2023.

## **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 to 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 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 Regeneration Strategy builds on this, articulating the Council's approach to delivering growth and focusing on the places that need intervention.
- 2.5 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.
- 2.6 The completed homes will be managed by Barnet Homes, ensuring a one landlord approach across the Estate.
- 2.7 The Council have been awarded by way of a grant allocation £4.3m from the Greater London Authority (GLA) to support the provision of the new affordable housing to be let at London Affordable Rent (LAR). The grant conditions require the development to have commenced on site by end of March 2023.

- 2.8 In accordance with paragraph 4.12 of the Council's Housing Allocation Scheme, it is proposed that some of the new homes will be allocated through a Local Lettings Policy. This applies to existing council tenants on the estate who are highly banded (Band 1 or Band 2) in the period before the development completes.
- 2.9 It is recommended that delegated authority for the Full Business Case is approved so that a contractor can be tendered and appointed, once planning has been determined, in time to start on site before the grant funding deadline of March 2023.
- 2.10 There are three properties at 50-52 Brownswell Road, N2 which are proposed to be demolished to enable the development to go ahead. These homes include two Council tenants and one freeholder. These residents have been engaged with, are aware of the proposals and will be supported by the relevant officers.
- 2.11 The total programme budget is £81 million for the HRA 250 programme. The Grange project budget is £19.5m. This would be met through the Housing Revenue Account and the GLA grant funding.

### **3. Alternative options considered and not recommended**

#### **3.1 Do nothing**

An alternative option is to **do nothing**, but it would limit the Council's ability to deliver much-needed affordable housing. There would be limited improvement to current issues identified on the Estate such as anti-social behaviour and fly-tipping.

#### **3.2 Do minimum**

This option could see the delivery of fewer than the proposed four sites that form the Grange site.

This would produce fewer affordable units for rent in the borough.

The wider benefits of estate improvement would remain unresolved and not meet the Council's objectives of increasing housing supply.

By limiting the number of units provided the estate improvements will have to be reduced to remain proportional.

#### **3.3 Alternative funding structure**

An alternative option is that Opendoor Homes could act as the developer and finance the development through borrowing from the Council. LBB would transfer the land for nil value with 100% nominations right across all affordable units.

However, the working capital for the scheme would be provided by the Council, which may expose it financially.

The amount of grant available would be reduced or removed requiring further borrowing and threatening the project's viability.

#### **4. Post decision implementation**

- 4.1 Subject to approval of the Outline Business Case, Barnet Homes will continue to work on the design of the scheme and will seek planning permission for the proposal.
- 4.2 Subsequently, Barnet Homes will tender the projects in compliance with UK public procurement legislation, namely the Public Contract Regulations 2015, and the Barnet Group's procurement process including using an available contractor framework, if compliant, in order to achieve best value.
- 4.3 The target start on site date is February 2023, ahead of the end of March 2023 grant deadline.
- 4.4 The remaining homes that form the HRA programme of 250 new homes will be subject to separate approval of their respective Business Cases.
- 4.5 Any required outstanding consents so far as not already in place to include stopping-up, appropriation to planning and a compulsory purchase order and any required open space disposal consultation/decisions as well as other ancillary matters will need to be obtained.

#### **5. Implications of decision**

##### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Barnet Plan 2021-2014 sets out the Council's four priorities for the borough. This has been developed against the backdrop of the Covid19 pandemic. The plan focuses on the key outcomes we are seeking to achieve and how we will work to achieve those outcomes.

The council and its partners will focus on four priorities over the next four years to realise our vision:

##### *Clean, safe and well run*

A place where our streets are clean and antisocial 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.

The plan will focus on prevention, by delivering some services and activities in different, or more joined up ways. We are committed to enabling and supporting individuals and communities to be more resilient; to identifying problems early; and to enabling 'selfserve' and other effective solutions.

It will focus on equalities by supporting all our communities to thrive in an environment that is free of harassment and discrimination is a core strand running through all our priorities and fundamental to how we work as a council.

5.1.2 The Corporate Plan further sets out how the council will deliver these ambitions within financial constraints by ensuring that taxpayers money goes as far as it can through adhering to the following key principles:

a) A fair deal - by delivering the services that matter most and making decisions to prioritise our limited resources alongside providing value for money for the taxpayer by ensuring we are transparent in how we operate.

b) Maximising opportunity - by taking a commercial approach to generating income, and looking for new opportunities to generate revenue from our estate, alongside capitalising on opportunities for responsible growth and development to boost the local economy

5.1.3 The draft London Plan and draft Local Plan recognise the need to deliver more housing in the Borough. The council's Housing Strategy 2019-2024 continues to emphasise that delivering more homes that people can afford is a key priority 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.

5.1.4 Delivering additional housing and an improved public realm at The Grange contributes towards the council's Growth Strategy.

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

5.2.1 A sum of £81.034m was originally allocated to the HRA 250 programme. From the start of this financial year 2021/22, the remaining budget is £80.803m. The total estimated budget for the Grange is £19.5m, which includes construction and project on costs. £15.1m of this would be met by the capacity in the HRA and the remaining £4.3m by GLA funding.

5.2.2 The budget profile was updated in January 2022 to reflect the next phase of the programme and was presented to Policy & Resources in February 2022.

5.2.3 It should be noted that the estimated construction costs are based on current market intelligence and subject to change.

- 5.2.4 The estimated total revenue benefit inclusive of savings to Barnet Council is £255,785 per annum.
- 5.2.5 The projects will be tendered in compliance with UK public procurement legislation and the Barnet Group's contract procedure rules. If the tender price exceeds the approved budget, then a value engineering exercise may be considered.
- 5.2.6 If necessary, a bid request for additional funding will be reported to the Policy & Resources Committee for approval.
- 5.2.7 Barnet Homes has an established Development Team with the required experience to deliver this project. Barnet Homes manages the existing estate on behalf of London Borough of Barnet. They have successfully delivered works projects within occupied social housing settings and engaged with residents and leaseholders before, during and after the works are completed.
- 5.2.8 Barnet Homes will manage the project in accordance with the LBB project management toolkit, which has been adopted for the delivery of this scheme. It incorporates monitoring and controls to ensure the project is delivered effectively and that budgets and programme are maintained and reported through the appropriate channels.

### 5.3 **Social Value**

- 5.3.1 Expected social value from this project will be:
- The provision of sustainable developments on existing sites.
  - The opportunity to improve the public realm of the estates, to benefit residents existing and new.
  - Contributing to the housing needs of residents within London Borough of Barnet.
  - Making savings in temporary accommodation costs through the ability to allocate to new homes for affordable homes.
  - 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.
- 5.3.2 Additionally, 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 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.

5.4.3 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 notices where such contracts are not drawn down from a compliant framework.

## **5.5 Risk Management**

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

### **Design**

5.5.2 There is a risk that the design is not fit for purpose. To mitigate this risk, the appointment of an experienced Architect follows a competitive process to design the scheme to RIBA stage 3, including a detailed planning application. In addition, extensive site surveys and investigations have been carried out, and the Employer's Agent will prepare a robust and detailed set of Employer's Requirements. Internally, Housing Management have been consulted on the proposed design.

### **Planning consent**

5.5.3 There is a risk that planning consent is not granted. To mitigate this risk the Architect as Lead Designer, is joined by an experienced and competent professional team including a planning consultant. Furthermore, pre-application consultation with the Planners has taken place and discussions continue in order to work through feedback that has been given. Local stakeholder engagement has been held including with residents, ward councillors, school governors and others.

5.5.4 There is a risk that the existing residents, local councillors and other stakeholders will not be in favour of the scheme. To mitigate against this, extensive early engagement with residents is taking place. A Resident Involvement Group has been established to help to steer the project. Instinctif Partners have been appointed as community engagement advisers to bring expertise to the consultation strategy. The Barnet Homes development team and Instinctif will check all correspondence sent to residents to ensure that it is clear and concise.

### **Financial**

5.5.5 There is a risk that the grant deadlines are not met. To mitigate this risk ongoing dialogue will take place with the GLA to keep them informed. Furthermore, the engagement of an experienced project team delivering to timescales, will minimise the risk of programme slippage. An additional risk is that posed by macroeconomic factors, including inflationary pressure on construction labour and materials, requiring contractors tendering to pass on these higher prices. Finally, the impact of Covid could result in disruption to the programme, that will result in additional costs to absorb.

## **5.6 Equalities and Diversity**

5.6.1 Under the Equality Act 2010, the Council must 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 development at The Grange will make a contribution to the provision of additional high quality affordable rented housing in the Borough, as well as the promotion of construction jobs in the borough.
- 5.6.4 Barnet Homes have completed an Equalities Impact Assessment, reviewing the impact of the project delivery on the existing residents. The EIA assessment identified that a few groups are impacted negatively by the delivery of the project, primarily due to the rehoming of three households at Brownswell Road and disruption during the construction period. However, it is assessed that these are short term impacts only and that they are outweighed by the longer-term benefits of the project.
- 5.6.5 There are clear mitigations for the short-term negative impacts, including a communications plan and appointment of a Resident Liaison Officer, which in the longer-term will help to establish good relationships and build trust with the community.
- 5.6.6 At this stage, the proposal does not raise any issues under the Council's Equalities Policy and does not have a bearing on the Council's ability to demonstrate that it has paid due regard to equalities as required by the legislation.

## **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 Barnet Homes has consulted with internal stakeholders throughout the design development process and will continue to be engaged in the lead-in to planning submission. Representatives from Housing Options have assisted in agreeing the preferred unit mix, notably the demand for 3-bed homes. Input from the Occupational Health team has also been received regarding the wheelchair adapted homes. Estate Management have assisted in discussions regarding refuse collection and grounds maintenance.
- 5.8.2 Representatives from Major Works, Repairs & Maintenance and Health and Safety Compliancy teams will review and comment on the proposals ahead of planning submission. This has historically added value to the proposals specifically in relation to

fire safety and emerging building regulations.

- 5.8.3 Barnet Homes first contacted the ward members in September 2020 to notify them of the proposed project and to invite them to a walkabout on the estate to visualise the proposed development. They have since then kept them updated with the Director of Development at Barnet Homes as key point of contact. The ward members have expressed concern about the rehoming of residents from Brownswell Road as well as the development on grass space at Brownswell Road and Tarling Road.
- 5.8.4 Regular newsletters have been issued to the local community, a project website was created and 5 online exhibitions and workshops held to date. Estate outreach has also been conducted when possible.
- 5.8.5 The design team met with GCSE level students from the Archer Academy to hold a workshop on the development proposals. The group were engaged and the session was a success.
- 5.8.6 Following the initial online exhibitions and workshops, resident concerns were largely as follows:
- Parking capacity
  - Safety on estate roads
  - Lack of maintenance of existing homes, communal areas and external areas
  - Worry over amenity space provision and loss
  - Impact of construction especially from rooftop developments
  - Potential demolition of homes
- 5.8.7 The design team reassessed the proposals in line with this feedback and input from the Local Planning Authority and ward members. A summary of the “you said, we did” feedback was issued to residents in a newsletter in November 2021.
- 5.8.8 A Resident Interest Group has also been established. The members consist of both tenants and leaseholders. They meet once a month with representatives of Barnet Homes and the community engagement adviser. These meetings have been well attended and residents have shared a lot of useful feedback and information.
- 5.8.9 The community engagement and consultation for the project has been challenging, worsened by the prevailing Covid19 restrictions meaning that face to face consultations have generally not been possible.
- 5.8.10 In January 2022, Barnet Homes appointed Instinctif Partners as their new community engagement advisers. This is to bring a refreshed approach to consultation and they are thought to be a positive fit to take The Grange forward into planning and onto site. The change has been well received by the Resident Involvement Group.
- 5.8.11 Following the government’s announcement that Plan B Covid19 restrictions are being lifted at the end of January 2022, in person consultation events will be scheduled with the local community ahead of the planning submission. Further workshops with young people and local stakeholders are also planned.
- 5.8.12 The project is making use of the locally available facilities. The next consultation event has been booked to take place at the Tarling Road Community Centre. The centre is

centrally located for the residents to ensure as many people as possible are able to engage in the consultation process. This ensures that the consultation events are tailored to utilise the local community resources and provide for local residents. Providing the feedback from residents on the venue is positive it is envisaged that this venue will be used again for project consultation events.

5.8.13 In recognition of the more significant disruption of larger scale infill developments and the concerns expressed by residents and ward councillors during the consultation, it is recommended that a Local Lettings Policy be considered as part of this scheme once constructed. This would enable any highly pointed and banded estate residents to be considered for the new homes within the allocations policy.

## 5.9 Insight

5.9.1 The Council's Housing Strategy and 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.

## 5.10 Environmental Impacts

5.9.1 Barnet Homes' new build developments embrace sustainable design and contribute to the Barnet Council's new Sustainability Strategy. The aspiration of Barnet's new Sustainability Strategy is to build new social housing to a minimum EPC of 'B' adopting sustainable methods. All new build commissions are planned for net zero carbon emissions by 2025, with this achieved by 2030.

5.9.2 The new Sustainability Strategy identifies that 58% of emission within Barnet come from stationary energy sources, namely buildings, two-thirds of which relate to residential buildings. With an average EPC rating of 'D', the retrofitting of the existing housing stock will be the key challenge in the borough.

5.9.3 Sustainable development for new housing in Barnet is guided by the National Planning Policy Framework (NPPF) and the new London Plan 2021, alongside the Councils existing Local Plan and emerging draft Local Plan.

5.9.4 These principles and policies are further supported by building regulations that collectively set the ground rules for energy efficiency.

5.9.5 Barnet Homes closely monitors the evolving building regulations, in particular, the

emerging Future Homes Standard and will update its Employer's Requirements accordingly to address, Part L (conservation of fuel and power) and F (ventilation), Part O (overheating) and Part S (electric car charging points). These changes are set to reduce carbon emissions of 75-80% compared to the current regulations.

5.9.6 The Grange Estate proposes that the new homes are designed to Passivhaus principles. In line with Barnet Council's 'Net Zero by 2030' targets the project aims to create highly energy efficient new dwellings. The mechanical and electrical design will meet the requirements of the Building regulations, the London Plan and Barnet's Local Plan ensuring the emissions meet all of these requirements. Currently, the design proposes the installation of heat pumps for heating and hot water, whole house heat recovery ventilation, solar photovoltaic panels and LED lighting to all homes.

## **6. Background papers**

Policy and Resources Committee, 19 February 2020, Business Planning 2020-25 and Budget Management 20/21:

<https://barnet.moderngov.co.uk/documents/s57965/Business%20Planning%20Medium%20Term%20Financial%20Strategy%202020-25%20Budget%20Management%20201920%20and%20Budget%20fo.pdf>