

MUNICIPAL YEAR 2019/2020 REPORT NO. 110

MEETING TITLE AND DATE
CABINET 16th October 2019

REPORT OF:
Sarah Cary
Executive Director Place

Agenda – Part: 1	Item: 8
Subject: Appropriation and Development of Bury Street West Former Depot Site N9 9LA	
Wards: All	
Key Decision No: KD 4971	
Cabinet Member consulted: Cllr Caliskan/Councillor Maguire	

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1. EXECUTIVE SUMMARY

- 1.1 The Council has an ambitious draft Housing Strategy to deliver more homes for local people and Cabinet on 13th February 2019 (KD4830) approved a strategy for Building Council homes. To facilitate this a review of all assets is underway with a view to considering best use including for the delivery of affordable housing
- 1.2 This report follows on from the Cabinet decision on 12th November 2014 (KD3959) and updates Members on progress with this scheme. KD 3959 approved the principle of council-led delivery on the site of the former depot at Bury Street West. Since that time, planning permission was granted in 2017 for 50 residential units comprising mix of 2 and 3 storey semi-detached houses with associated landscaping and amenity including sub-station. The planning permission is for 50% affordable housing, 25 homes of London Affordable Rented (LAR) Council Housing and 25 homes for private sale.
- 1.3 This report summaries a delivery approach and proposes the appropriation of the site from the General Fund (GF) to the Housing Revenue Account (HRA) at planning policy compliant Market Value plus overage.
- 1.4 In addition, this report seeks approval for a budget from the HRA for development of the site and to delegate the delivery of the scheme to the Executive Director of Place, as part of the Building Council Homes for Londoners programme. (BCHFL)

2. RECOMMENDATIONS

- 2.1 Agree to Appropriate Bury Street West depot from the General Fund to the Housing Revenue Account at the certified market value of £3.5m plus overage in accordance with the Heads of Terms detailed at Part 2, Appendix 3 of the report.
- 2.2 Approve the increase of £20.3m to the HRA capital programme to fund the development and land purchase associated with at least 25 council homes and 25 private sale units with an option to increase proportionally up to £250,000 per additional unit.
- 2.3 Delegate authority to the Executive Director of Place in consultation with the Cabinet Member for Finance and Procurement, the Director of Housing and Regeneration and the Cabinet Member for Social Housing:

The award of construction work contracts for the demolition and redevelopment of the site, project management and procurement arrangements including operational resourcing, design teams, and appointments for all pre and post contract construction services and the potential submission of a revised planning application.

3. BACKGROUND

- 3.1 This site was formerly a Council Depot which ceased being used in 2012 when activities were transferred to Morson Road. Following a review of Assets this site is no longer needed for corporate purposes. It is an excellent site for the development of new homes, as part of our Council House Building programme.
- 3.2 This scheme proposed will allow for a considerable land value to be generated whilst meeting the council's aspiration of achieving 50% genuinely affordable housing on new housing development sites.
- 3.3 Therefore, the appropriation of this site from the General fund to the Housing Revenue Account at Market Value (having regard to the affordable housing requirement) plus overage will therefore contribute towards increasing the supply of affordable homes and it will satisfy other important corporate objectives.
- 3.4 The affordable housing offer on this site exceeds Enfield's current planning policy requirements. Policy requires 40% affordable housing with this 40% subdivided on a 60%/40% subdivision between affordable rented accommodation and intermediate housing. The

scheme is fully compliant with current GLA policy, as is required to achieve a planning permission.

- 3.5 The scheme proposed delivers considerably more council housing than the scheme set out in 2014, as GLA grant is now available and the Housing Revenue Account can finance the scheme build costs through borrowing.
- 3.6 This scheme delivers large family council houses which meets the highest needs of those on the council's housing waiting list.
- 3.7 The timing of this scheme will allow the housing department to access GLA grant funding within the 2019/2020 financial year and increase external investment in the borough.
- 3.8 **Heads of Terms**
For detailed terms of the transfer between the General Fund and the Housing Revenue Account - see Part 2, Appendix 2.
- 3.9 The Appropriation (Heads of Terms) also include an overage clause to reflect any potential difference in land value created by a planning consent with a density more than the current resolution to grant circa 50 semi-detached properties.

3.10 Proposed Scheme

In terms of scheme delivery, a Unilateral Undertaking (UU) is being finalised by LBE Legal Services in line feedback from the Greater London Authority (GLA). It is envisaged that a planning decision notice will be issued soon for the development of 50 Units of Housing with a 50/50 split between Private Sale and Affordable Housing.

The scheme design is being led by the award winning Karakusevic Carson Architects to meet the design requirements on delivering housing on a former Metropolitan Open Land (MOL)site.

The current preferred funding route will be to utilise the Building Council Homes for Londoners Grant from the Greater London Authority (GLA), for the 25 affordable council housing units and sales revenue for the private units. Based on this assumption, the anticipated 25 council houses will be for rent at prevailing London Affordable Rent Levels.

3.11 Cost and Programme

The maximum current scheme cost which includes Build Cost, land cost and all professional fees, is estimated at up to £24 Million, to allow for a possible increase in the density of the scheme and any potential increases in build costs.

To ensure value for money on this programme. Soft market testing will be undertaken to maximise contractor input. Established contractor

frameworks will be used to ensure that we are procuring via companies of suitable size and experience. Financial Checks will be carried out on all contractors who bid for the construction work.

The projected mobilisation date is for March 2020 subject to the LBE procurement route being signed off. The project has a 24-month construction period with practical completion targeted for Spring 2022.

The intended scheme mix (based on a 50-unit planning consent) is as follows: Private Sale – 4 x 2Bed 4Person Houses, 14 x 3Bed 5Person Houses, and 7 x 4Bed6Person Houses; Affordable Housing (Rented) – 14 x 2Bed 4PHouses and 11 x 3Bed 5PersonHouses. It is proposed to re-look at the unit mix and tenure of the houses, subject to planning. The tenure mix set out in any resolution to grant permission may be modified to more fully meet the housing needs of the borough and to maximise scheme revenue but shall not fall below the 50% requirement set out in the planning permission and this cabinet report.

3.12 Planning

The subject site has a resolution to grant planning permission for a residential development. Enfield Council resolved to grant the application, subject to a Unilateral Undertaking, on 19 December 2017 under reference 17/00344/RE4 for the demolition of existing buildings and structures, construction of new road with vehicular access to Bury Street West and erection of 50 residential units comprising mix of 2 and 3 storey semi-detached houses with associated landscaping and amenity including sub-station.

The GLA insisted that 50% of all units on this site be affordable housing, as part of their response, to LBE's resolution to grant planning permission.

4. ALTERNATIVE OPTIONS CONSIDERED.

- **The original delivery approach** involved the scheme being developed out within the property team. Subsequent to this approach a Housing Development Team has been set up, HRA borrowing has become available and GLA grant for affordable housing is available and has been secured. Thus, the direct delivery route is being continued but now under the auspices of the Housing Development Team with HRA capital funding.
- **Do Nothing.** This is not an acceptable solution as it leaves a vacant site vulnerable to third party occupation, it incurs unnecessary holding costs and security costs and fails to deliver much needed affordable housing.

- **Sell the site to a third party to develop.** This option would/may lead to delays in developing the site as it may be land banked. Additionally, the Council would lose control of the site which could delay the delivery of the affordable housing. A third-party private developer may also be inclined to “value engineer” the scheme to reduce costs by downgrading design features and or using cheaper materials.

Our most recent valuation suggests that £3.5m (plus overage) is a competitive market value given the 50% affordable housing requirement, so there is no guarantee that selling the scheme to a third party would generate greater land value and may lead to the negative outcomes listed above.

5. REASONS FOR RECOMMENDATIONS

- To increase the supply of affordable council and private housing provision in the borough, particularly larger family homes.
- Generate an immediate capital sum to the General Fund plus the possibility of further payments.
- Enhance a listed property
- Deliver the highest quality housing in a former MOL area.
- Generate New Homes Bonus and Community Infrastructure payments for the Council
- Provide housing that reduces the costs of the General Fund in relation to Temporary Accommodation.
- Provide regeneration, social, economic and environmental improvements to the area.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1. Financial Implication

Land Appropriation

This General Fund (GF) land will be appropriated from the GF to the Housing Revenue Account (HRA) based on the market valuation of £3.5m. This will generate a capital receipt to the General Fund and will be funded from HRA resources. This is currently affordable within the HRA 30-year business plan. A viability assessment has been completed which states that the HRA can afford to pay £3.5 million.

The NPV is within affordable the range for the HRA.

The units will be let at London Affordable rents generating an annual income of c. £190k. The assumptions have been run through the Council's Housing Development appraisal software Proval, the results are shown in the table above over a 30-year period. The assumptions have also been run through the HRA 30-year business plan and is affordable within the current plan. The Proval results are based on using the HRA's standard assumptions for an affordable housing scheme.

The build costs for this scheme have been independently verified. The financial risk associated to this scheme would be unidentified additional costs that may arise once this scheme is developed.

6.2. Legal Implications

- 6.2.1 Section 122(1) of the Local Government Act 1972 ('the 1972 Act') provides that where land belonging to a Council is no longer required for the purpose for which it is currently held it may be appropriated for any other purpose for which the Council are authorised to acquire land. The appropriation of the depot for housing use is within the powers given by section 122 of the 1972 Act.
- 6.2.2 The Council's Property Procedure Rule require that any proposed appropriation of property from one purpose to another or any proposed transfer of property between the General Fund and the Housing Revenue Account, requires the approval of the relevant Director(s) and the Responsible Senior Officer. In this instance, the Director of Property and Economy.
- 6.2.3 An appropriate financial adjustment needs to be made between the Housing Revenue Account and the General Fund to reflect the market value of the land being appropriated, including its development value. It is noted that an independent valuation has been obtained for that purpose and that the appropriation is to be made in accordance with the heads of terms set out in Part 2, Appendix 2 of the report.
- 6.2.4 The Council has a general power of competence under section 1(1) of the Localism Act 2011 to do anything that individuals may do, provided it is not prohibited by legislation and subject to public law principles. A local authority may exercise the general power of competence for its own purpose, for a commercial purpose and/or for the benefit of others.
- 6.2.5 Furthermore, pursuant to section 8 of the Housing Act 1985, the Council is required to consider the housing conditions and needs of their area with respect to the provision of housing accommodation. Section 9 of the Act empowers the Council to provide housing accommodation by erecting houses, or converting buildings into houses, on land acquired by them or by acquiring houses. The Council therefore has the statutory powers as described in this report.

- 6.2.6 Public law principles will also apply to the decisions made by the Council, including the Council's duty to take account of its fiduciary duty and to act prudently with public monies entrusted to it. The Council is also under a general duty to act reasonably and show that its decisions are made after having given due and proper consideration to all relevant factors.
- 6.2.7 The Construction Works Contract for the build will need to be procured in accordance with the Constitution, the Contracts Procedure Rules and the Public Contracts Regulations 2015. It is understood that it is intended to use established Contractor Frameworks. The use of Frameworks is permitted where it demonstrates Best Value – CPR 4 and the use of any Framework must be agreed by P & C Hub. Any Call Off from a legally compliant Framework must be carried out in line with the relevant Framework process via the E-Tendering Portal, with all documentation retained.
- 6.2.8 For any contracts worth over £1 million the Contractor must be required to provide enough security – CPR 1.18.
- 6.2.9 Any contracts worth over £250,000 must be sealed on behalf of the Council and retained in the archive.
- 6.2.10 All legal agreements referred to in this report must be in a form approved by Legal Services on behalf of the Director of Law and Governance, including any Grant Agreement with the GLA.

6.3 Property Implications

These are embedded within this report.

7. KEY RISKS

- 7.1 If the Council do not undertake regular reviews of its property holdings and dispose of surplus property this will result in the inefficient use of property with increased and unnecessary holding costs and ongoing repair and maintenance obligations.
- 7.2 The development of this site and the provision of more affordable housing will potentially reduce the risk of significant financial pressures elsewhere including ongoing security costs and the opportunity cost of a land receipt to the General Fund. Part of the site that is to be developed for sale for private housing which carries with it the risk of price fluctuations in the housing market.

8. IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD

8.1 Good homes in well-connected neighbourhoods

The development of Bury Street West depot will provide at least 50 new affordable and private homes in Enfield. The homes are large family homes which are much needed.

8.2 Sustain strong and healthy communities

The development is adjacent to a park and wetland, and the proposals increase access between the parks, allotments and wetlands and the adjoining residential neighbourhoods.

8.3 Build our local economy to create a thriving place

This sale to the HRA will assist the Council's objectives in delivering housing in the borough, create (construction and ancillary service) jobs and improve the Council's reputation for delivering affordable housing which will lead to attracting additional inward investment.

9. EQUALITIES IMPACT IMPLICATIONS

Corporate advice has been sought regarding equalities and a decision has been reached that an equalities impact assessment is neither relevant nor proportionate for the approval of this report. A screening template has been completed.

10. PERFORMANCE AND DATA IMPLICATIONS

The Council should monitor the impact and relative success of this venture (as compared with other methods of delivery) in terms of speed of delivery, quality and price of the new development.

11. PUBLIC HEALTH IMPLICATIONS

The delivery of new affordable housing units will potentially remove borough residents from inappropriate housing, create more homes for new residents, relieve overcrowding (in some cases) and thereby contribute towards an improvement in existing and new residents physical and mental well-being

Background Papers (previously published)

Cabinet Report dated 12th November 2014 Bury St West (KD 3959)

Cabinet Report dated 13th February 2019 Better Council Homes (KD 4830)