
REPORT FOR: CABINET

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| Date of Meeting: | 13 February 2020 |
| Subject: | Disposal of small HRA sites via the GLA's Small Sites Small Builders Programme |
| Key Decision: | Yes Decision is likely to be significant in terms of its effects on communities living or working in an area of two or more wards in the Borough |
| Responsible Officer: | Nick Powell, Director of Housing |
| Portfolio Holder: | Cllr Philip O'Dell, Portfolio Holder for Housing |
| Exempt: | No but Appendix A is exempt - by virtue of paragraph 3 of Schedule 12A to the Local Government Act 1972 - information relating to the financial or business affairs of the Council |
| Decision subject to Call-in: | Yes |
| Wards affected: | Canons, Hatch End, Pinner and Stanmore Park |
| Enclosures: | Appendix A – Financial information |

Section 1 – Summary and Recommendations

This report sets out proposals for the disposal of up to 5 small HRA sites via the GLA's Small Sites Small Builders Programme which attracts GLA funding to undertake necessary due diligence on each site thereby reducing risk for any purchaser thus generating capital receipts and delivering good quality housing.

Recommendations:

Cabinet is requested to:

1. Declare the properties detailed in this report surplus to Council requirements;
2. Note the financial implications and estimated sale prices detailed in Appendix A;
3. Authorise the Divisional Director of Housing to enter into a revenue funding agreement with the GLA in relation to the 5 HRA sites to fund due diligence investigations prior to disposal;
4. Authorise the Divisional Director of Housing in consultation with the Portfolio Holder of Housing to take all appropriate actions to dispose of the properties and the identified Council property assets using the GLA Small Sites Disposal Programme;
5. Authorise the Divisional Director of Housing following consultation with the Portfolio Holder of Housing and ward councillors to identify further suitable HRA sites for disposal via this method if the sites identified in this report are found to be unsuitable.

Reason: (For recommendations)

To dispose of sites efficiently to achieve capital receipts and to enable the provision of good quality housing in Harrow.

Section 2 – Report

1. Introductory paragraph

Five HRA sites have been identified that are suitable for sale utilising the GLA's Small Sites Small Builders Disposal Programme. In authorising this proposal the Council will be meeting its corporate priority of Building a Better Harrow by increasing the supply of quality housing in Harrow. It will also benefit the Council by generating capital receipts and also removing an element of land for which the Council has a maintenance responsibility.

2. Options considered

1. **Option 1** - Do not dispose of these sites and retain for in- house development This option is rejected as these small sites are uneconomical/not appropriate for council house development due to the complexity of the sites, cost of officer time, cost of bringing to Planning, build costs and cost of on-site project management for individual properties. We have limited resources to work on these

smaller sites and therefore these sites are highly unlikely to be developed for housing by the council.

2. **Option 2** - Do not dispose of these sites and clear the sites for an alternative use. This option is rejected as we have limited resources to clear the sites (including demolishing garages) and to reconfigure for an alternative use. Most of the sites are better suited to residential development than alternative uses as, although they are adjacent to residential properties, they are not capable of full surveillance/overlooking from a safety/security point of view.
3. **Option 3** - Dispose of the sites directly on the open market. This is rejected as sale at auction gives limited control over the quality / speed of development and the characteristics and skills of the successful bidder and does not provide GLA funding to de-risk the sites prior to disposal.
4. **Option 4** - Dispose of up to 5 sites via the GLA Small Sites Small Builders Programme and associated online marketing portal. This is the preferred option in order to achieve a scale of efficiency and greater reach to a growing GLA database of small builders and interested parties with appropriate capability and solutions for complex sites. It allows the council to secure GLA funding to de-risk the sites to remove uncertainty for bidders, which will make the sites more attractive to the market.

Option 4 is recommended.

3. Background

- 3.1 Within some of the HRA Housing Estates are small sites comprising either vacant land or garage sites. The Council's in house build programme has already successfully developed affordable housing on some small garage sites and plans are in place to deliver more on other infill sites deemed appropriate for development by the Council. However, there remain a number of smaller HRA sites that have development potential but are uneconomic or too constrained/complex for the Council to develop efficiently and viably due to its larger overheads.
- 3.2 The GLA estimate that 25% of housing capacity could be successfully delivered on sites smaller than a third of football pitch (around 0.44 acres) but there has been a 50% decrease in small site schemes in the period 2006-2016. The GLA want to help make more small publicly-owned sites available to small developers so they can play a bigger role in building the homes that London needs and to invigorate new and emerging sources of supply, including small builders.

3.3 GLA Small Sites Small Builders Programme

- 3.3.1 The GLA's Small Sites Small Builders programme aims to provide a streamlined service for public sector landowners to market small sites

through the GLA's bespoke online portal to small builders, who often struggle with access to land, the uncertainties in Planning requirements, access to finance and the complexity of public procurement procedures. It aims to offer public landowners like the Council a 'competitive disposal' service, with basic agency support, which will combine some of the convenience of land auctions with some of the delivery and quality control of a development agreement, without the need for procurement. This will allow the council to select small builders capable of building high quality homes with innovative solutions for up to 5 complex HRA sites.

3.3.2 The GLA have already marketed 19 Transport for London (TfL) owned sites through their Small Sites Small Builders programme and online portal and are working with boroughs to build a pipeline of further sites. There are currently 6 TfL sites of a similar size to the 5 Council identified sites advertised for disposal on the GLA portal. Of these, 5 have a preferred bidder selected, with commercial negotiations underway, and the last is at Planning application submission stage.

3.3.3. The GLA are able to provide revenue funding for the Council to commission a full set of due diligence surveys for each of the 5 sites to help understand and reduce development risks. This offers more certainty and makes the sites more attractive to potential bidders. In return for this funding, the Council would be required to advertise the 5 small sites on the GLA's online portal, follow their selection process and use their standard contract documentation. The due diligence would include obtaining a formal valuation for each of the sites, informed by the results of due diligence investigations.

3.3.4 The GLA programme's standard selection process and standard contracts are designed to achieve ease of comparison between bidders and minimal negotiation with small builders. The GLA's standard documentation is currently under review by Legal Services.

The standard contract aims to:

- offer a reasonable level of control;
- avoid lengthy procurement processes;
- allow the site to be retained by the council until development can start;
- give the council continuing influence over the development;
- discourage those who do not intend to get on and build.

3.3.5 A successful bidder under the GLA programme would be granted a long leasehold interest in the land (of 250 years) by the Council, subject to securing planning and finance. This is a condition of funding.

4. Current situation

4.1 Five small HRA sites have been included in an expression of interest to the GLA for their Small Sites Small Builders programme. These sites are detailed in the table below:

| Site description | Postcode | Ward | Site area (acres) | Number of potential units | No of garages | No of let garages |
|------------------------------------|-----------------|-------------|--------------------------|----------------------------------|----------------------|--------------------------|
| Vacant land adjacent to 9 Crossway | HA5 3TP | Pinner | 0.0387 | 1 | n/a | n/a |
| Garages at Eton Close | HA7 3BT | Stanmore | 0.146 | 1 or 2 | 16 | 5 |
| Garages at Pinewood Close | HA5 4BW | Hatch End | 0.172 | 1 or 2 | 16 | 5 |
| Garages at Tintagel Drive | HA7 4SR | Canons | 0.079 | 1 | 8 | 4 |
| Vacant area at Antoneys Close | HA5 3LP | Pinner | 0.124 | 1 or 2 | n/a | n/a |

4.2 The intention is to dispose of these 5 sites for housing development via the GLA Small Sites Small Builders programme. Table 1 at Appendix A gives an approximate estimate of the impact on revenue and capital accounts of the four disposal options for these 5 sites. Table 2 gives the revenue impact of respective options translated into net present value. This demonstrates that disposal in accordance with option 4 is preferable for the council, as the GLA funding for due diligence investigations should give more certainty regarding the capital receipt and identify whether development is the best option at no cost to the Council.

4.3 The level of GLA funding to be requested is in the region of £19,000 per site. Should any of the sites fall out of the programme as a result of due diligence investigations, alternative sites of similar characteristics and size will be considered for substitution into the Small Builders programme, subject to GLA agreement.

4.4 There are some clauses in the GLA's Revenue Funding Agreement concerning the circumstances in which the GLA will reclaim grant back from the council. If the Council is unable to proceed with taking a site to market via the GLA programme, the GLA are able to reclaim back the grant if they think the reasoning behind the withdrawal is not robust enough. In relation to this, the GLA has acknowledged that the due diligence may reveal issues with a site which mean it isn't developable and confirmed that if the due diligence studies demonstrate that there are financial viability or significant Planning issues that are stopping a site from being brought forward then the grant wouldn't be reclaimed. If it is a financial viability issue, the council could bid for capital funding that the GLA are also making available to unlock the site and bring it forward to market. Other boroughs have used funding for unviable sites for alternative sites in their ownership by substituting them onto the programme.

5. Why a change is needed

- 5.1 The vacant land at 9 Crossway has been hoarded off in recent years and is not in use. It stands next to family houses on the street. The vacant area at Antoneys Close is in a back corner of the estate. It appears to be used informally for parking, although parking is available elsewhere on the estate.
- 5.2 There are a total of 40 garages over 3 sites in the table above, of which 14 are let. Of the 26 void garages, 6 contain rubbish to be cleared, 5 need a lock change, 5 need specific repairs, and 4 garages at Tintagel Close are permanently closed due to structural issues. Only 6 garages are potentially suitable to let without further expenditure, although they are likely to be in poor condition and difficult to let. The majority of the void garages have been void for years, with some void periods going back to 2006 – 08. Many of today's modern cars will not fit into the garages and therefore some council garages are used for storage/dumping unwanted items, sometimes without rental payment.
- 5.3 Due to limited resources, there has not been a major investment programme for garages in recent years and currently repairs are only carried out where necessary and where economically viable. In reality this means that only limited repairs are being carried out and garages will deteriorate further as time passes.
- 5.4 The total annual rental income lost over the 3 garage sites from the 26 garages that are void and in poor condition is in the region of £19,000. The cost (mean average) to repair all 40 garages to bring them up to lettable standard is £3,200 per garage, giving a total of £128,000 (excluding asbestos survey costs) to bring all the garages at Eaton Close, Pinewood Close and Tintagel Drive into lettable condition to encourage more lets. Repairs to the 26 unlet garages would cost £83,200. However, it is doubtful that there is sufficient demand to enable full letting of these remaining garages if repaired. There are currently 3 people on the waiting list for these garages but letting is not possible due to the poor condition of void garages.
- 5.5 The above 5 sites are not suitable for development by the Council due to the overheads required in assessing any development potential and the subsequent cost of development and as such they are highly likely to remain undeveloped, with the accompanying risk to the council of ongoing repair liability for existing garages and general maintenance. In addition, garage sites attract Anti-Social Behaviour and vandalism, are subject to misuse (with reports of doors being ripped off on some sites) and could attract fly tipping. Disposal to a small builder would remove these risks, return a capital receipt and improve the immediate area for residents.

6. Implications of the Recommendation

6.1 Considerations

The 14 let garages return an annual income of c. £10,000. There are 3 residents on the waiting lists for a further 3 garages which if let would generate a further annual income to the council of c. £2,200. Were the 3 garage sites to be disposed of, current garage users could be offered alternative garages in other surrounding areas to mitigate loss of rental income, although options are limited due to garage disrepair. The repairs liability to the Council as garages deteriorate on the 3 sites, particularly as garage roofs can contain asbestos, would be avoided via disposal.

6.2 Resources, costs

The GLA have funding available to cover the cost of due diligence on these small sites. This involves obtaining various surveys and reports of the sites (including topographical, geotechnical and contamination surveys, desktop flood risk assessments, daylight and sunlight reports and valuations). The due diligence work would be co-ordinated by an existing external resource and would be cost neutral to the council due to GLA funding. There is no charge for the GLA's online marketing service.

6.3 Staffing/workforce

An existing officer in the Housing and Regeneration team would act as the point of contact with the GLA in relation to the marketing of the sites on their online portal and would project manage the disposal process in liaison with the GLA.

6.4 Ward Councillors' comments

No comments have been received on this report save for one Ward Councillor who has commented that properties built on the Eaton Close garage site would need to have in curtilage parking spaces to avoid additional parking pressure on a road that is due to have a CPZ implemented to deal with current parking problems and pinch points that have on occasion blocked up the road. This is also likely to be required on the Tintagel Drive site.

6.5 Performance Issues

6.5.1 Disposal of these small sites will contribute towards meeting the council's priorities of Building a Better Harrow by increasing the supply of quality housing and keeping Harrow clean. It will eliminate areas of potential ASB to enable Harrow to continue to be one of the safest boroughs in London.

6.5.2 Enabling the construction of new homes contributes to meeting the overall housing delivery targets set out for Harrow in the London Plan and would be achieved in partnership with the GLA.

6.5.3. The impact if the proposal did not go ahead is that the sites would likely remain vacant, would incur ongoing repair costs for the council, potentially attract ASB and the above contributions to council priorities would not be achieved.

6.6 Environmental Implications

All new homes have to meet high standards of energy efficiency to reduce CO2 emissions as well as reduce fuel poverty. Other environmental improvements often included in new housing developments include: provision of green roofs, solar thermal hot water systems to meet the target for use of renewable resources and resulting reduction in CO2 emissions, improved biodiversity as a result of increased tree planting and provision of gardens and open spaces and the recycling of demolition material where possible, recognising this may be limited due to the construction type of some properties.

6.7 Data Protection Implications

There are no GDPR implications to this report.

7. Risk Management Implications

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| Risk included on Directorate risk register? | No |
| Separate risk register in place? | No |

The key risks are as follows:

1. Delivery of objectives as set out in the GLA revenue funding agreement and take up of funding in accordance with agreed targets dates. A breach of agreed objectives could lead to penalties, loss of grant funding and reputational damage. Mitigation: Delivery plan will be put in place and monitored on monthly basis. Regular contact with GLA will be maintained in relation to programme progress.
2. Due diligence reveals obstacle to disposal of site. Mitigation: Site will be removed from the programme and a substitute site identified where possible, in agreement with the GLA.
3. Loss of rental income from garages on 3 sites: Mitigation: Alternative garages to be offered to occupiers of garages on 3 sites, although options are limited.
4. Lack of bidders for the sites prevents disposal: There are no penalties in the GLA revenue funding agreement relating to this situation and the sites will remain in council ownership if disposal is not achieved.

Opportunity - The GLA programme allows for additional sites to be advertised on the GLA online portal if appropriate in the future. Funding for due diligence would be subject to availability.

8. Procurement Implications

There are no procurement issues associated with this proposal for land disposal. Due diligence for the GLA disposal sites will be managed by increasing the scope of work of an existing, competitively selected external consultant carrying out similar work.

9. Legal Implications

The Council has power to dispose of land under section 123 of the Local Government Act 1972.

The Council has statutory powers to facilitate housing developments under the Housing Acts, the general power of competence under the Localism Act 2011, and section 111 of the Local Government Act 1972.

The GLA's Small Sites Small Builders Programme has been set up in a way that avoids the need to comply with public procurement rules, essentially because the arrangements are structured as land deals which are exempt from the public procurement rules.

Legal Services can draft and advise on the legal documentation necessary to deliver the proposals set out in this report.

10. Financial Implications

- Based on current estimates and assumptions the preferred option (4) yields the highest estimated capital receipt. This is a disposal of a long term leasehold interest of 250 years, with the freehold remaining with the council;
- Although the preferred option results in a loss of rental income when compared to retaining the garages and otherwise earning rental income, the net present value of this income stream does not offset the benefit of the cash receipt;
- Disposal proceeds are not subject to pooling and the capital receipt can be retained in the HRA to fund capital expenditure thereby reducing the requirement to borrow;
- Disposal of sites will be exempt from VAT unless Council exercises option to tax in which case purchaser will have to pay 20% VAT;
- Council will exercise option to tax if it incurs significant pre-disposal expenditure on which it needs to recover VAT;
- No incremental revenue savings anticipated as a result of disposal of sites.

11. Equalities implications/Public Sector Equality Duty

There is no requirement for an EqlA relating to this land disposal proposal.

Council Priorities

- 1. Building a Better Harrow – provision of additional housing will:**
 - Increase the supply of quality housing for Harrow residents;
 - Keep Harrow clean.
- 2. Protecting Vital Public Services – redevelopment of underused garage sites will contribute to ensuring that:**
 - Harrow continues to be one of the safest boroughs in London.

Section 3 - Statutory Officer Clearance

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| Name: Tasleem Kazmi | <input checked="" type="checkbox"/> | on behalf of the Chief Financial Officer |
| Date: 17 January 2020 | | |
| Name: Stephen Dorrian | <input checked="" type="checkbox"/> | on behalf of the Monitoring Officer |
| Date: 16 January 2020 | | |
| Name: Lisa Taylor | <input checked="" type="checkbox"/> | on behalf of the Head of Procurement |
| Date: 16 January 2020 | | |
| Name: Paul Walker | <input checked="" type="checkbox"/> | Corporate Director |
| Date: 5 February 2020 | | |
| Ward Councillors notified: | | YES |
| EqlA carried out: | | NO |
| | | An EqlA is not required for |

EqIA cleared by:

this land disposal proposal.

Section 4 - Contact Details and Background Papers

Contact: Elaine Slowe, Enabling & New Business Manager.
020 8420 9229 Ext: 9229.

Background Papers: None.

**Call-In Waived by the
Chair of Overview and
Scrutiny Committee**

*(for completion by Democratic
Services staff only)*

YES/ NO / NOT APPLICABLE*

** Delete as appropriate
If Yes, set out why the decision is
urgent with reference to 4b - Rule
47 of the Constitution.*