|  |  |
| --- | --- |
| To: | Cabinet |
| Date: | 10 July 2019 |
| Report of: | Regeneration and Major Projects Service Manager  |
| Title of Report:  | **Update on progress with development at Barton Park.**  |

|  |
| --- |
| Summary and recommendations |
| Purpose of report: | The Cabinet is asked to note the progress made with the development of Barton Park by the Joint Venture and to note the update in relation to the purchase of the affordable housing.  |
| Key decision: | No |
| Cabinet Member: | Councillor Ed Turner - Member for Finance and Asset ManagementCouncillor Rowley – Member for Affordable Housing |
| Corporate Priority: | Meeting Housing Needs  |
| Policy Framework: | Housing and Homelessness Strategy. |
| Recommendations: That the Cabinet resolves to: |
| 1. | **Note** the progress made by Barton Oxford LLP in bringing forward development at Barton Park; |
| 2. | **Note** the current financial position in relation to potential payments from the Joint Venture;  |
| 3. | **Note** the progress of the purchase of affordable housing on the site and the arrangements between the Council and its Housing Company (OCHIL) for ownership; and |
| 4. | **Require** quarterly reports to be made to the Council’s Shareholder body (which will have an expanded remit to receive reports from companies and joint ventures which do not have shareholders, such as Barton Oxford LLP) on the overall progress of the Barton Park development, to include information on overall delivery of housing, with particular reference to social rented homes, and the financial performance of the project in general. |
|  |  |

# Introduction and background

1. The land was a strategic housing site that had been in Council ownership since the 1940/50s, which had not been brought forward for development due to significant challenges including: contamination, access arrangements, and high S106 requirements (such as the need to fund a new school on site).This pre-dated the Housing Revenue Account reforms and so options for bringing the site forward and delivering a significant number of affordable homes were limited. The Council was determined to find a way to bring forward much needed development and explored a number of options. In 2011 the Council entered into a joint venture (JV) with Grosvenor Developments Ltd, known as Barton Oxford LLP (BOLLP) to enable the delivery of a new development now known as Barton Park. This was an innovative approach at the time.
2. The Council had identified that Barton Park offered a once-in-a-generation opportunity not only to provide a large number of new homes and associated facilities but to also develop a thriving and vibrant new community as part of the city. The aim was to create a place that has its own distinctive identity but that is integrated with the communities around it. A critical feature of the plan was that the existing communities close to the development should benefit through providing access to new community facilities and other services; through making better links to the rest of Oxford and the surrounding countryside; by returning pockets of grazing land to good use; and by linking local people to the economic opportunities generated by the new development.
3. There has been extensive engagement and consultation with the local communities from the outset. The City Council worked with a Barton and Northway residents working group as well as other interested groups and widely consulted in developing the Area Action Plan which was adopted in December 2012. Both the City Council and the JV meet regularly with a local group of interested parties (Barton Integration and Community Engagement Partnership - BICEP) to discuss plans and progress. This group has been closely involved in a range of matters from street naming to helping shape exercise trails and wayfaring signage around the site. BOLLP promotes this group to house builders building at Barton Park who attend the meetings.
4. When construction is complete the 885-home development will include 354 homes (40% of total delivery) for social rent, let through the Council’s housing company to applicants from the housing register. As well as a “tenure blind” mix of social and market housing Barton Park will include a new primary school with community hub, two children’s play areas, retail including a food store, and sports and leisure facilities. It will also include a 10-acre park, improvements to existing allotments, two civic squares and community gardens to encourage social integration of the new and existing communities.
5. Encouraging healthy lifestyles is built into the fabric of the new development, which is also funding extensive health improvement activity in Barton’s existing community. This includes health and wellbeing activities in the community and the redevelopment of Barton Neighbourhood Centre to provide better GP, sports and community facilities.
6. Barton Park has been recognised as an exemplar development. It was also chosen as one of only ten sites in NHS England’s Healthy New Towns programme leveraging funding for programmes to reduce health inequality. In April, Barton Park was awarded best housing development in Oxfordshire at the 2019 Oxfordshire Property Festival. It has also been shortlisted in the Partnership Working category at the national Planning Awards 2019.
7. In developing the scheme, it was acknowledged that the infrastructure costs of bringing the site forward were sufficiently high, as to make the site unviable at a planning policy compliant 50 % affordable housing. On 10th November 2010 the Council’s City Executive Board (CEB) agreed to reduce the requirement for affordable housing to 40%, although all of this would be for social rent.
8. At the same meeting, CEB approved the approach to bring the site forward by way of a JV. This approach was chosen after detailed research into multiple delivery options by expert advisors, and it was confirmed as the preferred option against a number of criteria which included a greater degree of Council control, deliverability in the prevailing market, and managing the Council’s exposure to development risk. On the 25th May 2011, CEB approved the selection of Grosvenor Developments Ltd (GDL) as the preferred partner, agreed the basis of the JV including that the Council’s land would be transferred into the JV and the Board and project group arrangements.
9. The approach taken to the development was that the JV (BOLLP) gained outline planning permission for the whole site, followed by reserved matters (RM) consent for the aspects which it was to deliver (infrastructure, pavilion, linear park and allotments). It also provided the infrastructure including the main estate roads, drainage and new junction to the A40 Barton Village Road. The infrastructure was developed upfront as the first stage of the development. This approach allows parcels of serviced land to be sold to house builders who can then apply for RM consent and build housing for sale to the market and the 40% affordable (social rented) housing. Outline consent was granted in October 2013 including a phasing plan.

**Progress to Date**

1. The majority of the infrastructure works have been completed, with access from the A40 available to residents and potential purchasers within the first phase of the development.  Also already available for use is the western play area and surrounding pond. This will be followed by the remainder of the linear park for use from the summer of 2019.The access from Barton Village Road to the pavilion and sports facilities will also be permanently available from the summer of 2019. Final inspections from adopting authorities (the County Council and Thames Water) are awaited to enable the infrastructure contract to be considered complete.
2. The site is being built out in 4 main phases.

**First Phase**

1. The sale of the first phase (237 units) to Hill completed in November 2016. Hill are currently building out this phase which includes 40 % social rented accommodation of the following types:

|  |  |  |
| --- | --- | --- |
|  **Unit Types** | **No. Units** | **Bed spaces** |
| 1 bed flat | 13 | 26 |
| 2 bed flat | 56 | 223 |
| 3 bed house | 24 | 125 |
| 4 bed house | 2 | 14 |
| **Total** | **95** | **388** |

1. The phase has been parcelled into smaller tranches that allow the construction team to withdraw into the site so that new residents do not have to cross areas still under development to get to their new homes. The planned handover of social units from these parcels is as follows:

|  |  |  |
| --- | --- | --- |
| **Completed Handovers to March 2019** |  |  |
| C2 | 9 | 30 |
| C3 | 2 | 10 |
| B3 | 11 | 26 |
| Total | **22** | **66** |
| **April 2019 Handovers** |  |  |
| D3 | 6 | 28 |
| B1 | 7 | 28 |
| Total | **13** | **56** |
| **Pending Handovers** |  |  |
| D2, E - H | 60 | 266 |
| Phase 1 Total | **95** | **388** |

1. The first handover of 11 completed social rented homes to Oxford City Housing (Investment) Ltd (OCHIL) took place in January 2019, followed by a further 11 in February. All 22 homes are owned and managed by OCHIL and have been let and occupied. On 13th May OCHIL took possession of 13 more completed homes which have all been allocated and accepted. The next tranche of 12 homes will be handed over to OCHIL in June/July with the remaining handovers scheduled over the course of the next year.
2. The Council has instructed an employer’s agent who ensures that the properties are built to the appropriate standard and checks the price to be paid in accordance with the agreement.

**Second phase**

1. In 2018 Redrow completed on the purchase of the second phase for an anticipated 223 units. Pre-application discussions have taken place with the City Council as local planning authority. Redrow have also presented their plans to BICEP and they were well received. Redrow have submitted the Reserved Matters Application (RMA) and will consult on the proposals through the planning process The application is likely to go to East Area Planning Committee in July or August 2019 .Discussions have also started with the Council around the 83 social rented homes that will be purchased on completion and Redrow expect to be on site in Autumn 2019.

**Further Phases**

1. Negotiations with interested parties are underway on the remaining phases. It is difficult to predict with certainty the timescales for the future phases as these are dependent on negotiations with house builders The outline planning consent requires planning applications to be submitted for all phases by 2023.

**Community facilities**

1. A range of new community facilities are included as an integral part of the overall development

The County Council have applied for planning permission for a primary school at the heart of the development. BOLLP has had input at the design stage as this is a key building. It is anticipated that this will be determined by the end of June 2019. Final details of the lease between BOLLP and the County Council are currently being finalised. The school is programmed to be built and open by September 2020. Community facilities are being provided within the school and will be subject to a joint use agreement.

The new pavilion and sports facilities have been handed over to the City Council. This has been a particularly challenging part of the site and delays have occurred. Snagging works are currently being undertaken and final negotiations around the lease are drawing to a close. The Council will take a long term lease and grant a lease to the Phoenix Sports Association. This will provide a first class facility for the community going forward

The linear park, fitness trail and play facilities are now complete.

A piece of public art will also be provided and this is subject to further consultation before proposals are finalised and moved into delivery phase.

**Financial Implications**

Under the terms of the agreement, the Council put its land into the JV at an agreed price, payment for which was to be deferred and interest accrued. GDL agreed to provide the finance required to gain planning permission, discharge all s106 requirements, design and build the infrastructure for the site and pay all fees required to be able to sell serviced parcels. These payments are dependent on final costs and values achieved through the scheme.

The agreement sets out a waterfall of payments to both Grosvenor Development Limited (GDL) and the Council as income is received from the development. This includes payments to GDL for its costs, payment to the council for its land and how any profit from the scheme is to be split. The agreed waterfall reflects the comparative risk profiles of the two development partners. The primary objective for the council in developing the site was not to make a profit, but to bring forward a high quality residential development with significant provision of affordable housing.

It is not unusual for the expected profit for such a large scheme to flex considerably throughout the development timeline as costs and values change due to the lengthy timescales involved. . When the agreement was made, the value of the land transferred to the LLP was £0.850million The modelling indicated that the Council might also receive a proportion of the profit. However due to the level of uncertainty around any payments arising from this, the Council took a prudent approach and only included the land payment in its accounts, which up to 31-3-2018 including interest was £1.17million The latest projections show that the Council should not expect to receive payment for land value or profit and that GDL do not expect to receive all its payments under the terms of the agreement.

The reason for the reduction in expected payments is partly due to the changes in the residential market, but also a significant increase in costs as a result of the development taking longer to build out than originally envisaged. For example, the s106 costs are indexed and payment linked in many cases to numbers of households in occupation. Because the scheme is taking longer to deliver, the occupation numbers are also further in the future and so the costs are higher as the indexation applies for a longer period .

Furthermore, the affordable housing deal agreed through the JV is providing good value to the council as the value of the affordable housing purchased by OCHIL has already increased significantly over the purchase price.

It should also be noted that at the beginning of the partnership, the Council received £0.5 million for services provided by the Council in connection with establishing the Joint Venture and scheme.

# Legal issues

1. The Council has the power to dispose of land at best consideration pursuant to Section 123 of the Local Government Act 1972, and has the power to acquire completed affordable housing units pursuant to Section 17 of the Housing Act 1985.

The Barton Oxford LLP Members’ Agreement dated 31st October 2011 (“the Agreement”) sets out the mechanism for decision-making within BOLLP. Grosvenor Development Limited and the Council are the only two “members” of BOLLP. The Agreement creates both a Partnership Board and an Executive Project Group, and also contains, as a schedule, a Delegation Policy. This policy sets out a more detailed explanation of the various levels of decision-making authority within BOLLP.

Certain key matters are reserved for the members themselves; these tend to be high level substantive matters such as any variation to the objects or business of BOLLP, adding new members, granting any security over BOLLP assets to a third party funder and acquiring new development sites, etc.

Each member is entitled to appoint up to three “representatives” to the Partnership Board, the chair of which rotates between representatives of the two members. The Council’s representatives are currently the Assistant Chief Executive and the Head of Housing. No resolution may be made by the Partnership Board without the unanimous consent of the representatives of both members. The Partnership Board agrees significant operational matters such as changes to the Investment Plan, approving the annual budget, approving the sales and marketing strategy, declaring any distribution of profits or reserves, etc.

The Executive Project Group (“EPG”) is, in effect, responsible for the day to day management of the business of BOLLP. Each member may appoint up to three appointees (plus observers) to the EPG, which is chaired by a Grosvenor appointee. The Council’s representative is currently the Regeneration and Major Projects Service Manager. In general the EPG is responsible for ensuring that the business of BOLLP is properly carried out, and makes recommendations to the Partnership Board on a range of operational and strategic matters.

Now that the Barton Park development is well under way and the affordable housing is beginning to be completed and occupied, it is both appropriate and necessary that councillors be regularly updated so that councillors can better monitor the implementation of the overall scheme. For this reason, this report recommends that quarterly reports be made available on overall project progress, financial performance and social housing delivery. Such a recommendation is very much in line with the observations made in the BDO Audit report scheduled to be reviewed by the Council’s Audit and Governance Committee in July. The Leader has requested that progress reports on all of the Council’s companies and joint ventures be presented to quarterly meetings of the Council’s Shareholder body, which will have an expanded remit to receive reports from companies and joint ventures which do not have shareholders, such as Barton Oxford LLP.

**Level of risk**

Barton Oxford LLP is a 50/50 partnership and the risks are shared between the partners, albeit the majority of development expenditure and therefore development risk sits with ODL. Beyond the loss of the land payment, there is no further financial risk to the Council directly from the LLP.

# Equalities impact

1. The delivery of 354 social rented homes will have a positive impact on those households in significant housing need.

# Conclusion

1. Barton Park is a major development for the Council in terms of a partnership and direct involvement in bringing forward a challenging development site for new housing. It has been a significant opportunity for the Council to partner with a high quality developer with aligned values to deliver, high quality and sustainable construction and design, attractive public realm and adding much social value to existing communities. This continues to be an extremely valuable learning experience particularly with regard to the direct infrastructure delivery for the Council and this will support the future aspirations to increase the Council’s housing company’s development programme.

|  |  |
| --- | --- |
| **Report author** | Jane Winfield |
| Job title | Regeneration and Major Projects Service Manager  |
| Service area or department | Regeneration and Major Projects  |
| Telephone  | 01865 2525521  |
| e-mail  | jwinfield@oxford.gov.uk  |

|  |
| --- |
| Background Papers:  |
| None |  |