

AGENDA ITEM: 5 Pages 1 – 9

Meeting	Cabinet Resources Committee
Date	2 September 2010
Subject	Growth Area Funding Update
Report of	Cabinet Member for Resources and Performance Cabinet Member for Housing, Planning and Regeneration
Summary	This report provides an update on the expenditure of the Growth Area Funding (GAF3) priority infrastructure allocations agreed by Cabinet Resources Committee on 8 December 2009; confirms the commitment of the new Coalition Government to the allocation of GAF3 funding in the final Year 3 – 2010/11; and seeks approval for the allocation of Growth Area Fund revenue towards feasibility and business cases to support innovative financial models to deliver regeneration.

Officer Contributors	Stewart Murray – Director of Housing, Planning and Regeneration Lucy Shomali – Assistant Director Strategy (Planning and Housing)
Status (public or exempt)	Public
Wards affected	Burnt Oak, Childs Hill, Colindale, Finchley Church End, West Finchley and West Hendon
Enclosures	Appendix – Barnet Growth Area Fund 3: Priority Infrastructure Projects – progress report
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not Applicable

Contact for further information: Lucy Shomali, Assistant Director Strategy (Planning and Housing), 020 8359 4749.

1. RECOMMENDATION

- 1.1 That it be noted that the Final Year 3 – 2010/11 allocation of Growth Area Funding has now been confirmed by the new Coalition Government.**
- 1.2 That the allocations to priority infrastructure projects, as updated following approval by the Cabinet Resources Committee on 8 December 2009, and subsequent progress on individual projects be noted.**
- 1.3 That an allocation of £140k be approved from Growth Area Funding revenue towards feasibility and business cases to support innovative financial models such as a Local Asset Backed Vehicle or Joint Venture to support Granville Road and other potential regeneration projects.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Head of Environment and Transport approved by delegated powers on 27 November 2006 the “Aerodrome Road Bridges Replacement – Funding Agreement for Growth Areas Fund Grant” which authorised the acceptance of the Government Growth Areas Fund Grant (Round 2) funding agreement dated 6 June 2006.
- 2.2 Cabinet Resources Committee, 23 April 2009 (Decision item 5) – approved the proposed allocations of Growth Area Funding Round 3, as originally announced in December 2008, subject to a regular 6 monthly review of progress and further approvals where projects require re-prioritisation.
- 2.3 Cabinet Resources Committee, 13 May 2009 (Decision item 5) – approved the action plan to achieve project close on the Aerodrome Road Bridges project.
- 2.4 Cabinet Resources Committee, 30 July 2009 (Decision item 18) – approved acceptance of £7 million of funding from the London development Agency (LDA) for Granville Road for funding towards the refurbishment of the three tower blocks on the estate.
- 2.5 Cabinet, 21 October 2009 (Decision item 10) – approved a report referred from the Cabinet Housing & Regeneration Committee 25 August 2009 (Item 6), Phase 2 procurement commencement of Granville Road Estate regeneration and the identification of £1 million GAF3 funding contribution to the Phase 2 refurbishment funding. Cabinet also approved the Local Development Framework Core Strategy – Direction of Travel for consultation.
- 2.6 Cabinet Resources Committee, 8 December 2009 (Decision item 5) – approved the proposed re-allocations of GAF3 funding to priority infrastructure projects following a reduction in the overall level of grant funding received from central government. CRC also approved the drawing down of funding to support the West Hendon Regeneration Project subject to appropriate conditions and due diligence.
- 2.7 Cabinet Resources Committee, 23 February 2010 (Decision item 14) – approved
 - (i) the commencement of the process to develop a Local Asset Backed Vehicle;
 - (ii) a formal LABV Board be constituted with Officers tasked with reporting back to CRC on the detail of the forming and operating of such a vehicle;
 - (iii) to undertake soft market testing with the potential to refine the LABV concept to a Barnet specific product; and
 - (iv) procure appropriate professional advisers to assist the Council in this process.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Borough is now the most populous London borough and therefore seeks to protect and enhance its suburban qualities whilst consolidating planned pipeline growth as set out in the Three Strands Approach. Barnet will deliver up to 28,000 new homes over the next 15 years with 22,000 of these already in the pipeline through regeneration schemes and major developments or supported through adopted policy frameworks – in particular the Area Action Plans for Colindale and Mill Hill East.
- 3.2 Delivering 'A Successful London Suburb' is one of the Council's three core priorities as set out in the Corporate Plan 2010/11. The vision for, and recognition of, the Borough's scale of challenge is supported by the Three Strands Approach. As a successful London-suburb it will be essential to provide the necessary infrastructure to support this growth and, therefore, the funding to deliver the infrastructure investment.
- 3.3 The Local Development Framework (LDF) Core Strategy is due for adoption in 2011 following an Examination in Public. This will provide the vision and policy framework to underpin the Borough's protection, enhancement and consolidation of pipeline growth. The Borough's regeneration and development areas are incorporated into the LDF Core Strategy to ensure that there is a sound and deliverable policy basis for supporting this.
- 3.4 Town centres are key contributors to place shaping, spatial development, and economic change and housing delivery. The Council has prepared an overarching Suburban Town Centres Strategy with its central aim to secure vitality and viability of all of the Boroughs' town centres by helping to protect and enhance some, whilst guiding more significant change in others. Infrastructure delivery is vital alongside town centre enhancement and change to ensure the Borough's town centres remain viable, attractive and sustainable.
- 3.5 In September 2006, the Barnet Finance Plan (BFP) proposal, 'Investing in a First Class Suburb, an Alternative Approach to Funding Infrastructure' was submitted to Government Office for London (GOL). The proposal focuses on the challenges presented by a growing population in ensuring the necessary and timely provision of transport, schools and health care. It identifies the current infrastructure gaps and explores a number of alternatives for raising the necessary funding to bridge these. A business case for the BFP model has been drawn up to consider how the housing delivery proposed for Colindale could be supported. Colindale has since been shortlisted as a pilot bid for the Tax Increment Financing model. Clarification on whether the new coalition government will take this initiative forward is awaited.

4. RISK MANAGEMENT ISSUES

- 4.1 The £2.6 million (or 20%) reduction to the grant to the Borough confirmed in December 2009 places some projects at risk of delivery or being dropped altogether. However, the remaining GAF3 funding has been reallocated to optimise delivery and housing outcomes.
- 4.2 There is a risk that if GAF is not targeted on deliverable infrastructure projects supported by robust business plans with clear benefits and outcomes in relation to housing growth outputs and regeneration the value of the potential investment will be diminished.
- 4.3 A monitoring framework for GAF3 spend has been established and with robust governance arrangements will ensure that grant objectives are met by the projects supported by GAF3 funding. These arrangements will mirror those used to manage Section 106 developer contributions and their related expenditure, with the management of individual projects funded from GAF3 the responsibility of individual project managers using the Council's standard project management policies and procedures.

- 4.4 GAF3 is area based and therefore not specifically ring-fenced to particular projects, nor time bound as previous rounds of GAF funding were. However, there is a risk that if not drawn down in a timely manner then funding agencies such as Homes and Communities Agency and Transport for London may be reluctant to support Borough infrastructure funding needs in future bidding rounds or through levered funding streams.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The allocation of GAF3 funding to support the bringing forward of key infrastructure projects will enable sustainable housing delivery and will support the successful implementation of the Council's priority regeneration schemes. Such investment will assist renewal for those housing estates and regeneration areas which contain some of the Borough's most deprived communities and enhance town centres for the benefit of all sections of the Borough's diverse communities.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The total GAF3 allocation was reduced in December 2009 by 20% from £13 million capital to £10.4 million capital. The Cabinet Resources Committee on 8 December 2009 agreed reallocation of funding to best facilitate priority projects in light of this reduction. An allocation of £1million to Granville Road Estate was agreed on the basis that if this was not required to enable delivery of the estate improvements and upgrade of the tower blocks then the funding should be switched back to provide leverage funding for town centre improvement projects. Currently the £1 million remains with the Granville Road project.

- 6.2 GAF3 is not ring-fenced but covers the previous Government's Comprehensive Spending Review period 2008-11 where there is an expectation that recipients' growth areas will allocate funds to support necessary targeted infrastructure investment to unlock housing delivery and associated economic growth. The Homes and Communities Agency is the responsible administering body for GAF and, therefore, will aim to ensure, through close monitoring with the Borough Investment Plan, that the Council maximises the benefits of GAF3 investment and aligns this, where appropriate, with other targeted and mainstream investment programmes, such as the National Affordable Housing Pot, Kickstart Funding, the Mayor of London's Targeted Funding Stream and TfL transport investment programmes.

- 6.3 The GAF3 allocation includes an element of revenue funding to help support the main capital investment programme. In addition to specific infrastructure investment allocations, the revenue elements also fund regeneration and project support to the Council's approved Local Asset Backed Vehicle (LABV) and other innovative funding programmes.

7. LEGAL ISSUES

- 7.1 None except as may be mentioned in this report.

8. CONSTITUTIONAL POWERS

- 8.1 The Council's Constitution in Part 3, Responsibility for Functions, states in paragraph 3.6 the functions delegated to the Cabinet Resources Committee.

9. BACKGROUND INFORMATION

- 9.1 In 2005/06 Barnet was designated as an *Opportunity Borough* allowing access to the previous Governments' national Growth Area Fund. This national fund was intended to support growth areas and growth points, including Opportunity Boroughs like Barnet, to deliver their *Programmes of Development*.
- 9.2 The Council's first bid for GAF was in Round 2. The Council successfully secured £7 million in a single bid to support the funding of replacement rail bridges at Aerodrome Road, to unlock transport and barriers to further housing growth in the Colindale regeneration area.
- 9.3 Round 3 opened up bids on a Borough or growth area basis. Barnet was allocated £12.58 million in December 2008 in addition to a Year 1 (2008/09) allocation of £1.13 million announced in December 2007. This gave a total allocation of £13.71 million (including capital and revenue) over the three years, one of the highest allocations in the country and the top for the London Opportunity Boroughs.
- 9.4 However, in July 2009, the previous Government announced its intention to reduce GAF3 capital allocations across all growth areas as part of its redistribution of funding. The Borough's GAF3 capital funding for 2010/11 was proposed to be reduced by £2,592,244, with the overall total capital allocation reduced to £10.4million. This was confirmed in December 2009.

Table 1: original and revised GAF3 allocations

GAF 3 original and revised capital and revenue allocations from CLG			
	Capital	Revenue	Total
Year 2008/09			
Original	£1,080,000	£50,000	
Revised	£1,080,000	£50,000	
Year 2009/10			
Original	£5,944,880	£320,684	
Revised	£5,944,880	£320,684	
Year 2010/11			
Original	£5,972,286	£346,424	
Revised	£3,380,042	£346,424	
Total 2008/11			
Original	£12,997,166	£717,108	£13,714,274
Revised	£10,404,922	£717,108	£11,122,030

- 9.5 As part of the new Coalition Government's review of programmes inherited from the previous Government the allocation of 2010/11 GAF3 funding was put on hold on 25 May pending a more detailed review of spending commitments. On 2 July 2010, the new Minister for Housing and Local Government, confirmed that the Growth Funding programme had been safeguarded at the levels set out in December 2009 subject to Local Authorities submitting a statement setting out how the use of this funding will benefit existing residents and reflects a vision that local people have been involved in establishing. A statement to the Minister was submitted by the Leader of the Council in August and the Borough's allocation of £3,380,042 for 2010/11 has now been formally confirmed.

- 9.6 Four priority areas were agreed by the Cabinet Resources Committee on 23 April 2009 for the allocation of the Council's GAF3 funding as shown in Table 2 below. Following the reduction in the overall pot of funding a reprioritisation of funding across these priority areas was agreed by Cabinet Resources Committee on 8 December 2009. This included reduction in the allocation to the town centres to £0 on the basis that in December 2009 there were no specific schemes which required immediate support. If future funding programmes come forward from Government to replace the GAF programme then opportunities to improve the public realm in our Priority Town Centres could be considered.

Table 2: GAF3 Capital Allocations – Candidate Infrastructure Projects

Project Title	Project Description	Original Funding Allocation (Dec 2008)	Subsequent Funding Reallocations (Dec 2009)
West Hendon	Northern Gateway; New Town Square. Kickstart Regeneration and Infrastructure funding support	£4,000,000	No Change
Colindale	Highways and transport interchange improvements to open up development sites around Colindale Hospital site and the Tube Station Interchange/Transport Gateway.	£3,000,000	£2,248,844
Town Centres	Leverage Funding for one Finchley Town Centre public realm project	£2,000,000	£0
Colindale Highways Improvements	Funding the final account agreement of Aerodrome Road lowering and bridges project (<i>work completed</i>)	£3,000,000	No Change
Granville Road Estate	Estate Improvement and Tower Block upgrades	£1,000,000	No Change
Mill Hill East	Support for AAP environmental and transport improvements studies (<i>work completed</i>)	£0	£156,078
Total	Total Infrastructure to assist unlocking additional 6390 new homes in Barnet	£13,000,000	£10,404,922

- 9.7 There is a need for close monitoring of the GAF3 fund and associated infrastructure and regeneration projects to ensure robust investment strategies and business case planning to maximise investment returns for the Borough. This includes regular reviews of each project, its success or otherwise on delivery and outputs and progress of infrastructure spend and GAF3 draw down from the central pool associated with regular reports to future meetings of the Cabinet Resources Committee.
- 9.8 The commencement of a process to develop a Local Asset Backed Vehicle for Barnet was approved by Cabinet on 23 February 2010.

9.9 In order to investigate this further and develop a detailed business case which will support alternative models for regeneration delivery, with potential candidate projects at Granville Road, Dollis Valley and other areas, it is proposed to appoint consultants to undertake detailed feasibility testing and procure early legal and financial advice at a cost of circa £140k. It is considered appropriate that this process should be funded from GAF 3 revenue given the overarching purpose of GAF funding is to support future growth, regeneration and capital investment.

10. LIST OF BACKGROUND PAPERS

- 10.1 LB Barnet Formal Growth Area Funding bid Round 3 (Initial and Refreshed) – dated October 2007 and 1 October 2008 respectively.
- 10.2 Letters from Communities and Local Government on Growth Funding Allocations dated December 2007, 10 December 2008, and 17 July 2009.
- 10.3 Letter from Minister for Housing and Local Government dated 2 July 2010.
- 10.4 Letter from LB Barnet to the Minister for Housing and Local Government dated 2nd August 2010 on Barnet's Local Support for Growth
- 10.5 Correspondance from Department of Communities and Local Government dated 9 August 2010 confirming allocation of GAF funding for 2010/11.
- 10.6 Any person wishing to inspect the background papers listed above should contact Lucy Shomali on 020 8359 4749.

Legal – PJ
CFO – JM

APPENDIX – GAF3 PRIORITY INFRASTRUCTURE PROJECTS PROGRESS REPORT

Priority 1a – West Hendon – £4,000,000

This is ready to go in terms of planning consents, signed PDA, keen development partners with Barratt and Metropolitan geared up for phase 1. An application for HCA Kickstart funding was unsuccessful but an application to Kickstart 2 to underpin Phase 1 viability has been successful. In August 2010 the HCA allocated £1.57m of additional 'Kickstart' and NAHP funding to close the viability gap on the pilot phase and first phase of the West Hendon Estate Regeneration. Barratt have now given board approval to start the project and have now secured the private property interests required to commence the development.

GAF3 investment of £4,000,000 to be targeted at Phase 1a to unlock key infrastructure requirements. Draw down now approved to improve the Business Case and prospects for early kickstart of the development commencement.

Infrastructure Investment: Transport improvements and/or electricity sub-station.

Outputs: 2,200 units overall, with Phases 1 and 2 delivering nearly 500 units. Start on site is expected in October 2010.

Priority 2 – Colindale – £2,248,844

Colindale has the largest housing growth potential in the borough and is proceeding faster than all other regeneration areas at Beaufort Park and Grahame Park. Fairview is progressing plans for development during 2010 with a further 1,500 new homes at the Colindale Hospital, Brent Works and Barnet College sites.

Colindale has been made the Barnet Finance Plan and Tax Increment Finance (TIF) Pilot and therefore may be able to access other future sources of additional infrastructure funding.

Infrastructure Investment: Colindale Tube Public Transport Interchange, North-South highways links including improvements to A5/Colindale Avenue junction, a new East-West Boulevard along Colindale Avenue and enhancements to the public realm.

Outputs: Total 10,000 units with 5,000 already secured to be delivered at the Beaufort Park and Grahame Park developments. GAF2&3 funded Aerodrome Road bridges investment is completed, including a contribution of £3,000,000 from GAF3. The GAF3 funding of £2,248,844 will be focused on the tube station area to help unlock an additional 1,500 new homes at the Colindale Hospital and associated sites. It will also secure the foundations for unlocking the Metropolitan Police Peel Centre site which can deliver a further 3,000 new homes.

Priority 3 – Granville Road Estate Regeneration: Phase 2 Increased Cross Subsidy Allocation by £1m

The improvement of this estate, particularly the three tower blocks is a priority, and will need pump priming in the current economic climate. The current funding package consists of: £7m from regeneration cross-subsidy + £7m from the London Development Agency + £3m Decent Homes + £1m from GAF3 = £18m. The current estimated cost is £14m so, in theory, there is more than enough funding available.

However, as the procurement process, and the business case, has yet to be completed, and the LDA (through the Mayor's Targeted Funding Stream) are seeking to reduce their £7m, it is proposed to retain the £1m GAF3 allocation until a firm contract price and a full funding package is confirmed. Should the £1m GAF3 funding prove not to be necessary this £1m GAF3 funding could then be switched to the Town Centres.

Infrastructure Investment: to be determined.

Outputs: c150 new homes.

If future funding programmes come forward to replace the GAF programme then opportunities to improve the public realm in our Priority Town Centres could be considered.

Priority 4 – N12 & N3 Finchley Town Centres – £0

There is an opportunity to target some small, discrete public sector investment in two of Barnet's six priority suburban town centres where it would deliver maximum outcomes. N12 and N3 are both the subject of town centre planning studies which incorporate scoping out of key sites and residential development opportunities in partnership with key landowners and stakeholders such as TfL. As there are currently no clear schemes on which to apply GAF funding no GAF3 funds have therefore been allocated. Should future growth fund opportunities be established by the Coalition Government then specific projects can be considered for funding, particularly those related to public realm enhancement.

Infrastructure Investments: Public Realm, Public Transport Interchanges and Bridges (N3).

Outputs: 300 to 400 new homes and significantly enhanced local economies, town centre viability and vitality and enhanced suburban town centre environments.