

AGENDA ITEM: 7	Pages 193 – 198
Meeting	Cabinet Resources Committee
Date	28 March 2011
Subject	Growth Area Funding Update
Report of	Cabinet Member for Resources and Performance Cabinet Member for Housing, Planning and Regeneration
Summary	This report provides the regular 6 month update on expenditure of the Growth Area Funding (GAF3) towards priority infrastructure allocations agreed by Cabinet Resources Committee on 8 December 2009; it indicates the position on application of the contributions.

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	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not Applicable

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1. RECOMMENDATION

- 1.1 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 confirmed.**

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, 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 including identification of £1 million GAF3 funding contribution to the Phase 2 refurbishment.
- 2.5 Cabinet Resources Committee, 8 December 2009 (Decision item 5) – approved re-allocation 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.
- 2.6 Cabinet Resources Committee, 2 September 2010 (Decision item 5) – approved the confirmation of Final Year – 2010/11 allocations by the new Coalition Government, subsequent progress on individual projects and allocation of £140k of the revenue contribution 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.

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 Council’s flagship regeneration project at Brent Cross Cricklewood and 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 this programme.
- 3.4 Town centres are key contributors to place shaping, spatial development, and local economic prosperity. 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 that the Borough's town centres remain viable, economically and physically attractive and sustainable.

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 was 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 borough 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 alternative bid programmes or through levered funding streams. West Hendon GAF allocation has been programmed to be drawn down in March 2011 to support Phase 1 of the kick-started regeneration.

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 Barnet'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 £10.4 million capital across the three year period 2007-11. The Cabinet Resources Committee on 8 December 2009 agreed reallocation of funding to best facilitate priority projects. 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 to provide leverage funding for other priority improvement projects. Currently the £1 million remains allocated to Granville Road and this is under review.
- 6.2 The GAF3 allocation includes an element of revenue funding to help support the main capital investment programme. In addition to specific infrastructure investment, 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 including capital and revenue finance

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 aimed at supporting and unlocking areas of major housing delivery. Round 3 permitted bids on a Borough or growth area basis, for which Barnet was allocated a total of £13.71 million (including capital and revenue) over three years, one of the highest allocations in the country and the top for the London Opportunity Boroughs. However, in July 2009, as part of a redistribution of funding across all UK growth areas, the Borough's capital funding was reduced by £2,592,244, taking the total capital allocation to £10.4million, confirmed December 2009.
- 9.2 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 the detailed review of spending commitments. On 2 July 2010, the Minister for Housing and Local Government confirmed that the final year of the GAF programme had been safeguarded; the Borough's £3,380,042 allocation for 2010/11 was then formally confirmed in August 2010 and has subsequently been paid in full to the Council.
- 9.3 Four priority areas were agreed by the Cabinet Resources Committee on 23 April 2009 for the allocation of GAF3 funding as shown in Table 1. 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. A review of unspent allocations is

timetabled for the end of this financial year to ensure delivery of existing housing growth alongside required infrastructure is secured through these challenging financial times

Table 2: GAF3 capital allocations and expenditure to date

Project Title	Project Description	Funding Reallocations (Dec 2009)	Funds applied (Mar 2011)	Project Progress (Mar 2011)
West Hendon	Northern Gateway, Town Square, to Kickstart Regeneration and support funding of Infrastructure	£4,000,000	£3,949,089	Phase 1 onsite – £3.85m match-funding towards the infrastructure costs applied.
Colindale	Highways and transport interchange improvements to open up development sites around the Tube Station & Transport Gateway.	£2,248,844	£162,764	Work on the Transport Gateway and designing of other junction improvements underway.
Town Centres	Leverage funding for one Finchley Town Centre public realm project	£0	£0	N/A
Colindale Highways Improvements	Funding the final account agreement of Aerodrome Road lowering and bridges project	£3,000,000	£3,000,000	Project delivered.
Granville Road Estate	Estate Improvement and Tower Block upgrades	£1,000,000	£0	Improvements are underway.
Mill Hill East	Support for AAP environmental and transport studies	£156,078	£156,078	Planning Application in progress
Total		£10,404,922	£7,267,931	

- 9.4 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 to Cabinet Resources Committee.
- 9.5 Application of the revenue contributions continues to deliver support for the development of the required policies or underpinning evidence for project delivery, ongoing detailed infrastructure planning, understanding of costs and funding opportunities as well as the development of innovative financing models for delivery of consolidated housing growth and supporting enterprise within Barnet's Town Centres and Regeneration Areas.
- 9.6 The second large draw down of GAF is the £3.85m to support West Hendon which also has HCA Kick Start funding that has enabled phase 1 to be on site now.

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, 17 July 2009, 2 July 2010, 2 August 2010 and 9 August 2010.
- 10.3 Any person wishing to inspect the background papers listed above should contact Adam Driscoll on 020 8359 4922.

Legal – PJ

CFO – JH