Putting the Community First

BARNET LONDON BOROUGH

MEETING
CABINET RESOURCES COMMITTEE
DATE AND TIME
TUESDAY 28 FEBRUARY 2012
AT 7.00PM
VENUE
HENDON TOWN HALL, THE BURROUGHS, HENDON NW4 4BG

TO: MEMBERS OF THE COMMITTEE (Quorum 3)

Chairman: Councillor Daniel Thomas

Councillors:

Brian Coleman	Andrew Harper	Robert Rams
Richard Cornelius	Sachin Rajput	

You are requested to attend the above meeting for which an agenda is attached.
Aysen Giritli – Head of Governance

Governance Service contact: Jeremy Williams, 020 8359 2042

Media Relations contact: Sue Cocker, 020 8359 7039

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CORPORATE GOVERNANCE DIRECTORATE

ORDER OF BUSINESS

Item No.	Title of Report		Pages
X9.	Extension of Two Highways Contracts;The Highways Planned Maintenance & Improvements Contract 2007-12, and The Highways Term Maintenance Contract 2007-12	3	X52 – X53
X10.	ANY OTHER EXEMPT ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT		

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AGENDA ITEM: 5 Pages 1 – 11

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**New Support and Customer Services Organisation: Business Case Update and Shortlist for Dialogue 2**
Report of	Cabinet Member for Resources and Performance Cabinet Member for Customer Access and Partnerships
Summary	This report asks CRC to approve the shortlist for the New Support and Customer Services Organisation second stage of competitive dialogue and note the updated business case.

Officer Contributors	Craig Cooper, Director, Commercial Services Kari Manovitch, Service Lead, NSCSO Alison Woodcraft, Project Manager, NSCSO
Status (public or exempt)	Public (with separate exempt report)
Wards affected	All
Enclosures	Appendix 1 - Business Case Update Appendix 2 – Trade Union Questions received and Responses Appendix 3 – Equalities Impact Assessment
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Kari Manovitch, Service Lead, NSCSO, 020 8359 7628.

1. RECOMMENDATION

1.1 That Cabinet Resources Committee approves the recommended New Support and Customer Services Organisation (NSCSO) shortlist of two bidders for stage 2 of the competitive dialogue process.

1.2 The recommended shortlist is: BT and Capita. They achieved the highest two scores from the evaluation of the outline solutions provided at the end of the first stage of competitive dialogue.

1.3 That Cabinet Resources Committee notes the update to the New Support and Customer Services Organisation business case.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet, 29 November 2010 (Decision item 6) – approved the One Barnet Framework and the funding strategy for its implementation.

2.2 Cabinet Resources Committee, 2 March 2011, Decision 9, Customer Services Organisation and New Support Organisation Options Appraisal

2.3 Cabinet Resources Committee 29 June 2011 (Decision Item 7) – approved the New Support and Customer Services Organisation business case and the start of the competitive dialogue process.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The services in scope are:

- Customer Services
- Revenues and Benefits
- Estates
- Corporate Programmes
- Finance
- Human Resources
- Information Services
- Procurement

3.2 Barnet Council's corporate priorities are:

Better services with less money: The NSCSO project objective is to appoint a provider who will deliver the services at lower cost whilst maintaining and in many cases exceeding current service levels and satisfaction of both internal and external customers.

Sharing opportunities, sharing responsibilities: The provider will be required, through the competitive dialogue process, to commit to new and innovative ways to empower and enable residents to do more for themselves and each other as well as engage and involve the community in co-delivering services.

A successful London suburb: The provider's role in managing the council's estate and capital building programme will make a key contribution to protecting, enhancing and, where needed, developing the built environment. The provider will also deliver key support services to schools, and manage the council's interface with its customers about all their service needs.

3.6 The One Barnet Programme is the council's change programme. Its overarching aim is "to ensure that citizens get the services they need to lead successful lives; and to ensure that Barnet is a successful place"[3]. It has three key principles that all apply to NSCSO:

1) A new relationship with citizens: be designed and delivered around customers' needs, provide the best possible customer experience, and enable customers to help themselves and each other including enabling self-service wherever possible.
2) A one public sector approach: be in a position to support the requirements of all public sector partners and drive better multi-agency working
3) A relentless drive for efficiency: operate as efficiently as possible to minimise the cost of the service and maximise the accessibility of the service to customers; be innovative and take advantage of evolving technology, thinking and practice; maximise the value the council achieves from all its assets (capital and revenue).

3.7 The new partner will be required to comply with all the Council's relevant policies and procedures and there will be provisions in the contract to enforce this requirement.

3.8 Policy decisions for the services in scope will remain a council function.

3.9 The procurement of this partner will equip the council well in responding to major policy changes on the horizon, because the size of the organisations being short listed, the number of similar contracts they already run and their expertise in technology make them able to adapt more flexibly. For example, the recommended bidders for short listing both run Revenues and Benefits services for several councils across the country which will mean they will be responding to the advent of universal credit at the same time for a number of clients. Their scale and expertise also enables them to change and negotiate changes to the technological platform for the service with far greater ease than the council could manage alone.

4. RISK MANAGEMENT ISSUES

4.1 There follows a list of the key open dialogue risks on the NSCSO project, together with their agreed mitigations:

Risk: The service specifications do not adequately define the Council's requirements, leading to either lower quality solutions, or service provision that is beyond what is accepted as value for money. In either case a change process would need to be enacted post-contract commencement which could add unnecessary expense.

Mitigation: Service specifications are undergoing a full review prior to the commencement of Dialogue 2. Workshops and service specific sessions run by an external expert have been organised, and quality assurance checking has been planned.

Risk: Central government funding reduces during life of contract, requiring change controls to be exercised, which can in turn add cost and result in a lower value for money service than originally agreed

Mitigation: Any provider will be required to support the council in the delivery of the Medium Term Financial Strategy. Flexibility will be built into the contract to ensure the provider continues to deliver the service at an acceptable unit cost as volumes change. In practice there will be an agreed mechanism in the contract for the contractor to respond to the authority with options for reviewing service levels, for example, to fit in with whatever budgetary envelope we have. This will be managed through dialogue discussions and reviewed on the back of the ISOS submissions.

Risk: The Council does not achieve the optimum risk transfer in respect of the management of IS and Property assets.

Mitigation: Finance officers are working with Estates and IS to establish which budgets should be included in the specifications. A decision needs to be taken by the council on whether these managed budgets are to move and if so, they need to be reflected in the output specs ready for start of CD2. Options for structuring the risk transfer regarding these budgets are being reviewed.

Risk: There is a mismatch between Output specs, Finance and Staffing information, which leads to ambiguity about the scope of the outsourcing and the baseline resourcing of the scope. This then risks an inadequate modelling of savings against baseline and additional resource required to resolve additional bidder queries.

Mitigation: The information provided to bidders in the data room will undergo a full refresh prior to the start of CD2 with a quality assurance process in place to ensure that all three elements are fully aligned. This will be subject to ongoing review as, for example, TUPE information is updated through CD2.

4.2 These risks will continue to be assessed and managed in accordance with the council's project and risk management methodologies.

4.3 The NSCSO Project Board and the One Barnet Programme Board will continue to provide appropriate escalation routes.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The Council continues to be committed to equalities and compliance of the pubic sector equality duty as set out in the Equality Act 2010.

5.2 The Council accepts that NSCSO project will have a significant impact upon employees and will change the council's interaction with its customers. From project initiation there has been a live employee Equalities Impact Assessment (EIA) that has been updated at key milestones, this activity will continue. The latest iteration is included as Appendix 3 and shows that the demographic profile of the employees in scope broadly matches the profile of the council as a whole, and has changed very little since this project commenced. It is not possible to publicly disclose any details about the bidders' submissions due to the rules governing procurement and commercial confidentiality, but a detailed EIA will be produced on the final proposition at preferred bidder stage and presented to members.

5.3 The services in scope that deliver public-facing services (customer services; revenues and benefits, and estates) will also assess the current demographic profile of their customers and any current equalities issues in order that any changes can be assessed at preferred bidder stage and monitored over the life of the contract.

5.3 All four companies were assessed on their understanding and experience of managing equalities effectively via the Pre Qualification Questionnaire. This was further explored in competitive dialogue.

5.4 A key benefit of NSCSO will be the improvement of data about customers, their needs, preferences and experiences, in order that services can be developed and designed using customer intelligence and insight.

5.5 Both of the companies recommended for short listing have demonstrated an understanding of the Equality Act 2010 and how the services in scope can contribute to meeting the diverse needs of customers.

5.6 Equalities will be covered by a schedule in the contract with the NSCSO provider.

5.7 The Council is clear that no bidder will be able to form a partnership with the council unless it understands the non-delegable nature of the public sector equality duty and is able to support the Council in meeting this public duty.

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

6.1 Cabinet on 14 February 2011 and Council on 1 March 2011 considered a package of measures to balance the Council's budget for the period 2011/12 – 2013/14. Cabinet on 3 November 2011 received an update on the figures for this period and as well as new proposals for 2014/15. Over the period 2011/12 to 2014/15, to meet the government's reduction in support and to fund unavoidable pressures, the Council needs to identify and deliver savings totalling £72.5m. This represents an unprecedented challenge and requires the Council to consider all available options for change.

6.2 The update to the business case in Appendix 1 reflects the change in the baseline for the in-scope services. The assumptions around savings in these services remain unchanged from the original business case. These amendments mean that the cumulative savings in the "prudent" version of the business case are £532k for 2012/13, £1,829k for 2013/14, £2,330k for 2014/15, £3,288k for 2015/16 and £4,536k for 2016/17

The latest Medium Term Financial Strategy includes savings for NSO of £521k for 2012/13, £1,806k for 2013/14 and £2,339k for 2014/15, which are broadly in line with the revised savings set out above.

There are no savings in respect of CSO included in this business case under the prudent scenario. Savings of £600k have been included in the 2012/13 budget (within the MTFS) for the customer services internal transformation programme, and will be reflected in the next iteration of the NSCSO baseline for bidders.

6.4 Having evaluated the financial benefits contained within the shortlisted bidders' ISOS submissions, both of the outline solutions contain financial benefits that exceed the financial benefits contained within the prudent business case. Figures provided in the financial sections of the ISOS submissions will be developed and finalised in the next stage of dialogue.

6.5 The project will be funded from the council's transformation reserve.

6.6 The project is currently running to budget, costs are estimated at £1.654m. The cumulative projected net financial benefits in the prudent business case are £39.2m over 10 years (after project costs).

6.7 The appointed provider will be required to provide relevant IT systems for the employees in scope. The One Barnet programme office is overseeing related workstreams to ensure system compatibility with the restructured council (client side) and the NSCSO provider.

6.8 The council will continue to meet all of its statutory and contractual obligations in regard to change and its impact upon our employees. This means that all internal re-structures will be managed in compliance with the council's Managing Organisational Change Procedure. Following the procurement and at the point of employee transfer the council will meet its statutory obligations provided by the Transfer of Undertakings (Protection of Employment) Regulations 2006 and Best Value Authorities Staff Transfers (Pensions) Direction 2007. In addition, the council will implement the commitments as set out in the full and final proposal that the Chief Executive offered to employees in August 2011. This proposal provides commitments over and above the protection provided by TUPE.

6.9 The appointed provider will be required to provide safe and appropriate premises for the employees in scope.

6.10 Trade Unions have been provided with a copy of the business case update. A response was received and is provided at Appendix 2.

7. LEGAL ISSUES

7.1 Procurement processes will comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination.

7.2 In the event that services are to be externalised, the Council will comply with its legal obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") with respect to the transfer of employees. Where they apply, the Regulations impose information and consultation obligations upon the Council and the incoming contractor and operate to transfer the contracts of employment, of staff employed immediately before a transfer, to the new contractor at the point of transfer of the services. Any future TUPE obligations that may arise at termination or expiry of the contract will be contained in the contract terms and conditions.

7.3 In specifying services and information governance arrangements, and transferring the data of employees and customers to a new provider, the council will take account of the Data Protection Act 1998.

7.4 Each service area has agreed roles or services that will remain in the council post appointment of a partner, including the retention of statutory decision-making functions, and capacity for effective oversight and contract management.

7.5 The following legal issues have been investigated as part of the preparation for the procurement and during the procurement process by the One Barnet legal partner, Trowers and Hamlins LLP:

Issue	**Status**
Property output specification reviewed to identify statutory functions which need to remain in-house	Minor phrasing changes made to the specification to reflect the council's responsibility for approving the asset management plan, and alterations and other works by tenant / licensees / occupiers
Bidders outline solution	No significant issues affecting outline solution evaluation were

submissions reviewed for lawfulness	found, but a long list of topics for further dialogue identified

7.6 The following legal issues are still ongoing and will be explored further in the second part of the competitive dialogue.

Issue	**Status**
Other output specifications reviewed to identify statutory functions which need to remain in-house	Most of the services in scope have a history of outsourcing, and work has been carried out by the services to identify what functions must comprise part of the retained client, but it is good practise to ensure that the output specifications are unambiguous in this regard.
Terms and conditions of contract	The bidders have responded to heads of terms. In the second dialogue they will respond to more detailed terms and conditions which will address the council's policy requirements. Their comments along with service commitments uplifted from their ISOS bids will be used to populate a draft contract which will then be the focus of commercial dialogue.
Future changes in legislation / national standards	The second dialogue will develop mechanisms to ensure the contract is 'future proofed' as far as possible. This will include provisions covering continuous improvement, benchmarking and changes in law.
Prevention of conflicts of interest	There will be contractual requirements of the provider with regard to maintenance of appropriate safeguards such as ethical walls and confidentiality agreements. Changes to the council's constitution, scheme of delegation and the creation of protocols will be required in order to satisfactorily prevent and rebut any allegations of bias, or perceived bias, within the outsourced services. These form part of the outputs for the second dialogue.
Existing contracts managed by the provider.	The assignment, novation and confidentiality clauses of all the significant contracts within the NSCSO services will be reviewed by the council's legal team in order to determine to what extent the contracts can be managed by the provider, whether the contracts can be novated to the provider or whether it is feasible terminate any of the contracts.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution, in Part 3, Responsibility for Functions, paragraph 3.6 states the terms of reference of the Cabinet Resources Committee including "approval of schemes not in performance management plans but not outside the Council's budget or policy framework".

9. BACKGROUND INFORMATION

9.1 **Outline solution evaluation and the short listing for Dialogue 2**

9.2 Following an options appraisal, Cabinet Resources Committee approved the decision for the Council to enter into competitive dialogue with a range of service providers in order to develop a partnership that could deliver the stated objectives.

9.3 The Council advertised the opportunity and invited expressions of interest from interested organisations, who were then required to complete a pre-qualification questionnaire, covering a set of legal, technical and financial standing assessments. At the same time the Council prepared for the 'Outline Solutions' stage of dialogue by developing a range of service specifications and material on service performance, resourcing and contractual information. This material was placed in a secure online data room to which the qualifying bidders were given access.

9.4 The Council discussed these requirements with the four qualifying bidders over a period of 6 meetings of Dialogue, and the bidders then submitted outline solutions. These solutions were evaluated against the criteria summarised in 9.9 below.

9.5 The bid evaluation criteria were developed and weighted in line with project objectives and approved by the NSCSO Project Board on 31 October 2011.

9.6 In developing its evaluation approach the Council recognised that:

- In various permutations all the services in scope had been outsourced by other Councils previously; but
- The Council's intentions for the One Barnet programme required a new approach to delivering support and customer services in order to achieve its overall outcomes.

9.7 As a consequence the evaluation placed emphasis on evidencing the deliverability of commitments made by bidders, with the evaluators looking for commercial (contractual and financial commitment) and operational (robust methodologies, demonstrable reference projects) underpinning to support the promised benefits contained within the outline solutions.

9.8 Four separate evaluation teams were created to assess the respective sections of the submission. Each group was chaired by a Director or an Assistant Director.

9.9 The responses were evaluated using the following criteria:

Criteria No	Criteria
	A. Meeting the council's strategic objectives 14%
1	Effective partnership working and alignment with council's strategic objectives and values, now and over time
2	Effective management, sharing and use of data and insight to deliver a citizen-centric council
3	Effective HR practices and professional development
	B. New relationship with citizens 18%
4	High and measured customer satisfaction
5	Enabling citizens and customers to do things for themselves and nurturing the Big Society
6	Maximising access and quality of experience
7	Meeting the diverse needs of customers
	C. Service delivery 28%
8	Compliant, high quality service delivery
9	Continuous and innovative improvement in service delivery
10	Services joined up with other public, private and third sector organisations
11	Maximise opportunities from central government for the benefit of the Borough
	D. Financial and Commercial 40%
12	Net financial benefit and payment profile including pace
13	Flexibility in the contract
14	Price performance mechanism
15	Ability to transfer risk

9.10 Responses were scored against these criteria on the following basis:

Score Awarded	Definitions
0	An unacceptable response: An element of the bid fails to address the Council requirements; numerous proposals and/or commitments are unjustified / unsupported commercially and operationally; or the level of risk borne by the Council explicitly or implicitly is unacceptable; or it would be difficult to resolve the commercial/operational underpinning issues; or failure to demonstrate satisfactory approach to partnering, technical delivery and financial aspects~~.~~
1	A poor response: there is a lack of content / explanation in addressing the Council requirements; some proposals are unjustified / unsupported or lack significant content / explanation; or a significant proportion of proposals are unacceptable from a risk perspective; or it may be difficult to resolve the commercial/operational underpinning issues in future dialogue; or a degree of failure to demonstrate approach to partnering, technical delivery and financial aspects.
2	A below expectations response: Council requirements are addressed but proposals lack significant content / explanation; some proposals are unacceptable from a risk perspective; or it may be difficult to resolve the commercial/operational underpinning issues in future dialogue; or some proposals lack an acceptable approach to partnering, technical delivery and financial aspects.
3	A satisfactory response that meets expectations: Council requirements are addressed; all proposals have a reasonable level of content / justification and explanation; and a small proportion of proposals are unacceptable from a risk perspective; and underpinning issues are capable of resolution in future dialogue; and a small proportion of the proposal lacks an acceptable approach to partnering, technical delivery and financial aspects.
4	A good response: Council requirements are addressed; proposals have a good level of content / justification and explanation; and proposals should be acceptable from a risk perspective with limited further dialogue; and either operational or commercial underpinning is present for all key commitments; and issues are capable of resolution in future dialogue; and a good / sound approach to partnering, technical delivery and financial aspects.
5	A very good response: Council requirements are addressed and the bidder's proposals include sound, innovative suggestions; and proposals are detailed in content / justification and explanation; and proposals are acceptable from a risk perspective and are all underpinned operationally and commercially; and issues are easily capable of resolution in future dialogue; and a very good / sound approach to partnering, technical delivery and financial aspects.

9.11 Bidders were required to submit bids structured in accordance with a series of questions designed to identify the key facets of the solutions being proposed, how they would meet the objectives of the Council and bidders' commercial positions.

9.12 The following organisations submitted bids for evaluation:

- Serco
- BT
- HCL Axon
- Capita

9.13 Bids were received on 2 December 2011. The bids were in the first instance checked for compliance and all were deemed compliant. The bids were then read by the evaluation teams with a view to identifying areas requiring clarification prior to the awarding of scores. At the same time a legal review was undertaken in order to identify any aspects of the bidders' proposals that could conflict with the Council's scope and requirements as set out in the OJEU notice, or more generally, raise issues of vires.

9.14 The lists of clarification questions were issued to bidders on 22 December 2011 and responses were received on 5 January 2011.

9.15 Each evaluation team member scored their respective component of the bid individually, before meeting with their respective teams to achieve consensus on the scores. The Chairs of each team were given the authority to determine the scores that would be awarded if consensus could not be achieved amongst the group. In fact consensus was achieved in each of the groups so Chairs did not need to apply this discretion.

9.16 Chairs then reported to a Review Panel chaired by the Council's Director of Commercial Services, and including the Deputy Chief Executive and Chief Finance Officer Section 151. The Panel tested the rationale behind each team's scoring approach and their overall differentiation between bids. The Panel had the ability to require one or more teams to review their scores if required, however it determined that this was not required and the Panel accepted the scores as presented.

9.17 The Review Panel was also tasked with making a recommendation on the number of bids to be taken forward to the detailed solutions stage of dialogue. The Review Panel considered the outcome of the scoring process, together with the benefits and risks and recommended that two be taken forward.

9.18 **The Business Case Update**

Please refer to Appendix 1

10. LIST OF BACKGROUND PAPERS

10.1 Cabinet Resources Committee Report 29 June 2011: New Support and Customer Services Organisation Business Case

Legal – PBD
CFO – MC/JH

NSCSO Business Case Update

1. Financial Benefits

Since the production of the original business case for the NSCSO project in June 2011, the baseline has been updated. These changes reflect amendments to service budgets since June 2011, and were used as the baseline against which bidders provided their outline solution submissions. This baseline will be revised again in March 2012 for the second stage of dialogue. This document sets out the changes between June and November 2011.

The following tables show the original baseline (Table 1) and the baseline provided for ISOS in November 2011 (Table 2):

Table 1 - Baseline as at June 2011 - £000s

Service	FTE	Gross 11/12 Expenditure	One Barnet 2011/12	One Barnet 2012/13	Retained Client	Revised Expenditure	Total 11/12 Income
Procurement*	27	1,721	(2)	(7)	(50)	1,662	32
Customer Services*	54[1]	2,554	-	-	(120)	2,434	170
Estates	74	13,016	-	(1,189)	(171)	11,656	5,941
Finance	145	5,949	(37)	(116)	(820)	4,976	1,121
Human Resources	81	4,121	(73)	(167)	(1,086)	2,795	2,371
Information Systems*	76	9,718	(441)	(749)	(439)	8,089	2,314
Revenues and Benefits	162	6,882	-	-	(571)	6,311	1,697
Total	619	43,961	(553)	(2,228)	(3,257)	37,923	13,646

Table 2 - Baseline as at November 2011 - £000s

Service	FTE	Gross 11/12 Expenditure	One Barnet 2011/12	One Barnet 2012/13	Retained Client	Revised Expenditure	Total 11/12 Income
Procurement*	29	1,949	(2)	(8)	(75)	1,864	32
Customer Services*	46	2,246	-	-	(113)	2,133	115
Estates*	75[2]	13,506	-	(1,204)	(215)	12,087	5,523
Finance*	111	5,033	(38)	(112)	(857)	4,026	1,243
Human Resources*	81	4,121	(69)	(155)	(1,087)	2,810	2,371
Information Systems*	75	9,847	(421)	(772)	(442)	8,212	2,314
Revenues and Benefits*	156	6,882	-	-	(571)	6,311	1,297
Corporate Programmes*	13	656	-	-	-	656	656
Total	586	44,240	(530)	(2,251)	(3,360)	38,099	13,551

** All services baseline figures will be amended for the second stage of dialogue to include the 2012/13 baseline*

The updated figures in this section were based on the in-year 2011/12 budget as at October 2011 and were provided to bidders on 02 November 2011 for them to use as the baseline upon which to price their solutions for ISOS.

[1] This has been revised from the original figure of 58 to correct a minor error

[2] This has been revised from the November figure of 79 to correct a minor error

Additionally, bidders were advised that a revised assessment of the addressable procurement spend amounted to £100m and not the £160m previously included within the business case.

Total revised baseline expenditure (£38,099k) has increased by £176k from the original business case figure (£37,923k) and total income has fallen (by £95k) from £13,646k in the original business case to £13,551k.

In order to calculate the costs of the services, the following assumptions have been made:

- Efficiencies / budget savings planned for 2012/13 were not deducted from the revised gross expenditure figure above as these had not gone through the appropriate democratic approval process as at 2 November 2011 when the data was provided to bidders.

- Costs associated with New Support Organisation functions that will be transferring with other One Barnet projects (DRS, Adults LATC, Parking and Transport) have been deducted from the gross expenditure figure. These costs are predominantly calculated using employee activity data relevant to the transferring functions, the assumptions behind these costs will be revisited at the next stage of dialogue and will further develop as the various One Barnet projects progress.

- At the time of the preparation of the original data above, assumptions were made, in advance of the relevant projects being completed, around the scale of the internal transformation of customer services, information systems and procurement. This was necessary so that FTEs and finance data could be produced for these areas. It is anticipated that these transformation projects will near completion towards the beginning of the next phase of dialogue and this will be reflected in the next update of the business case. Bidders will receive a new set of financial & FTE data at the start of the next period of dialogue which will in turn be used for the next business case update; this data will incorporate the latest position of the transformational programmes.

Assessment of financial benefits at outline solutions stage

The following two tables (Table 4 and 5) show the cumulative financial benefits tables from the original business case, updated for revisions to the baseline, as set out above.

Having reviewed the financial benefits contained within the ISOS submissions, all of the outline solutions contain financial benefits that exceed the prudent business case. From a financial benefits perspective, it is therefore recommended that the project proceed to the second stage of dialogue.

Appendix 1

Table 4 Business case overview – Prudent scenario – Cumulative Savings

New Support & Customer Services Organisation - Business Case Overview (Prudent Scenario)	Contract starts Year 0 2012/13 £000	Year 1 2013/14 £000	Year 2 2014/15 £000	Year 3 2015/16 £000	Year 4 2016/17 £000	Year 5 2017/18 £000	Year 6 2018/19 £000	Year 7 2019/20 £000	Year 8 2020/21 £000	Year 9 2021/22 £000	Year 10 2022/23 £000	Total (cumulative) £000
Projected baseline (NSCSO)	43,709	41,458	41,242	41,005	40,685	40,685	40,685	40,685	40,685	40,685	40,685	**452,206**
Less OB projects	(2,251)	0	0	0	0	0	0	0	0	0	0	**(2,251)**
Less Internal Savings	0	(216)	(237)	(320)	0	0	0	0	0	0	0	**(774)**
Sub-Total	41,458	41,242	41,005	40,685	40,685	40,685	40,685	40,685	40,685	40,685	40,685	**449,181**
Less retained client	(3,360)	(3,143)	(2,906)	(2,586)	(2,586)	(2,586)	(2,586)	(2,586)	(2,586)	(2,586)	(2,586)	**(30,094)**
Provider baseline	38,099	38,099	38,099	38,099	38,099	38,099	38,099	38,099	38,099	38,099	38,099	**419,089**
Indicative cost reduction	(532)	(2,279)	(2,886)	(3,911)	(5,260)	(5,384)	(5,306)	(5,426)	(5,488)	(5,425)	(5,433)	**(47,332)**
Revised provider baseline (Net of provider fees & costs)	37,567	35,820	35,213	34,188	32,839	32,714	32,793	32,673	32,611	32,674	32,666	**371,757**
% Change (cost reduction)	1%	6%	8%	10%	14%	14%	14%	14%	14%	14%	14%	**11%**
Income	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	**149,055**
Change to Income	0	(450)	(556)	(622)	(724)	(724)	(685)	(687)	(687)	(660)	(660)	**(6,455)**
Revised Income	13,550	13,100	12,995	12,928	12,826	12,826	12,865	12,864	12,864	12,891	12,891	**142,600**
% Change (customer value)	0%	3%	4%	5%	5%	5%	5%	5%	5%	5%	5%	**4%**
Total financial benefit	532	1,829	2,330	3,288	4,536	4,660	4,621	4,740	4,802	4,765	4,774	**40,877**
Cost of change	(1,654)	0	0	0	0	0	0	0	0	0	0	**(1,654)**
Net financial benefit (annual)	**(1,122)**	**1,829**	**2,330**	**3,288**	**4,536**	**4,660**	**4,621**	**4,740**	**4,802**	**4,765**	**4,774**	**39,222**

Appendix 1

Table 5 Business case overview - Optimistic scenario – Cumulative Savings

New Support & Customer Services Organisation - Business Case Overview (Optimistic Scenario)												
	Contract starts											
	Year 0	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Total**
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	**(cumulative)**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Projected baseline (NSCSO)	43,709	41,458	41,242	41,005	40,685	40,685	40,685	40,685	40,685	40,685	40,685	**452,206**
Less OB projects	(2,251)	0	0	0	0	0	0	0	0	0	0	**(2,251)**
Less Internal Savings	0	(216)	(237)	(320)	0	0	0	0	0	0	0	**(774)**
Sub-Total	41,458	41,242	41,005	40,685	40,685	40,685	40,685	40,685	40,685	40,685	40,685	**449,181**
Less retained client	(3,360)	(3,143)	(2,906)	(2,586)	(2,586)	(2,586)	(2,586)	(2,586)	(2,586)	(2,586)	(2,586)	**(30,094)**
Provider baseline	38,099	38,099	38,099	38,099	38,099	38,099	38,099	38,099	38,099	38,099	38,099	**419,089**
Indicative cost reduction	(865)	(3,828)	(4,896)	(6,203)	(8,040)	(8,231)	(8,017)	(8,314)	(8,466)	(8,366)	(8,463)	**(73,689)**
Revised provider baseline	37,234	34,271	33,203	31,896	30,059	29,868	30,082	29,785	29,633	29,733	29,636	**345,400**
(Net of provider fees & costs)												
% Change (cost reduction)	2%	10%	13%	16%	21%	22%	21%	22%	22%	22%	22%	**18%**
Income	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	13,550	**149,055**
Change to Income	0	(639)	(805)	(888)	(1,018)	(1,019)	(941)	(947)	(947)	(903)	(903)	**(9,009)**
Revised Income	13,550	12,912	12,746	12,662	12,533	12,532	12,609	12,603	12,603	12,648	12,648	**140,046**
% Change (customer value)	0%	5%	6%	7%	8%	8%	7%	7%	7%	7%	7%	**6%**
Total financial benefit	865	3,190	4,092	5,315	7,022	7,213	7,075	7,366	7,518	7,464	7,560	**64,680**
Cost of change	(1,654)	0	0	0	0	0	0	0	0	0	0	**(1,654)**
Net financial benefit (annual)	**(789)**	**3,190**	**4,092**	**5,315**	**7,022**	**7,213**	**7,075**	**7,366**	**7,518**	**7,464**	**7,560**	**63,026**

Inclusion of the Corporate Programmes Team

Following the approval of the first iteration of the outline business case it was agreed that the case for Corporate Programmes team‘s inclusion in this partnership would need to be articulated in more detail. The case for including this component of service, along with the other services within NSCSO scope will be tested further during detailed dialogue and be assessed as part of the final business case.

Corporate Programmes business case baseline	
2011-12 Employees	13 FTE
2011-12 Budget – Gross	£656,000
2011-12 Income	£656,000
2011-12 Budget – Net (Gross budget – Income)	nil[3]

The team is currently made up of 13 FTEs and were incorporated in time for competitive dialogue one and ISOS submissions.

Corporate Programmes manages and delivers a portfolio of key projects and programmes on behalf of other council services and partner organisations. Corporate Programmes' role is to support the organisation to better define its operational needs and to deliver the projects and programmes which fulfil those needs. These range from major construction schemes to organisational transformation and service reviews. The total value of the schemes included within the portfolio is approximately £175m.

The team also own the organisation's project management methodology and approach and are responsible for providing best-practice consultation to other services. This project consultancy work includes working with services at the project concept stage to assist them in the scoping and definition of potential projects coming out of their areas of work and guiding them through the approval process.

Each member of the team must be flexible and adaptable and provide a multi-disciplined delivery resource to the organisation. Often resource is commissioned at short notice and the team is required to deliver within challenging timescales and budgets.

A full list of currently active projects along with those closed over the past few years was provided to bidders in competitive dialogue one. In addition to those projects already in progress, over the next 12 months it is likely that the team will be commissioned to deliver a number of new projects such as the delivery of one or more new school buildings and a number of school refurbishments. Other areas where additional work may come out are The Accommodation Project and the Information Governance Council (IGC) programmes.

[3] The corporate programmes team is funded by recharging its costs to budgets from the projects which it supports – these are mainly capital budgets but can also be revenue budgets. All of the other services gross expenditure and income figures are sourced from revenue budgets.

2. Non Financial Benefits

The non financial benefits identified in the original business case remain unchanged, but will be enhanced and revised during dialogue 2. These benefits are outlined below:

- Services will receive necessary support and tools for staff to carry out their work
- Services expected to increase their capability in achieving customer self-service
- Services are expected to facilitate speedier resolution through process and system improvements
- Services will direct customers to the most effective channel or choice of channels
- Services to deliver a consistent, high quality experience regardless of service channel
- Services will maximise opportunities for self-service and use of emerging technologies
- Services will ensure insight and information from the customer experience is used in commissioning, designing and improving services
- Services will support council and local public services in joining up the customer service around the needs and life events of customers to provide a more personalised service
- Services will enable resolution of issues through a single point of contact with customer services
- Services will build customers' capability to help themselves and others
- Services will enable customers to provide information only once, which can be used to provide a range of services
- Services will provide a coherent brand, identity and ethos for customer services that builds a new relationship with the citizens of Barnet
- Services will increase the number of enquiries resolved at first point of contact and reduce the failure demand
- Services will become more responsive to changing citizens needs within the borough and be able to adjust the service offering accordingly
- Services will improve their ability to share council intelligence, and utilise provider expertise to inform strategic direction, decisions and overall service delivery
- Staff will potentially have the opportunity to share in and enhance expertise and insight from new colleagues and best practice methodologies from a wider pool of peers in a new organisation
- Staff will potentially have greater experience of industry standards and how they inform business practice across a variety of organisations

- Staff will potentially have wider opportunities for personal development that could lead to promotion into a broader range of management and senior management roles
- Staff will potentially have greater opportunities to attend training courses to help them develop personally and professionally, which could be furthered by the opportunity to work on varied contracts
- Staff will potentially have the opportunity to develop new commercial skills that will broaden their skill base
- Staff will potentially have access to more developed talent management and succession planning programmes

NSCSO Project

Response to questions from the Trade Unions in line with the TU Engagement Process for One Barnet Projects

January 2012

Process:

The Council and the Trade Unions share a common objective in ensuring business efficiency, employee engagement and organisational success.

As part of this engagement process the Council expects Trade Unions to recognise the right of management to plan, organise and manage the business, activities and staffing of the Council according to the objectives set by the Council.

Likewise the Council recognises Trade Union responsibility to represent the interests of their members.

Both parties recognise that information share and consultation is an essential part of the change process.

Inline with this agreed approach the NSCSO project sent a copy of the business case update to the appropriate Trade Unions. This document was 80%+ complete and embargoed until the final document is published. A meeting is held 3 days later for the TU's to clarify their understanding of the document before submitting their top 5 questions to the project prior to the document being submitted to the One Barnet Programme Board.

The purpose of the process is to give the Trade Unions an opportunity to comment on the documents and have these comments considered prior to publication as representatives of their members.

Staff Engagement

The Council understands the importance of its staff to the organisations success and the NSCSO project has taken time to engage fully with the in-scope staff.

Engagement has taken the form of staff briefings on the options appraisal and business case during the course of 2012 at the point of document publication. These sessions have been designed around informing staff of the content of the documentation and lengthy question and answer session. Business Case Update Briefings have been arranged from the 20/02/12 with the project sponsor and individual service lead.

The monthly staff group is kept updated of project activity and the group's members provide feedback and questions from and to their colleagues.

The Trade Unions meet with the Project Sponsor, NSCSO Service Lead and HR once a month to discuss the projects progress, as well as concerns and questions from their members.

As well as the above the project sends out a fortnightly email on its progress to staff, there are monthly managers TUPE workshops and staff TUPE lunch time sessions. These are for the in-scope community to understand the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) affecting the future transfer of their employment. The One Barnet Programme has held over 20 Change and Me Workshops since August 2011 open to NSCSO in-scope staff, and will continue to do so. These workshops are confidential group participation sessions that provide an opportunity for staff to discuss how they feel about the huge changes taking place at the Council and provide coping strategies at a personal level.

Managers continue to brief their services following the fortnightly service lead meetings to update their staff on the project and encourage a more personal avenue for feedback on staff concerns.

Trade Union Questions on the Updated Business Case

A response was received from Unison stating 6 questions they wish to be answered on the NSCSO Business Case Update.

1. Client costs

What is the justification for the low level of client costs which are 7.7% in year 1 and fall to 6.5% from year 3 onwards? We are particularly concerned that these costs are under-estimated and do not adequately take account of:

- the required level of contract management and monitoring costs in a large strategic partnership contract;
- the potential additional costs from increased demand for services arising from the deepening and continuing recession;
- other local authorities have significantly under-estimated these costs in similar projects and have had to increase staff and thus reduce the level of savings;
- Barnet’s track record in managing relative small contracts and lack of experience in managing a large contract;

And which functions will bear the £730,000 (22.0%) cost reduction in client costs between years 1 and 3?

Response:

The retained client function for each service was estimated by the service lead, which is either the Assistant Director or Head of Service for each service. Their design was based on knowledge of running these services to date and what statutory functions cannot be delegated, as well as financial and commercial advice from the Council’s implementation partner Agilisys Impower on the expected requirements of the management and monitoring of a strategic partnership such as this.

A client-side of 6.5% is in line with the market norm, and the Council will maintain additional corporate capacity for assurance functions such as audit and performance management.

The deduction in the cost of the retained client function is based on HR Business Partners remaining with the Council for the first year to support the initial transformation post-transfer and moving across to the new provider once a steady state has been achieved.

The retained client function will be developed further by the Council as dialogue progresses and bidders' proposals are worked up in more detail.

2. Impact of cost reductions

Why is income virtually static over the contract period for both prudent and optimistic scenarios and why does it decline in the optimistic scenario? The Council has consistently claimed that outsourcing would increase income?

It is impossible to comment on the indicative cost reductions because they are presented without commentary

Response:

Income is generated from a number of sources including traded services provided for Barnet Homes and schools. The NSCSO business case does not rely on assumptions about growing the traded services, and therefore none are built into the financial model. The reason there is a small decrease in income in the prudent scenario and a slightly larger decrease in income in the optimistic scenario is due to the % cost reductions in each scenario being passed on to schools and Barnet Homes.

The predicted source and scale of cost reduction for each service is to be found in the original business case on pages 29-34 (see CRC report of 29 June 2011[1]). This update to the baseline does not challenge or contradict the original assumptions made, and the evaluation of ISOS submissions has demonstrated the validity of these assumptions because all bids were able to exceed the prudent financial targets.

3. Changes in baseline between June – November 2011

Procurement spend is forecast to decrease from £160m down to £100m, yet the baseline data for November 2011 show an increase of £228,000 and two additional FTE in the six months between June and November 2011. What is the reason for this discrepancy?

Response:

[1] http://committeepapers.barnet.gov.uk/democracy/documents/getdoc_ext.asp?DocID=93543

The figure for Procurement spend of £100m refers to the spend on third-party contracts by the council that the provider would have the opportunity to influence through re-negotiating and re-procuring contracts.

It is totally separate from the cost of the staff employed by the Procurement service, which is built into the baseline. The figure of £160m originally put forward in the business case is now believed to be too high; analysis of categories of spend suggests that £100m is a realistic assumption at this stage.

The addressable spend is based on third-party spend less capital expenditure, amounts relating to other procurement projects (e.g. DRS) and payments to areas such as the GLA or North London Waste Authority, which is not addressable spend. The addressable spend will be subject to further development in the second period of dialogue.

4. Corporate Programme Team

What is the rationale for including the Corporate Programme Team in the scope of the contract when it is a client function?

Response:

The Corporate Programmes team manage capital and estates projects that are closely aligned to the work of the Estates and IS service, and therefore we expect there to be benefits from including this team alongside those services.

5. Grossing cumulative savings

Why are cumulative savings grossed and averaged (11% prudent and 18% optimistic) when elected members and senior management should focus on the viability, sustainability and impact of reducing the cost of the services by 14%-15% and 22%-23% per annum respectively? The average figure misrepresents the scale of the annual cost reduction, which ranges from about £5.4m and up to £8.5m per annum. The planned savings are nearly two and three times the average savings identified by the Audit Commission in strategic partnership contracts.

Response:

The business case says that through outsourcing, the cost of these services can be substantially reduced without having a detrimental impact on the viability, sustainability and overall benefits offered by these services. This is because the procurement of a commercial partner will secure a level of investment and expertise in technology and business efficiency techniques that the Council does not have. These assumptions have been validated throughout dialogue and the evaluation of outline solutions.

Throughout the life of the contract we will need to ensure that it is sustainable and monitor the impact of cost reduction. To this end the Council has specified service levels via output specifications, and will in dialogue 2 be developing a comprehensive performance framework, which will include a mechanism for deducting a proportion of payment if targets are not met.

There is no misrepresentation of cost reduction because all the relevant figures are provided via the original business case of June 2011 and via this update, showing the cumulative cost reduction by year and what this means as an average over the 10 years. Therefore it is clear what the cost reductions expected in each year are in both the prudent and optimistic scenarios.

6. Lack of Financial Commentary

On pages 2 & 3 (in the document to be published these are pages 1 & 2) - there is little or no explanation to the savings and therefore unable to give a meaningful comment to the proposed savings/adjustments identified.

On pages 5 & 6 (in the document to be published these are pages 3 & 4) - these tables do not make sense.

The income reduction under the optimistic scenario should be lower than the income reduction under the prudent scenario. However under the optimistic scenario the income reduction takes a pessimistic view compared to the income under prudent scenario.

At year zero the NSOCSO is still with the Council. “Should the total cumulative column show totals of years 1 to 10 (10 periods) and not years zero to 10 (11 periods)?”

“How have the indicative cost reductions been calculated?”

Response:

Please refer to the original business case which is available here in the CRC report of 29 June 2011 . This provides more detail on how the savings assumptions were reached. The update to the business case simply amends the baseline budget figures but not the predicted savings percentages.

Regarding income reduction, this has already been answered in question 2 above.

Regarding year zero, the assumption is that the contract will go live in January 2013 so will have 3 months of 2012/13 before the first full year in 2013/14.

One Barnet Programmes – Employee Equality Impact Assessment

One Barnet Programme Name: New Support and Customer Services Organisation

[This document remains live with information being added at each critical milestone]

EIA Contents

1. Introduction

1.1 Purpose

It is recognised that such a significant transformation of services is likely to have an impact upon staff. This impact will be monitored through the completion of an Employee Equalities Impact Assessment, this is a live document and will be updated at key milestones throughout the lifespan of the project.

1.2 Aims and objectives of the OB programme

The project's aim is to enable the council's support and customer services to be delivered differently to:

- provide improved services for their internal and external customers
- make savings to benefit the taxpayer
- enable them to adapt to a changing and evolving customer base in the light of any One Barnet developments and are therefore sustainable

The proposals approved in the Customer Services Organisation and New Support Organisation options appraisal fit within the One Barnet principles. In line with the One Barnet principles all services should:

A new relationship with citizens

- be designed and delivered around customers' needs
- provide the best possible customer experience
- enable customers to help themselves by providing accurate and accessible information and enabling self-service wherever possible.

A one public sector approach

- be in a position to support the requirements of all public sector partners and drive better multi-agency working
- be flexible and therefore able to rapidly respond to changing demands.

A relentless drive for efficiency

- operate as efficiently as possible to both minimise the cost of the service and minimise the cost to customers of accessing the service
- be innovative and take advantage of evolving technology, thinking and practice
- maximise the value the council achieves from all its assets (capital and revenue)
- safeguard the council's position to maintain its reputation and comply with legal responsibilities.

1.3 Description of the critical milestones

- Identification of services in scope via the options appraisal:
    - Corporate procurement
    - Customer Services
    - Estates (including corporate programmes team)
    - Finance
    - Human Resources
    - Information Services
    - Revenues and Benefits
- End of dialogue one to reflect any changes to the scope of services included (December 2011)
- Re-organisation/consolidation of services to reflect the new size and scope of the re-defined activities at April 2012
- TUPE transfer of the activity to a third party

1.4 Key Stakeholders

- In scope staff – represented by the staff group and service lead group
- Council customers – represented by the members of the advisory group, these are the service areas that use the services in scope
- Politicians – decisions regarding the progress of the project will be taken by Cabinet Resources Committee and Cabinet
- Senior council officers – the project is sponsored by the Deputy Chief Executive[1] and the board comprises of senior council officers
- Trade Unions – represented by trade union staff who attend monthly meetings with the project manager, HR and project sponsor
- Partners – schools and Barnet Homes are able to use a number of services in scope. Barnet Homes are part of the advisory group[2] and schools have created a working group that meets with the project team to represent their interests.

2. Any Anticipated Equalities Issues at each milestone and identified mitigation

2.1 Identification of services in scope

This is not expected to have any impact on staff as it is purely a paper exercise to establish the size of all the services in scope.

2.2 End of dialogue one

This is not expected to have an impact on equalities. Following the first round of dialogue it may become clear that some services will no longer go forward as part of the final set of services. In which case the staff baseline will need to be re-profiled and updated within the EIA to reflect the new collection.

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[1] The sponsor has since changed to the Director of Commercial Services

[2] Barnet Homes withdrew from the advisory group when they were named as a potential subcontractor by a bidder in July 2011, prior to PQQ submission, in order to protect the integrity of the procurement process

2.3 Council re-organisation

It is expected that further re-organisations of the services in scope will be carried across 2011/12. At this stage the nature and extent of these re-organisations is unknown and as such it is not possible to assess whether there will be an equalities impact.

2.4 Staff transfer

If the business case approves the continuation of procurement to competitive dialogue there will be a TUPE transfer of employees to the new provider. There is not currently perceived to be any specific activities that will directly impact any one group with protected characteristics over the employee group as a whole.

Possible activities that may have implications at this stage of the process could be:

- Perceived possible effects of outsourcing on employees
- TUPE (the Transfer of Undertaking (Protection of Employment) Regulations 2006) transfer
- Change of pay date
- Location
- Measures

<u>Impact</u>

There will be clarity on actual impacts on employees of any procurement process at the stage of contract award, following competitive dialogue. Until that point the current iteration of this document is based around possibility. The in-scope employees whose data is detailed below will change over time as decisions are made on the shape of the retained client function, consolidation of services and through staff turnover.

3. Monitoring Summary

Table 1- Employee EIA Profile of the One Barnet Project (this profile is in accordance with the requirements of the Equality Act 2010 and the Council will collect this information so far as we hold it)

All numbers replaced by an 'X' have been aggregated to protect personal identification

Critical Milestones

		12/05/11 In-scope Profile at Outset date		19/01/12 End of dialogue 1 date		Final Consolidation on Date		Transfer date	
		No.	% of In-scope group	%	Total Council %	No.	Remaining Council %	No.	Remaining Council %
Number of									

employees		**538**	**100%**	**531**	**3179**				
Gender	Female	**321**	**60%**	**61.1%**	**63.7%**				
	Male	**217**	**40%**	**38.9%**	**36.3%**				
Date of Birth (age)									
	1992-1986	**19**	**3.5%**	**2.2%**	**4.1%**				
	1965-1976	**123**	**22.9%**	**26.2%**	**20.4%**				
	1975-1966	**163**	**30.3%**	**32.7%**	**26.5%**				
	1965-1951	**210**	**39%**	**35.1%**	**43.1%**				
	1950-1941	**22**	**4.1%**	**3.8%**	**5.7%**				
	1940 and earlier	**X**	**X**		**X**				
Ethnic Group									
	White British Irish Other White	 284 **X** 28	N/A 52.8% X 5.2%	 **52.1%** **X** **4.3%**	 **50.2%** **3.2%** **6.9%**				
	Mixed White and Black Caribbean White and Black African White and Asian Other Mixed	 **X** 10	N/A X 1.9%	 5%	 4%				
	Asian and Asian British Indian Pakistani Bangladeshi Other Asian	 57 **X** **X** 13	N/A 10.6% X X 2.4%	 11.4% X X 2.2%	 6.9% X X 1.9%				
	Black or Black British Caribbean African Other Black	 37 21 **X**	N/A 6.9% 3.9% X	 7.2% 3.6% X	 5.8% 8.6% X				
	Chinese or Other Ethnic Group Chinese Other Ethnic Group	 **X** 10	N/A X 1.9%	 X X	 X 1.8%				
Disability									
	Physical co-ordination (such as manual dexterity, muscular control, cerebral palsy)								
	Hearing (such as: deaf, partially deaf or hard of hearing)	**X**	X	X	X				
	Vision (such as blind or fractional/partial sight. Does not include people whose visual problems can be corrected by glasses/contact lenses)			X	X				
	Speech (such as impairments that can cause communication problems)								
	Reduced physical capacity (such as inability to lift, carry or otherwise move everyday objects, debilitating pain and lack of strength, breath, energy or stamina, asthma, angina or			X	X				

	diabetes)								
	Severe disfigurement								
	Learning difficulties (such as dyslexia)	**X**	X	X	X				
	Mental illness (substantial and lasting more than a year)	**X**	X	X	X				
	Mobility (such as wheelchair user, artificial lower limb(s), walking aids, rheumatism or arthritis)				X				
Gender Identity									
	Transsexual/Transgender (people whose gender identity is different from the gender they were assigned at birth)								
Pregnancy and Maternity									
	Pregnant								
	Maternity Leave (current)								
	Maternity Leave (in last 12 months)								
Religion or Belief									
	Christian	264	49%	49.9%	46.9%				
	Buddhist			X	X				
	Hindu	52	9.7%	9.8%	5.9%				
	Jewish	12	2.2%	2.2%	3.1%				
	Muslim	30	5.6%	6.5%	4.3%				
	Sikh	**X**	X	X	X				
	Other religions	18	3.3%	2.9%	3.6%				
	No religion	69	12.8%	X	16.6%				
	Not stated	66	12.3%	3.8%	6.3%				
Sexual Orientation									
	Heterosexual	390	72.5%	**76.7%**	**67.8%**				
	Bisexual				X				
	Lesbian				X				
	Gay	**X**	X	X	Including above				
Marriage and civil partnership									
	Married	195	36.2%	36.3%	32.1%				
	Single	121	22.5%	21.3%	25.0%				
	Widowed	**X**	X		X				
	Divorced	25	4.6%	3.8%	2.8%				
	In Civil partnership	**X**	X	X	X				
Relevant and related grievances									
	Formal		N/A	N/A	N/A				
	Upheld		N/A	N/A	N/A				
	Dismissed		N/A	N/A	N/A				

Data Gaps

The business case shows full time equivalent (FTE) figures in the financial model, the EIA shows data described by headcount. This gives a clear view of the actual affect on each of the protected characteristics.

The above figures have been taken from the SAP HR system on employees known to be in-scope by name. The Corporate Programmes Team came into scope shortly after the first EIA was undertaken but are included in the data for the second. Devolved staff have not yet been identified by name and therefore their data will be included in the next iteration of the EIA.

4. Project Milestone Outcomes, Analysis and Actions

4.1 Summary of the outcomes at each milestone

4.1.1 Identification of services in scope - EIA Iteration 12/05/11

The detail is set out at Table 1. Issues that the data raises are the need for clear understandable employee briefings at all stages throughout the process with avenues for one to one communication available to all employees if required. There will be a requirement on the Service Leads to ensure any employee support needed during these briefings for instance a signer is supplied if appropriate. It will also be the Service Leads responsibility to ensure all employees within their service understand the key messages and have the opportunity to ask questions.

There have been a variety of communication channels set up to support employees through this process and enable employees to have their questions answered. There have been and will continue to be employee briefings at key stages throughout the Project. There is a One Barnet email address for employees to ask more adhoc questions, Q&A documents are posted on the intranet and circulated to management following all briefings. The staff group has had their initial meeting and these will continue for the life of the Project. This group has been designed as an information sharing forum and have been requested to make themselves available for their colleagues to ask questions about the Project.

These communication channels will continue to shape and change depending on the needs of employees.

4.1.2 End of dialogue one – EIA iteration 31/01/12

The ISOS submissions have been completed and have been evaluated. The content of the submissions cannot be shared due to commercial sensitivities. The final submission of the successful bidder at the end of dialogue 2 and any measures put forward by the new employer will be assessed in a detailed EIA.

The detail set out in table 1 shows the profile of NSCSO in-scope employees by protected characteristics under the Equalities Act 2010, and the profile within the Council as a whole.

Whilst Corporate Programmes were not previously assessed for savings potential as part of the business case they had been included in the Estates function for the purpose of the original EIA.

Employee data is in the process of being updated in time for the beginning of CD2.

The Council has engaged with its employees throughout the project using a variety of mediums including:

- Monthly Trade Union meetings
- Staff Group
- Service Lead meetings
- Management updates
- NSCSO intranet site
- Fortnightly message to the in-scope community
- Staff briefings at key milestones by the project sponsor
- TUPE workshops for managers
- TUPE Lunchtime sessions for staff
- TUPE FAQ

Staff have asked questions and fed back their concerns on the project which include matters such as:

- The transfer to a new employer and TUPE
- Protection of terms and conditions of employment
- Location
- Pension
- Redundancy

To mitigate some of the staff concerns the Council have set up workshops on the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE), which have taken place monthly to provide managers and staff further clarity on the legislation.

The Council also entered into consultation with the Trade Unions over the summer of 2011 resulting in the proposition of the TUPE Transfer Commitments. These are a set of commitments in addition to any protection under the TUPE Regulations that the Council will implement in the NSCSO procurement and resulting transfer of staff out of the Council to a new employer.

The One Barnet Programme has held Change and Me Workshops since August 2011 open to NSCSO in-scope staff, and will continue to do so. These workshops are confidential group participation sessions that provide an opportunity for staff to discuss how they feel about the huge changes taking place at the council and provide coping strategies at a personal level.

4.1.3 Consolidation

To be completed when this milestone is reached

4.1.4 Actions proposed
To be completed at preferred bidder stage.

4.1.5 Identification of services in scope
Please see section 4.1.1

4.1.6 End of dialogue two
To be completed when this milestone is finalised

4.1.7 Council re-organisation
To be completed when this milestone is finalised

4.1.8 Transfer date
To be completed when this milestone is reached

5. Briefing, Sharing and Learning

This table summarises the briefing activities. This EIA forms the primary briefing tool and has been shared as detailed below.

Table 2

Milestone Description	CDG	CRC	Overview and Scrutiny	
Identification of services in scope	06/11	29/06/11		
End of dialogue one	06/02/12	28/02/12		
Council re-organisation				
Transfer Date				

AGENDA ITEM: 6 Pages 12 – 21

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Quarter 3 Monitoring 2011/12**
Report of	Cabinet Member for Resources and Performance
Summary	To consider the Quarter 3 Monitoring 2011/12 report and instruct officers to take appropriate action.
Officer Contributors	Maria G. Christofi – Assistant Director, Financial Services Catherine Peters – Head of Finance, Closing & Monitoring Antony Russell – Finance Manager, Closing & Monitoring
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Performance Report Appendix B – Revenue Monitoring Directorate Appendix C – Capital Programme Adjustments Appendix D – Capital Monitoring Analysis
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Catherine Peters, Head of Finance, Closing & Monitoring, 020 8359 7142

1. RECOMMENDATIONS

1.1 That Directors take appropriate action to ensure costs are kept within budget and income targets are met. (Paragraph 9.1.2)

1.2 That Directors take appropriate action to improve performance against those corporate performance, Human Resources (HR), project, and risk measures where quarter three performance remains a challenge (Paragraphs 9.3, 9.11, and Appendix A).

1.3 That the following virements for this financial year and on-going that affect recharge codes be approved:

- **£0.023m is requested within the Environment, Planning & Regeneration Directorate to re-align the budget across Traffic Development to ensure the budgets reflect the costs and nature of this service provision. There is a nil impact on the service's budget. (Paragraph 9.4.2)**
- **£0.005m is requested within the Environment, Planning & Regeneration Directorate to re-align the Highways income budget to ensure it reflects the costs and nature of this service provision. There is a nil impact on the service's budget. (Paragraph 9.4.2)**
- **£0.108m is requested within the Environment, Planning & Regeneration Directorate to re-align the Community Safety budgets subsequent to the loss of Basic Command Unit (BCU) funding. There is a nil impact on the service's budget. (Paragraph 9.4.2)**
- **£1.109m is requested within the Commercial Directorate in order to carry out budget realignment within Information Systems. There is a nil impact on the service budgets. (Paragraph 9.4.2)**

1.4 That the following transfer from contingency for this financial year 2011/12 and ongoing be approved:

- **On-going transfer for £0.200m is requested from Contingency to fund fuel pressures in Greenspaces, Refuse and Street Cleansing as a result of fuel price inflation since 2009/10. (Paragraph 9.5.2)**

1.5 That the Agency Costs for the third quarter be noted. (Paragraph 9.6.1)

1.6 That the write off of debts for:

- **Temporary Accommodation of £0.313m less £0.016m of credit write backs; for the Private Sector Tenancy Scheme of £0.087m; and**
- **General Income debts of £0.605m approved under the Chief Finance Officer's authority be noted. (Paragraphs 9.7.2)**

1.7 That Directors ensure that those capital projects in their services are managed closely to ensure they are delivered within budget and in accordance with the agreed timeframe. (Paragraph 9.8.1)

1.8 That the proposed Capital additions/deletions totalling £3.422m and slippage of £28.731m as set out in Appendix C and the related funding implications summarised in table 3 be approved.

2. RELEVANT PREVIOUS DECISIONS

2.1 Council, 1 March 2011 (Decision item 8) – approved item 5.1.2 of the report of Cabinet 14 February 2011 - Council Budget and Council Tax 2011/12.

2.2 Cabinet Resources Committee, 29 June 2011 (Decision item 5) – approved the Outturn 2010/11.

2.3 Cabinet Resources Committee, 28 July 2011 (Decision item 5) – approved Month 2 Monitoring 2011/12.

2.4 Cabinet Resources Committee, 27 September 2011 (Decision item 9) – approved Quarter 1 Monitoring 2011/12.

2.5 Cabinet Resources Committee, 14 December 2011 (Decision item 9) – approved Quarter 2 Monitoring 2011/12.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Robust budget and performance monitoring are essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximised.

3.2 'Ensure our support services effectively serve the organisation through high quality, high value services' and 'Manage resources and assets effectively and sustainably' represent two of the seven key objectives underlying the corporate priority 'Better services with less money' and the strategic objectives.

3.3 Relevant Council strategies and policies include the following:
- Corporate Plan 2011-13;
- Medium Term Financial Strategy;
- Treasury Management Strategy;
- Debt Management Strategy;
- Insurance Strategy;
- Risk Management Strategy; and
- Capital, Assets and Property Strategy.

4. RISK MANAGEMENT ISSUES

4.1 The revised forecast level of balances needs to be considered in light of the risks identified in 4.2 below.

4.2 Various projects within the Council's revenue budget and capital programme are supported by time-limited grants. Where there are delays to the implementation of these projects, there is the risk the associated grants will be lost. If this occurs either the projects will be aborted or a decision to divert resources from other Council priorities will be required.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Financial monitoring is important in ensuring resources are used to deliver equitable services to all members of the community.

5.2 The following performance indicators raise equalities concerns because people accepted as homeless are recognised as a marginalised group, and a disproportionate number are from black and minority ethnic backgrounds or are households led by women:

- CPI 1004 – Short-term nightly purchased temporary accommodation kept below 250 units.
- CPI 1009 - Number of households accepted as homeless.

5.3 Detailed performance reports for each council directorate are published on the council's website, a link to which can be found in paragraph 9.3.4.

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

6.1 Robust budget and performance monitoring plays an essential part in enabling an organisation to deliver its objectives efficiently and effectively.

6.2 Use of Resources implications are covered within Section 9 of the body of the report and in the attached appendices.

6.3 The projected underspend of £0.269m is forecast to increase General Fund balances from £15.780m to £16.049m. This would take the General Fund balances above the recommended target level of £15m.

7. LEGAL ISSUES

7.1 Section 151 of the Local Government Act 1972 states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

7.2 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor during the financial year its income and expenditure against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation.

7.3 Under the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation. With respect to a) the 'protected characteristics' also include marriage and civil partnership.

8. CONSTITUTIONAL POWERS

8.1 The Council's Constitution, in Part 3, Responsibility for Functions, sets out in paragraph 3.6 the functions of the Cabinet Resources Committee including:
(a) Monitor the trading position of appropriate Council services, carry out debt analysis and look at income sources and charging policies;
(b) To write off debt;
(c) To determine external or cross-boundary trading limit; and
(d) Approval of schemes not in performance management plans but not outside the Council's budget or policy framework.

8.2 The Council's Constitution, Part 4, Financial Regulations Part 1 section 4.17 states the Chief Finance Officer will report in detail to Cabinet Resources Committee at least four times a year on the revenue and capital budgets and wider financial standing in addition to two summary reports at the beginning and end of the financial year.

9. BACKGROUND INFORMATION

9.1 2011/12 Revenue Monitoring

9.1.1 Table 1 gives a summary of the 2011/12 outturn analysis compared to the revised budget position. There is a net underspend of £0.269m being forecast at the end of quarter 3. A breakdown of revenue monitoring by each service directorate is set out in Appendix B.

Table 1: 2011/12 Revenue Quarter 3 Analysis – Summary

Description	Original Budget £'000	Revised Budget as at 31/12/11 £'000	Forecast Outturn as at 31/12/11 £'000	Forecast Outturn Variation as at 31/12/11 £'000	2010/11 Outturn £'000	Performance			
						Green	Green Amber	Red Amber	Red
Adults	98,867	99,592	99,592	-	108,065	6	-	6	1
Central Expenses	62,912	55,097	55,097	-	51,081	n/a	n/a	n/a	n/a
Chief Executive	10,558	11,299	11,229	(70)	11,620	3	1	-	7
Childrens Services	57,577	57,574	56,946	(628)	59,818	3	-	4	3
Commercial Services	14,633	16,249	16,249	-	15,786	2	1	-	-
Corporate Governance	5,939	6,056	6,061	5	5,706	2	-	-	1
Deputy Chief Executive	13,295	13,467	13,467	-	15,658	-	-	-	2
Environment, Planning & Regeneration	20,715	25,097	25,521	424	31,393	9	-	1	2
Total 2011/12 General Fund Forecast	**284,496**	**284,431**	**284,162**	**(269)**	**299,127**	**25**	**2**	**11**	**16**
Allocations agreed from GF Balances	-	-	-						
General Fund Balances as at 01/04/11	-	-	-	(15,780)					
Projected General Fund Balances (excluding schools balances) at 31/03/12	**-**	**-**	**-**	**(16,049)**					

Description	Original Budget £'000	Revised Budget as at 31/12/11 £'000	Forecast Outturn as at 31/12/11 £'000	Forecast Outturn Variation as at 31/12/11 £'000
Housing Revenue Account	-	-	-	-

Description	Original Budget £'000	Revised Budget as at 31/12/11 £'000	Forecast Outturn as at 31/12/11 £'000	Forecast Outturn Variation as at 31/12/11 £'000
DSG	(167)	(102)	(760)	(658)

9.1.2 Directors are reminded that they are accountable for any budget variations within their services and the associated responsibility to ensure costs and income are managed within agreed budgets. To ensure this is successfully achieved, it is essential that Directors develop action plans for all significant emerging variances, with the aim of ensuring that overall expenditure is kept within the total budget available.

9.2 Commentary about Revenue Outturn

9.2.1 The Council's overall position has improved from the projected overspend of £0.991m at the end of quarter 2. This has been reduced to a projected underspend of £0.269m at the end of quarter 3. The Council's target level of balances is £15m, and is currently projected to remain above that level at £16.049m.

9.2.2 Specific areas for concern are in Environment, Planning & Regeneration.

9.2.3 The overspend in Environment, Planning & Regeneration is due to overspends on Highway Inspections & Maintenance that relate to significantly reduced professional fee income from capital schemes, the requirement to meet contractual obligations on planned maintenance, inflationary pressures on certain contracts and lower crossover fees resulting from fewer footway schemes. This overspend has been slightly reduced as a result of further Local Implementation Plan (LIP) and Outer London Fund Capital works.

9.2.4 There is a Management & Performance overspend in Environment, Planning and Regeneration that is as a result of underlying establishment pressure. The directorate is holding posts vacant wherever possible to minimise this pressure. In addition there continues to be a reduction in Parking income. This is primarily as a result of targets for permits not being met and additional agency staff being employed to reduce the back log in processing.

9.2.5 The overall forecast position in Environment, Planning & Regeneration has, however, improved since quarter 2. This is the result of an improvement in highways fee income (£0.2m), the requested allocation from contingency in respect of fuel inflation (£0.2m), additional Greenspaces income (£0.4m) and a reserve drawdown (£0.3m). In addition the directorate is forecasting lower running costs as a result of tight control over discretionary supplies and services spend.

9.2.6 There is an underspend of £0.628m in Children's Services. This is mainly as a result of savings achieved in Transport services achieved through a review of routes (£0.290m) and it taking longer to recruit to the Family Focus service than previously projected (£0.297m).

9.2.7 There has been an improvement in the forecast position in both Corporate Governance and Commercial Services in quarter 3. The position at the end of quarter 3 is an overspend of £0.005m and a nil variance respectively. This improvement is mainly due to costs associated with child protection cases now being met from within Childrens' Services for Corporate Governance and costs associated with Information System upgrades being less than previously forecast for Commercial services.

9.2.8 Specific areas for concern (highlighted above) are high risk areas and it is important to ensure the budget and performance of the service is managed so it isn't a continuing budget pressure into next year's budget.

9.2.9 As part of the 2011/12 budget setting process the council needed to deliver total savings of £29.1m. The savings in respect of the leisure contract and the waste contract (£500k and £171k respectively) were not achieved, and funding has been allocated from contingency to cover these items. All other 2011/12 savings have been implemented.

9.3 <u>Q3 performance against the 2011-13 Corporate Plan Indicators (CPIs)</u>

9.3.1 There are 70 CPIs in the 2011-13 Corporate Plan. In quarter 3, 56 of these reported data of which 54 were colour rated. Of the indicators that were colour rated there has been a slight improvement, 46.3% of targets were met (25 targets rated green) and 53.7% were missed (29 targets rated red, red-amber or green amber) in quarter 3. This is compared to quarter 2 where 41.1% were met (23 targets rated green) and 58.8% were not met (33 targets rated red, red-amber or green amber).

9.3.2 There are several areas of performance improvement in the quarter:

- There has been a 33.6% increase in the number of social care clients receiving self directed support between quarters 2 and 3, from 2441 to 3262.
- There has been a reduction in the percentage of young people who are not in education, employment or training from 5.7% in quarter 2 to 4% in quarter 3.
- There was an 85% increase in the number smoking quitters aged 18 and over, from 563 to 1042.
- An increase in the number of dwellings started on the regeneration estates from 0 in quarters 1 and 2 combined to 186 in quarter 3.
- 100% of our 50 largest vendors are now under formal contract.
- Overall there were 33 indicators with a positive direction of travel in quarter 3 and 17 with a negative direction of travel.

9.3.3 There are also a number of new and emerging challenges in quarter three:

- There remain a relatively high number of children subject to a child protection plan following increases earlier in the year. The current level is 273 in Q3, increasing from 212 in Q4 2010/11. This is an increase of 28.8%.
- Also in children's services there remains a challenge in relation to CPIs 5007 and 5008: percentage reduction in the achievement gap between pupils eligible for free school meals and their peers achieving the expected level at Key Stages 2 and 4.
- There has been a significant increase in the number of homeless acceptances this quarter, by 104 between quarters 2 and 3 from 130 to 234.
- Only 77.2% of FOIA requests are being responded to within 20 working days against a target of 90%.
- The value for Money performance of council services has reduced in quarter 3 with the percentage of services rated as having high performance/low spend reducing from 67% in quarter 2 to 63.6% in quarter 3, against a target of 80%. These are both down from the quarter 1 figure of 83.3%.

9.3.4 A summary of performance against corporate priorities can be found in Appendix A. Detailed performance reports for each council directorate are published on the council's website:
http://www.barnet.gov.uk/index/council-democracy/corporate-plan-reports/cp-annual-performance-monitors.htm

9.4 Virements

9.4.1 In accordance with the financial regulations the following virements that affect recharge codes require member approval and are detailed in Appendix E.

9.4.2 A virement for :-

- £0.023m is requested within the Environment, Planning & Regeneration Directorate to re-align the budget across Traffic Development to ensure the budgets reflect the costs and nature of this service provision. There is a nil impact on the service's budget.
- £0.005m is requested within the Environment, Planning and Regeneration Directorate to re-align the Highways Income budget to ensure it reflects the costs and nature of this service provision. There is a nil impact on the service's budget.
- £0.108m is requested within the Environment, Planning and Regeneration Directorate to re-align the Community Safety budgets subsequent to the loss of Basic Command Unit (BCU) funding. There is a nil impact on the service's budget.

- £1.109m is requested within the Commercial Directorate, in order to carry out budget realignment within Information Systems. There is a nil impact on the service budgets.

9.5 Movements to and from Contingency

9.5.1 The movements to and from Contingency requested below have been assumed in the Revenue Monitoring in Table 1 and Appendix B.

9.5.2 The Environment, Planning & Regeneration Directorate are requesting an on-going transfer for 2011/12 and future years of £0.200m from contingency to fund fuel pressures in Greenspaces, Refuse and Street Cleansing as a result of fuel price inflation since 2009/10.

9.6 Agency Costs

9.6.1 The table below details all agency staff costs incurred for quarter 3 of 2011/12.

Table 2: Agency Costs to 31 December 2011

	2010/11	Quarter 1 2011/12	Quarter 2 2011/12	Quarter 3 2011/12		
Directorate	Total Agency & Consultants expenditure	Total Agency & Consultants expenditure	Total Agency & Consultants expenditure	Agency Spend	Consultants Spend	Total Agency and Consultants Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social services	2,218	269	469	383	13	396
Chief Executive' Service	1,025	183	208	174	5	179
Childrens' Services	8,241	2,258	1,683	835	2,393	3,228
Commercial	3,273	401	872	505	484	989
Corporate Governance	234	83	53	71	-	71
Deputy Chief Executive	2,867	804	877	578	55	633
Environment, Planning & Regeneration	5,244	2,361	1,051	468	198	666
Totals	23,102	6,359	5,213	3,014	3,148	6,162

* Data as at 31st December 2011 includes revenue (£3.181m) and capital spend (£2.981m).

** Commercial includes "One Barnet" project expenditure £0.079m (Agency) and £0.335m (Consultants).

9.7 Write off of debt under Chief Finance officer's Authority

9.7.1 The constitution gives the Chief Finance Officer the authority, as an Executive function, to write-off individual debts up to £5,000, subject to discussion with the Assistant Director – Legal and through DPR. This action is then reported retrospectively to Cabinet Resources Committee.

9.7.2 The amount written off for Temporary Accommodation is £0.313m less £0.016m of write back credits. The amount written off for the Private Sector Tenancy Scheme is £0.087m. The amount written off for general income debts is £0.605m.

9.8 2011/12 Capital Programme Monitoring

9.8.1 Directors are reminded that they need to continue to ensure that capital projects are closely managed during 2011/12 to ensure that they are delivered within budget and in accordance with the agreed timeframe.

9.9 Capital Monitoring Analysis

9.9.1 Table 3 gives a summary of the 2011/12 capital programme. The capital monitoring summary and scheme details by service directorate is set out in Appendix D

Table 3: 2011/12 Capital Quarter 3 Analysis – Summary

	2011/12 Latest Approved Budget	Additions/ Deletions recommended to Feb CRC	Slippage / Accelerated Spend recommended to Feb CRC	2011/12 Budget (including Feb CRC)	Forecast to year-end	Variance from Revised Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Services	1,198	-	-	1,198	1,198	-
Central Expenses	5,088	-	-	5,088	5,088	-
Chief Executive Services	1,330	-	-	1,330	1,330	-
Children's Service	45,832	3,310	(26,830)	22,312	22,312	(23,520)
Commercial Services	2,976	32	-	3,008	3,008	32
Corporate Governance	34	(32)	-	2	2	(32)
Deputy Chief Executive Services	547	-	-	547	547	-
Environment, Planning & Regeneration	20,369	(98)	(1,901)	18,370	18,370	(1,999)
General Fund Programme	**77,374**	**3,212**	**(28,731)**	**51,855**	**51,855**	**(25,519)**
HRA Capital	21,371	210	-	21,581	21,581	210
Total Capital Programme	**98,745**	**3,422**	**(28,731)**	**73,436**	**73,436**	**(25,309)**

9.10 Proposed changes to the Capital Programme

9.10.1 Appendix C gives details of and seeks approval for the proposed changes to the Capital Programme. These include proposed additions and deletions as well as budget movements.

Table 4: Capital Funding Changes

	Grants	S106 / Other	Capital Receipts	Revenue	Borrowing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Services	-	-	-	-	-	-
Central Expenses	-	-	-	-	-	-
Chief Executive Services	-	-	-	-	-	-
Children's Service	(8,601)	-	(3,425)	-	(11,494)	(23,520)
Commercial Services	-	-	-	-	32	32
Corporate Governance	-	-	-	-	(32)	(32)
Deputy Chief Executive	-	-	-	-	-	-
Environment, Planning & Regeneration	(3)	92	(2,064)	-	(24)	(1,999)
General Fund Programme	**(8,604)**	**92**	**(5,489)**	**-**	**(11,518)**	**(25,519)**
HRA Capital	(50)	(2,059)	-	2,319	-	210
Total Capital Programme	**(8,654)**	**(1,967)**	**(5,489)**	**2,319**	**(11,518)**	**(25,309)**

9.10.2 The main changes relate to the additions to the Urgent Primary place permanent expansion project in Children's Service and the Regeneration project in HRA Capital, and a reduction in the controlled parking zone project in Environment Planning and Regeneration.

9.10.3 The main programmes with slippage include;

- Urgent Primary places (£23.510m)
- School Modernisation & Access Improvement (£0.258m)
- East Barnet rebuild (£0.062m)
- Other General School organisation schemes (£3.000m)
- Hendon Cemetery and Crematorium enhancement (£1.557m)

- Highways – non TFL (£0.131m).
- Parking (£0.200m)
- Housing Association Programme (£0.014m)

This spend is planned to be incurred in future years and has been re-profiled appropriately.

9.11 Key projects, including One Barnet programme

9.11.1 There are 30 key projects in total including 12 within the One Barnet Programme. Of the 30, six projects have a red rating for their current status in quarter 3:

1. Depot Relocation – Commercial Service
2. Priority Parks (Dollis Valley Green Walks) – Environment Planning & Regeneration
3. Arts Depot Safety Lifts – Commercial Service
4. CCTV Installation - Environment Planning & Regeneration
5. West Hendon Regeneration - Environment Planning & Regeneration
6. Brent Cross & Cricklewood Regeneration – Environment Planning & Regeneration

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – SS
CFO – JH

Appendix A

Performance Report: Quarter Three 2011-12

Contents

1. Corporate performance overview

1.1 Corporate performance dashboard

The methodology for calculating these health ratings is explained in section 3 of this report.

Directorate	Corporate Plan performance	Revenue budget actual variance £'000	Capital actual variance £'000	HR/People	Key project rating
Adult Social Care and Health	2	-	-	-4.5	0
Children's Service	-2	(628)	(23,520)	-4.5	n/a
Environment, Planning & Regeneration	2.5	424	(1,999)	-4	0.5
Commercial Services	2.5	-	32	1.5	0.5
Deputy Chief Executive's Service	-2	-	-	-0.5	2
Chief Executive's Service (incl. Customer Services & Libraries)	-3.5	(70)	-	-4.5	n/a
Corporate Governance	1	5	(32)	-1	n/a
Central Expenses	n/a	-	-	n/a	n/a
Totals[1]	0.5	(269)	(25,519)	-4.5	2.5

[1] Organisational totals are based on a simple sum of overall RAG ratings for each service, where each colour is given a number e.g. green equals 1, red equals -1 as set out in section 3 of this report.

1.2 Current Corporate Risks

Risk	Current Assessment Impact Probability Rating			Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact Probability Rating		
ORG0016 - Financial Street Lighting PFI Contract. Contractor has struggled to deliver the required standards and as a consequence has suffered large financial adjustments. Contractor has indicated this is not sustainable and has threatened to withdraw from contract. The financial implications could be up to 50% increase annually potentially equating to £2.25m annually.	Catastrophic 5	Likely 4	High 20	Working on proposed amendments to contract to improve sustainability - general service provision alterations. Process has stalled pending resolution of issues preventing progress with the CMS installation on which other changes are dependent. *Under Review* (10% complete) Working on proposed amendments to contract to improve sustainability - Invest a Safe Programme Agreements *In Progress (5% complete)* A report has been drafted providing detailed explanation analysis of risks & options to reduce some of the risks This report may require consideration at CDG to progress to action. Due to the additional issues arising, this Paper has been up-dated and submitted to the Directorate with a subsequent request to provide further information on cost impact for each option. *In Progress (75% complete)*	Treat	24/02/2012 (Normal) 05/01/2013 (Normal) 24/02/2012 (Normal)	Catastrophic 5	Possible 3	High 15
ORG0004 – Reputational/Internal Control Governance – The Council faces a period of major change with potential impact on core governance systems and	Major 4	Likely 4	High 16	Comprehensive performance management reporting process including key risks at Directorate and Corporate level. *Implemented* (100% complete) Governance reporting to Statutory Officers Group.	Treat	On-going	Moderate 3	Unlikely 2	Medium Low 6

Appendix A

Risk	Current Assessment Impact Probability Rating			Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact Probability Rating		
processes. Risk – breakdown in core governance systems leading to financial loss or reputational damage.				*(On-going)* Report produced for Statutory Officers Group. *Implemented* (100% complete) All Corporate Leadership Group members to have a corporate governance target. *Implemented (100% complete)*		Complete Complete On-going			
ORG0006 – Reputational/Financial Procurement- failure to deliver value for money, uncommercial contracts with suppliers.	Major 4	Likely 4	High 16	Consolidate procurement activity within the Commercial Directorate *In progress (50% complete)* Develop and implement an up to date procurement strategy *In progress (60% complete)* Develop a complete Council contracts register *On-going* Deliver actions as set out in Procurement Controls and Monitoring Action Plan *In progress (85% complete)*	Treat	30/6/2012 (Normal) 31/3/2012 (Normal) On-going On-going	Moderate 3	Unlikely 2	Medium Low 6
ORG0010 – Reputational/Strategic Development and infrastructure – Development within the Borough through the medium-term is planned to deliver 8,800 new homes and an increase in population of 20,000 by 2015. There is a risk that funding and delivery mechanisms will not be in place to deliver the necessary physical, green and social infrastructure to accommodate the requirements of an increased population.	Major 4	Likely 4	High 16	Explore other innovative forms of funding Regeneration Board set up - 1st meeting February 2011 *Implemented* (100% complete) Section 106 negotiations underway for BX and other major developments as required Completed for BX, underway for Mill Hill East *In Progress* (100% complete) Consider opportunities around TIF, particularly for BX/CR TIF Board established, appointed external consultant to consider options, development partners providing necessary information on infrastructure costs. *In Progress* (20% complete) Adopt a Community Infrastructure Levy (CIL) charging schedule for Barnet	Treat	Complete Complete 30/09/2012 (Normal)	Moderate 3	Possible 3	Medium High 9

Risk	Current Assessment Impact Probability Rating			Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact Probability Rating		
				Draft tariff estimated Report to Regeneration Board July 2011 Adoption by June 2012 *In Progress* (30% complete) Develop a corporate approach to infrastructure delivery and securing of funding Develop a robust Infrastructure Delivery Plan and funding delivery matrix *In Progress* (50% complete) Development of CIL tariff for Barnet anticipated introduction Summer 2012 *In Progress* (0% complete)		29/06/2012 (High) On-going On-going			
ORG0011 – Compliance/Strategic Waste management and sustainability – The cost of waste disposal will increase significantly in the medium-term due to landfill tax increases and the procurement of new waste disposal facilities by the NLWA. The loss of £258.4m PFI credits presents further risk to the affordability and progress of the procurement. Waste minimisation, collection and recycling arrangements will significantly impact on cost and the amount of waste sent for disposal. In addition, the carbon reduction scheme will impose financial penalties in respect of wider sustainability issues. Government likely to further increase penalties/incentives. Risk – increased waste sent for disposal at significantly increased cost. Lack of progress on wider sustainability agenda attracting additional carbon	Major 4	Likely 4	High 16	Establish Barnet Waste Project Board to enable informed officer input to the process & prepare briefings for members with at least 4 meetings per year. This target is on going. *Implemented* (100% complete) NWLA Procurement risk register maintained and updated including review at Waste Project Board meetings. Ongoing *In Progress* (75% complete) Make progress at NLWA meetings, critical review of NLWA papers, with additional support from specialist consultant Ongoing *In Progress* (75% complete) Develop, implement and review Waste Action Plan Ongoing *In Progress* (30% complete) Annual communications plan to include more targeted communications based on the intelligence available. *In Progress* (75% complete)	Treat	Complete 31/03/2012 (Normal) 31/03/2012 (Normal) 31/03/2012 (Normal) 15/05/2012 (Normal)	Moderate 3	Almost certain 5	High 15

Risk	Current Assessment Impact	Probability	Rating	Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact	Probability	Rating
commitment penalties.				Establish & Embed Carbon Reduction Commitment Steering Group to strengthen management focus on Carbon Reduction commitment Established Sept 2010 Work in progress *In Progress* (50% complete) Consider options put forward by the NLWA for the procurement and their affordability An extended ISOS stage is being carried out with bidders to explore potential cost reductions. *Implemented* (100% complete) Prepare business case for members' decision on future involvement with NLWA, including decision on Inter Authority Agreement. *In Progress* (85% complete)		03/01/2012 (Normal) - 15/05/2012 (Normal)			
ORG0015 - Financial There is an enhanced risk around treasury in respect of creditworthiness of banks across the globe as a result of the current Eurozone crisis. The potential break up of the Euro and associated defaults could leave banks around the world exposed to bad debts. The Council therefore needs to review its treasury strategy continuously to ensure that the most prudent course of action is taken in respect of Council funding.	Major 4	Likely 4	High 16	Continual monitoring of deposits *In Progress* (10% complete)	Treat	On-going (Normal)	Major 4	Possible 3	Medium High 12
ORG0001 – Reputational/Strategic Transformation – The Council's strategic agenda is defined by the One Barnet programme which is	Major 4	Possible 3	Medium High 12	Ensure effective governance arrangements with both Cabinet Members and senior management engaged. Communication and Engagement strategy to ensure project level communications and	Treat		Moderate 3	Possible 3	Medium High 9

Risk	Current Assessment Impact	Probability	Rating	Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact	Probability	Rating
designed to transform public services to Barnet citizens, working with our partners and the community, in the context of severe resource constraint. Risk – failure to deliver One Barnet effectively, with declining service performance and citizen satisfaction. Leading to sub-optimal commercial arrangements with third parties.				engagement plans are in place Strategy signed off. Project level plans in place, now being reviewed, quality controlled and linked to HR and procurement plans *Implemented* (100% complete) Transition Strategy to ensure business as usual is maintained during the delivery of the programme Strategy reviewed by programme board. *Implemented* (100% complete) Benefits Realisation Framework Business Case Framework in place with estimated programme costs and benefits. Framework for benefits to be completed in new year. Work continuing on mapping of benefits. 09/01 Workshops are commencing with project managers in order to populate benefit profiles and to agree a mechanism for the management and tracking of benefits. *In Progress* (75% complete) Programme plan produced and signed off Project team now in place and developing programme plan. Signed off plan *Implemented* (100% complete) Project communications plans for live projects produced and signed off *Implemented* (100% complete) Risk management framework included risk and issue standards *Implemented* (100% complete) Implementation partnership has been put in place to fill the knowledge and experience gap. Our partner will support procurement		On-going Complete On-going Complete Complete Complete			

Risk	Current Assessment Impact	Probability	Rating	Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact	Probability	Rating
				activity to ensure the council puts the best possible arrangements in place. *Implemented* (100% complete) CDG now act as programme Board, Cabinet Members engaged at project level. Programme assigned to Cabinet Member for Partnerships. Partnership Board has a number of Members on it. One Barnet Overview and Scrutiny Panel in place. Scrutiny arrangements have changed but Cabinet Members continue to be engaged. Cabinet Members formed panels to review complex procurement processes and to be involved in 2nd round of dialogue *Implemented* (100% complete) Assurance Work Internal audit undertaking assurance work on the programme, including governance arrangements. Work to be done in quarters 3 & 4 of 2011/12. *In progress* (50% complete)		Complete Complete On-going			
ORG0002 – Financial Central government support has been cut and our response has been agreed by Cabinet. Given the slow recovery of the economy there is a risk that the government will make further cuts to local government funding. Risk – given the scale of the savings there will be key concerns in delivering those savings over the next 4 years and managing to deliver services in times of such uncertainty.	Major 4	Possible 3	Medium High 12	Financial and Business Planning Process 1st Submissions already made 2nd Submissions due 17 September 2010 Target date - Setting of the budget. *Implemented* (100% complete) Risk assessment of savings plans Services to work through savings plans *In Progress* (25% complete)	Treat	Complete On-going	Moderate 3	Possible 3	Medium High 9

Appendix A

Risk	Current Assessment Impact	Probability	Rating	Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact	Probability	Rating
ORG0014 – Financial New revenues and benefits systems went live February 2011 however with process inefficiencies, data conversion issues and batch processes running slowly. When the Council needs to submit its grant subsidy claim for March 2012 the risk will be that the LA error will not be in the tolerable ranges which would result in the threshold being lost circa £1.2m. As at the end of June 2011 the threshold is currently at £500k. LA error is intervening period between receipt and assessment of the claim - with a backlog situation this will always be the case. The outcome will be known by end of March 2012.	Major 4	Possible 3	Medium High 12	Investigating the support of the current product beyond its proposed termination date as a contingency plan as a result of delay. *Implemented (100% complete)* Legal advice ongoing *In Progress* (80% complete) Constant monitoring and reporting of risks, issues and progress through the various departments and companies involved. ongoing *In Progress* (80% complete) Go Live of new system once reconciled Go live without 100% accuracy *Implemented* (100% complete) Existing system shut down whilst the data converts to the new system. *Implemented (100% complete)* Additional resource required to process backlog of transactions. *Implemented (100% complete)* Source better solution with Civica for hosting *Implemented* (100% complete)	Tolerat e	Complete On-going On-going Complete Complete Complete Complete	Moderate 3	Possible 3	Medium High 9
ORG0003 - Compliance Information management – The Council's overall arrangements to manage information, including systems, data sharing, data protection, freedom of information, transparency need further development. Risk – breach of information management requirements, sub-optimal service delivery with partners, failure to address transparency agenda effectively.	Moderat e 3	Possible 3	Medium High 9	Information Governance Action Plan devised from recommendations in various internal and external reviews. *Implemented* (100% complete) Information Governance Council (IGC) to oversee actions from the IM review. *Implemented* (100% complete) ICG to commission further work to enhance information management Revised ICT policy IM Strategy Information framework, including data retention and data sharing	Treat	Complete Complete	Minor 2	Possible 3	Medium Low 6

Appendix A

Risk	Current Assessment Impact	Probability	Rating	Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact	Probability	Rating
				Review of information sharing protocols and standards. *In Progress* (60% complete)		On-going			
ORG0005 - Financial Asset management – Asset management planning is not well integrated into the business planning process. Risk – failure to deliver cost-effective capital assets necessary to support service delivery.	Moderate 3	Possible 3	Medium High 9	Develop Estate Strategy In draft form this will form the basis of future years asset management planning and will set the standard by which the Corporate Asset Management Plan will meet the Directorates estate needs. It also defines the Council's approach to managing its commercial portfolio and sets the disposal plan. *Implemented* (100% complete) Establish a Corporate Asset Management information system In order to better understand the whole life costs of the corporate estate. Scope of project has broadened - SAP optimisation (Assets stream) delivering as per plan however now looking to implement further improvements thus deadline extended from June 11 to Dec 11. *Implemented (100%)* Implement Estates Strategy Action Plan Implement Action Plan 2011/12 and update for 2012/13. New appointment to the AD Estates to follow this through. *In Progress* (10% complete)	Treat	Complete Complete 31/3/2012	Minor 2	Possible 3	Medium Low 6
ORG0007 - Financial Iceland deposits – The Council is currently assuming recovery of Icelandic bank deposits based on priority status for UK local authorities. Although priority status has been obtained this is likely to	Moderate 3	Possible 3	Medium High 9	Work with the LGA and other affected authorities to maximise recovery through the Icelandic courts Awaiting Icelandic courts ruling. Further advice received suggests priority status may not hold. Supporting LGA to bring pressure on	Tolerate	On-going	Moderate 3	Unlikely 2	Medium Low 6

Risk	Current Assessment Impact Probability Rating			Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact Probability Rating		
be appealed, leading to lower recovery in the sum of c£14m. Risk – insufficient provision in the risk reserve and use of general fund balances which would need to be re-established at the minimum level.				Icelandic courts to rule in our favour. *In Progress* (75% complete)					
ORG0017 – Compliance The Localism Bill was published in December 2010, and received Royal Assent in November 2011. It is being put into effect through a series of Commencement Orders, the first of which have been laid before Parliament. It forms part of the government's agenda to push power from central government downwards and outwards to the lowest possible level, including individuals, neighbourhoods, professionals and communities as well as Councils and other local institutions. In practice, the Localism Act contains a mixture of provisions relating to local governance, town planning and housing. Risk: Due to the timescales there is a risk that the Council may not have appropriate resources in place to implement the requirements of the Act.	Moderate 3	Possible 3	Medium High 9	Assign responsibilities to relevant Assistant Directors for implementation phases In Progress (15%) Monitoring development of the Commencement orders and communicate to relevant Assistant Directors for timelines In Progress (15%) Briefings to Members and CDG In progress (50%)	Treat	31/1/2012 On-going 29/2/2012	Moderate 3	Unlikely 2	Medium Low 6

2. Whole council summary tables

2.1 Key finance indicators

	Indicator		2011/12 (Position at 31/12/11)	2011/12 (Position at 30/09/11)	Achieved /Trend
1	**Revenue Expenditure**				
	(a) Balances and Reserves:				
	(i) General Fund Balance	£'m	16.05	14.79	
	(ii) HRA Balances	£'m	4.23	4.23	
	(iii) School Balances	£'m	14.73	14.73	
	(b) Performance against Budget: Variations:				
	(i) Overspends	£'m	3.6	5.57	
	(ii) Underspends	£'m	3.9	4.54	
2	**Capital Expenditure**				
	(i) Cumulative Slippage	£'m	28.73	11.21	
3	**Debt Management**				
	(i) Total Debt Outstanding over 30 days	£'m	6.72	5.56	
	(i) Total Debt Outstanding over 12 months	£'m	1.81	1.79	
	(iiii) Council Tax - % paid	%	82.6	55.1	
4	**Creditor Payment Performance**				
	(i) % of Creditors paid within 30 days	%	98.29	98.52	

2.2 Revenue budget – *see Table 1 of main report*

2.3 Capital budget – *see Table 3 of main report*

2.4 Corporate Plan performance - corporate overview

Directorate	Total no. of Corp Plan indicators	RAG ratings				Positive/ neutral DoT	Negative DoT	No. of indicators expected to report data in Q3
		Green	Green amber	Red amber	Red			
Adult Social Care and Health	15	6	0	6	1	10	3	13
Children's Services	15	3	0	4	3	6	4	11*
Environment , Planning & Regeneration	15	9	0	1	2	7	5	12
Commercial Service	5	2	1	0	0	3	0	3
Deputy Chief Executive	3	0	0	0	2	1	1	2
Chief Executive's Service	14	3	1	0	7*	3	4	12*
Corporate Governance	3	2	0	0	1	3	0	3
Total	**70**	**25**	**2**	**11**	**16**	**33**	**17**	**56**

* Two CPIs are not traffic lighted. These have not been included in the statistics

** Two CPIs should have reported data but did not (both from Chief Executive's). These have been traffic lighted as red

2.5 Human Resource/People performance - corporate overview

Key corporate HR targets and indicators

Performance Indicator	Period covered	Target	Amber criteria	Q3 Actual (No.)	Q3 Actual % of total	Q3 (numerator/ denominator)	Target Variance	Q3 DoT	Benchmarking
Average number of absence days per employee (Rolling year)	Jan 10 - Dec 11	6	6 - 6.5	**7.7**	**N/A**	21149.3/2747.1	-28.3%	▲ 4.8%	10.1 days (CIPFA, All Members & other Unitary Authorities 2011)
Average number of absence days per employee this quarter (target is seasonally adjusted)	Oct 11 - Dec 11	1.71	1.72 -2%	**2.0**	**N/A**	5640.4/2788.4	-19.3%	▼ 15.3%	2.25 days (CIPFA, All Members & other Unitary Authorities 2011)
% managers submitting a monthly absence return	Oct 11 - Dec 11	100%	>90%	**351**	**74.1%**	351/474	25.9%	▲ 32.6%	N/A : measure applicable to LBB only
% objectives set for eligible staff only	Oct 11 - Dec 11	100%	>90%	Next reported in Quarter 1 2012/2013					N/A
% mid year performance reviews undertaken for eligible staff only	Oct 11 - Dec 11	100%	>90%	**2467**	**90.8%**	2467/2717	9.1%	not previously reported	N/A : measure applicable to LBB only
Variance of total paybill to budget	Oct 11 - Dec 11	£31,339,339	+/-5%	**£29,729,474**	**5.1%**	29729474/31339339	5.1%	▼ 8.9%	N/A : measure applicable to LBB only

Management Indicator	Period covered	Q3 Actual (No.)	Q3 Actual % of total	Q3 (numerator/ denominator)	DoT Q3 %	Benchmarking
Percentage of top 5% earners that are female	As at 31 December 2011	**81**	**50.6%**	81/160	▼ 0.5%	Women in leadership posts 49.9% (CIPFA, All Members & other Unitary Authorities 2011)

Number of BME employees as % of total employees	As at 31 December 2011	**962**	**32.7%**	962/2924	▼ 0.2%	Black and Minority Ethnic local population 33.1% (State of the Borough June 2011)
Number of declared disabled staff as % of total employees	As at 31 December 2011	**87**	**2.7%**	87/3182	▲ 17.2%	2.33% (CIPFA, All Members & other Unitary Authorities 2011)
High Risk - Employee Relations cases as % of total cases	As at 31 December 2011	**10**	**8.9%**	10/112	▼ 28.6%	N/A : measure applicable to LBB only

2.6 Staff numbers by service

	ESTABLISHMENT					OCCUPANCY							OTHER	
	Permanent	Fixed Term	Vacant	TOTAL		Permanent	Fixed Term	Agency / Interim	TOTAL		Variance		Consultants	Casual
Adult Social Care	392.21	26.08	37.08	455.36		393.07	27.07	53	473.14		17.77		4	91
Children's Service	651.36	122.73	119.30	893.39		672.90	133.58	77	883.48		-9.91		3	280
Chief Executives Service	179.99	23.97	30.01	233.97		182.06	23.94	25	231.01		-2.96		0	4
Commercial Service	114.31	25.00	17.17	156.48		114.31	21.00	20	155.31		-1.17		0	0
Corporate Governance	61.86	10.28	14.10	86.24		61.87	11.28	8	81.15		-5.09		0	3
Deputy Chief Executive Service	274.75	45.48	44.58	364.81		274.76	50.47	48	373.23		8.42		3	8
Planning Environment and Regeneration	774.13	49.89	131.48	955.50		773.33	55.89	174	1003.21		47.71		15	86
	2448.61	303.42	393.72	3145.75		2472.30	323.23	405	3200.53		54.78		25.0	472

2.7 Key projects – corporate overview

Key Projects Summary – Quarter 3

Service Area	Red Status	Amber Status	Green Status	Nil Return/Not enough information provided
Adult Social Services		1	1	1
Chief Executive's Office				
Children's Services				
Commercial Services	2	1	3	
Deputy Chief Executive including One Barnet		5	7	
Environment, Planning & Regeneration	4	1	2	1
Totals	**6**	**8**	**13**	**2**

The table gives an overview of all active key projects and their status. Although there are considerably more projects under each service than shown here, the discrepancies are due to some projects reporting as being in either the 'concept' stage or no key milestones reporting for this quarter therefore a RAG status cannot be established. In addition, this table also includes those projects that have asked for a highlight report but not submitted one (see Nil Return column)

Key projects, including One Barnet Programme
There are 30 projects in total including the 12 within the One Barnet Programme. Of the 30, six projects have a red rating for their current status:-

1. Arts Depot Safety Lifts – Commercial Service
2. Depot Relocation – Commercial Service
3. Priority Parks (Dollis Valley Green Walks) – Environment Planning & Regeneration
4. CCTV Installation - Environment Planning & Regeneration
5. West Hendon Regeneration - Environment Planning & Regeneration
6. Brent Cross & Cricklewood Regeneration – Environment Planning & Regeneration

There are also three projects where no return or not enough information has been provided

- Delivering Independence – Adult Social Care and Health
- Dollis Valley Regeneration – Environment Planning & Regeneration

3. Methodology for traffic light ratings

3.1 Thresholds for awarding directorate-level health rating traffic lights

	Green	Green Amber	Red Amber	Red
	Good performance	Good, with some concerns	Some concerns	Serious concerns
Revenue & capital budget mgt - variance % (above and below)	0%	< 0.5%	0.5 - 1%	More than 1%
Corporate Plan & HR performance scores	More than 2	0.5 to 2	-1 to 0.	Less than -1

3.2 Method for producing the Corporate Plan, HR/People and Project health ratings

Each individual performance indicator is traffic lighted according to the same four point traffic light scale: Green, Green Amber, Red Amber and Red. Points for each are awarded, as shown in the table below, and then added together to produce the overall health rating score for each directorate.

	Points for each indicator
Green	1
Green Amber	0.5
Red Amber	-0.5
Red	-1

For example, if there were four indicators in a particular directorate and each achieved one of the four traffic lights, the net result would be a score of 0 and this would produce a Red Amber overall health rating, based on the table above.

3.3 Method for producing individual performance indicator traffic light ratings

Any target that is met achieves a Green traffic light. Targets that have not been met, but where 80% or more of the targeted improvement has been achieved, will be given a Green Amber traffic light.

Appendix A

Traffic Light	% of targeted improvement achieved	Description
Green	100% or more	Meeting or exceeding target
Green Amber	>80% <100%	Near target with some concerns
Red Amber	>65% <80%	Problematic
Red	<65%	Serious concerns

If the targeted improvement is below 80% but above 65% the indicator will get a Red Amber rating.

For example, if the baseline is 80 people and the target is 100 people, the targeted improvement is 20. 80% of 20 is 16, so the outturn would need to be at least 96 people to achieve Green Amber and at least 93 people to achieve a Red Amber.

Whilst initial traffic lights will be based on this objective criterion, they may subsequently be changed through discussion between Directorates and the Performance team, based on the individual circumstances and prospects for each target. Where this has occurred it will be clearly stated in the report with the reasons given.

The criteria for red and amber traffic lights for HR/People measures differ for each indicator; the amber criterion for each is shown alongside the indicator in the individual data tables.

In addition to the above criteria, Any performance indicator that is less than 10% off target and has a positive direction of travel will automatically qualify to be amber rated. Both of the following criteria need to be met if a service is to have a red-rated performance indicator amended to either a green-amber or a red-amber:

For an indicator to be rated as Green amber:

1. No more than 5% off target, and;
2. A positive direction of travel

For an indicator to be rated as Red amber:

1. Between >5% and no more than 10% off target, and;
2. Positive direction of travel or negative direction of travel not in excess of 2.5% (if the service has a clear story and improvement activity in place)

Revenue Monitoring Directorate | **Appendix B**

Adults

Description	Original Budget	Budget V1	Forecast 2011/12	Variation	Comments
	Variations				
	£'000	£'000	£'000	£'000	
Care Services - Learning Disabilities	34,596	34,936	34,980	44	
Care Services - Mental Health	6,766	7,013	6,986	(27)	
Care Services - Older Adults - Physical Disabilities	43,513	43,718	43,871	153	Demand pressure on Physical Disabilities budget throughout year, work is ongoing to reduce this overspend. No allowance is made for seasonal variation.
Transformation & Resources	2,984	4,162	4,041	(121)	Savings from holding vacant posts to offset overspend in Care Services
Strategic Commissioning & Supply Management	11,069	9,824	9,775	(49)	
Government Grant Income	(61)	(61)	(61)	-	
Total	**98,867**	**99,592**	**99,592**	**-**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 15 cost centres over £100,000
b) 18 cost centres over £50,000 where the cost centre's gross budget is less than £1m
c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Central Expenses

Description	Original Budget	Budget V1	Forecast 2011/12	Variation	Comments
	Variations				
	£'000	£'000	£'000	£'000	
Corporate Subscriptions	314	314	314	-	
Levies	27,926	27,926	27,926	-	
Central Contingency	9,199	1,384	1,384	-	
Rate Relief	433	433	433	-	
Capital Financing	17,219	17,219	17,219	-	
Early Retirement costs	7,004	7,004	7,004	-	
Car Leasing	2	2	2	-	
Corporate Fees & Charges	799	799	799	-	
Miscellaneous Finance	16	16	16	-	
Total	**62,912**	**55,097**	**55,097**	**-**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 0 cost centre over £100,000
b) 0 cost centres over £50,000 where the cost centre's gross budget is less than £1m
c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Chief Executive

Description	Original Budget	Budget V1	Forecast 2011/12	Variation	Comments
	Variations				
	£'000	£'000	£'000	£'000	
Strategic Directors	652	602	601	(1)	
Assistant Chief Executive Service	2,015	2,299	2,266	(33)	This is due to a combination of posts being held vacant and reduced spending on support services
Grants	839	826	826	-	
Library Services	5,738	5,738	5,794	56	This is due to pressure on salaries as well as unplanned maintenance and property charges
Customer Services & Registration	1,314	1,834	1,742	(92)	There was some delay early in the year in transferring services and recruiting key posts
Total	**10,558**	**11,299**	**11,229**	**(70)**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 4 cost centres over £100,000
b) 2 cost centres over £50,000 where the cost centre's gross budget is less than £1m
c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Revenue Monitoring Directorate Appendix B

Childrens' Services

Description	Original Budget	Budget V1	Forecast 2011/12	Variation	Comments
	Variations				
CHILDREN'S SERVICE - GENERAL FUND	**£'000**	**£'000**	**£'000**	**£'000**	
Management Team	793	1,049	1,133	84	Legal costs for increased social care activity
Social Care Division					
Social Care Management	2,784	2,403	2,137	(266)	Agency budget held centrally and underspend due to staff vacancies and general underspend on supplies and services
Children In Care	19,880	20,213	20,490	277	Overspend on aborted assessments, payments to clients and legal costs
Children In Need	4,189	4,232	4,284	52	Overspend on salary due to agency staff
Schools & Learning	2,423	1,805	1,662	(143)	Vacancies held to offset overspends in other areas
Safeguarding, Partnerships & Prevention				-	
Safeguarding	1,086	1,122	1,235	113	Increase in activity
Early Intervention & Prevention (BRSI)	10,453	9,355	9,058	(297)	Recruitment of Family Focus service took longer than projected
Integrated Youth & Play Services	3,887	5,089	4,866	(223)	Vacancies held to offset overspends in other areas and prepare for future year savings
Access to Learning & Complex Needs	10,107	10,437	10,147	(290)	Transport services saving achieved through review of routes
Other Children's Service Budgets (including PPP & Schools F	1,975	1,869	1,934	65	Once off costs related to contracting and procurement
Schools Direct Management	-	-			
Total	**57,577**	**57,574**	**56,946**	**(628)**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 24 cost centres over £100,000

b) 37 cost centres over £50,000 where the cost centre's gross budget is less than £1m

c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Commercial Services

Description	Original Budget	Budget V1	Forecast 2011/12	Variation	Comments
	Variations				
	£'000	**£'000**	**£'000**	**£'000**	
Corporate Programmes & Consultancy	86	752	809	57	Due to staffing costs.
Property Services & Asset Management	7,075	8,110	8,131	21	Due to dilapidation costs at Friern Park and Church Lane.
Corporate Procurement	413	211	207	(4)	Due to vacant post.
Information Systems	7,059	7,176	7,102	(74)	Due to IPT upgrade and two work's packages being cancelled.
One Barnet Programme	-	-	-	-	
Total	**14,633**	**16,249**	**16,249**	**-**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 9 cost centres over £100,000

b) 9 cost centres over £50,000 where the cost centre's gross budget is less than £1m

c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Revenue Monitoring Directorate

Appendix B

Corporate Governance

Description	Original Budget	Budget V1	Forecast 2011/12	Variation	Comments
	Variations				
	£'000	£'000	£'000	£'000	
Legal Services	1,850	1,921	1,979	58	Shortfall in income due to reduced work from Barnet Homes
Governance	884	972	1,002	30	Overspend due to agency costs and Committee replacement system
Members	1,591	1,591	1,513	(78)	Underspend from revised Members Allowances and part vacant post
Corporate Anti Fraud Team	733	719	691	(28)	Due to income from Hra Recharges offsetting overspend on Avalanche costs and an increase in income from Adpens
Elections	423	407	450	43	Pressure on budget due to need to achieve corporate plan target for Electoral Registration.
Civil Protection	177	177	148	(29)	Underspend on part year vacancy.
Corporate Governance Directors	279	267	282	15	Overspend due to supplies and services.
Leaders Office	10	10	4	(6)	Underspend on supplies and services.
Insurance	(8)	(8)	(8)	-	Insurance recharged to services.
Total	**5,939**	**6,056**	**6,061**	**5**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 0 cost centres over £100,000

b) 5 cost centres over £50,000 where the cost centre's gross budget is less than £1m

c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Deputy Chief Executive

Description	Original Budget	Budget V1	Forecast 2011/12	Variation	Comments
	Variations				
	£'000	£'000	£'000	£'000	
Finance	3,917	4,066	4,066	-	
Human Resources	2,091	2,091	2,091	-	
Revenues and Benefits	7,287	7,310	7,310	-	
Total	**13,295**	**13,467**	**13,467**	**-**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 5 cost centres over £100,000

b) 0 cost centres over £50,000 where the cost centre's gross budget is less than £1m

c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Revenue Monitoring Directorate **Appendix B**

Environment, Planning & Regeneration

Description	**Original Budget**	**Budget V1**	**Forecast 2011/12**	**Variation**	**Comments**
	£'000	**£'000**	**£'000**	**£'000**	
Land Charges	(960)	(903)	(905)	(2)	
Environmental Health/ Cem & Crem	1,199	1,279	1,355	76	Pressure on Cem & Crem income
Planning	471	622	703	81	Overspend due to establishment pressures and higher than budgeted running costs including legal expenditure for anticipated planning appeal cases.
Strategy (Planning & Housing)	580	730	777	47	Staffing pressure as a result of project slippage
Building Control	(320)	(75)	(212)	(137)	Favourable variance due to staff savings offsetting income pressures
Housing	1,613	4,110	3,788	(322)	TA running cost savings & reduction in void penalties
Regeneration Service	16	41	(167)	(208)	Underspent represents an increase in income from Regeneration buybacks
Management and performance	73	576	1,365	789	Underlying establishment pressure. Directorate is holding posts vacant to minimise the establishment pressures wherever possible
Highways Inspection/Maintenance	2,155	1,314	2,381	1,067	There is a continued overspend relating to reduced professional fee income from capital schemes however this projected overspend has been reduced as a result of further LiP & Outer London Fund capital works. Pressures remain as a result of the requirement to meet contractual obligations on planned maintenance, and lower crossover fees resulting from fewer footway schemes.
Highways income budgets incl. NRSWA	(589)	(904)	(917)	(13)	Staff savings in NRSWA activity has offset the income pressure from crossover rechargeable works.
Greenspaces	4,229	4,939	4,644	(295)	Underspend due to additional anticipated rental income. This is offsetting establishment pressures in Parks and Open Spaces, the repairs and grounds maintenance costs for King George Playing Fields and the one off payment for the Play Area inspections.
Cleansing	4,486	4,551	4,425	(126)	Underspend relates to the review of planned overtime, and also a hold on the purchasing of new equipment.
Refuse (domestic and trade waste)	3,558	3,509	3,370	(139)	Underspend in Trade Waste due to higher sales income arising from fees and new business.
Parking	(1,164)	(1,324)	(1,264)	60	Overspend relates to the shortfall in Off Street parking income, due to adverse economic conditions. The underspend in Parking Design is due to more rechargeable activity than initially anticipated.
Transport	(66)	(31)	(403)	(372)	Surplus is due to the transport savings from Street Cleansing and Refuse fleet retained within Transport and also the reduction of Spot Hire charges, recharged to users at cost.
Recycling	3,373	3,509	3,221	(288)	Extra income being generated from recycled materials and the Biodegradable Incentive Payment from the NWLA received & projected in this area are the reasons for the overall surplus.
Street Lighting	5,320	6,020	6,052	32	Pressure from legal fees.
Community Safety	388	367	243	(124)	Underspend includes savings of £90k for project work, no longer taking place and staff savings
Community Protection	1,223	1,247	1,154	(93)	Underspend relates to vacant posts and the review of contract costs.
Leisure	1,053	1,554	1,541	(13)	Budget saving on Copthall Stadium, pending outcome of leisure review.
WOM	-	-	-	-	
Environment, Planning & Regeneration	**26,638**	**31,131**	**31,151**	**20**	
Special Parking Account	(5,923)	(6,034)	(5,630)	404	The income target for permits continues to be a pressure within the SPA, also additional agency staff have been employed to deal with the backlog within Parking Processing. Additional costs have also been incurred for server moves.
Environment, Planning & Regeneration Total (inc SPA)	**20,715**	**25,097**	**25,521**	**424**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 20 cost centres over £100,000

b) 28 cost centres over £50,000 where the cost centre's gross budget is less than £1m

c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Revenue Monitoring Directorate **Appendix B**

Dedicated Schools' Grant

Description	Original Budget	Budget V1	Forecast 2011/12	Variation	Comments
	Variations				
CHILDREN'S SERVICE - DSG	**£'000**	**£'000**	**£'000**	**£'000**	
SEN Placements, Recoupment & Therapies	9,176	10,860	10,334	(526)	Reduction in out of borough placements, reducing costs in year and saving on procurement of therapies
Pupil Referal Unit	1,514	1,682	1,674	(8)	
Other Centrally Retained Schools Budgets	12,859	12,850	12,726	(124)	Vacancies savings throughout year due to extended recruitment timescales
ISB	248,278	210,455	210,455	-	
DSG & LSC Grant	(271,994)	(235,949)	(235,949)	-	
Total	**(167)**	**(102)**	**(760)**	**(658)**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 5 cost centres over £100,000

b) 4 cost centres over £50,000 where the cost centre's gross budget is less than £1m

c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Housing Revenue Account

Description	Original Budget	Budget V1	Forecast 2011/12	Variation	Comments
	Variations				
Housing Revenue Account	**£'000**	**£'000**	**£'000**	**£'000**	
LBB Retained	1,632	1,632	1,646	14	Realignment of establishment between GF and HRA.
HRA Regeneration	1,091	1,091	898	(193)	Anticipated recovery of consultants costs from developers.
HRA Other Income and Expenditure (net)	(5,118)	(5,118)	(5,063)	55	Improved dwelling rent forecast based on second quarters control accounts.
Support Service recharges	576	576	731	155	Based on 2 months actuals & thus projected using figures from the recharge team.
Interest on Balances	(40)	(40)	(80)	(40)	Based on 10/11 actuals and the forecasted HRA financial performance.
HRA Surplus/Deficit for the year	1,859	1,859	1,868	9	Total HRA surplus to be transferred to balance sheet.
Total	**-**	**-**	**-**	**-**	

Within the revenue monitoring above, the number of cost centres that are projecting net overspends or underspends are:

a) 10 cost centres over £100,000

b) 8 cost centres over £50,000 where the cost centre's gross budget is less than £1m

c) Actions proposed to ensure that these overspends or underspends are not realised are reflected in the commentary above.

Capital Programme Adjustments

Directorate	Year	Capital Programme	Funding Type	*if* Additions/ Deletions Amount (£'000)	*if* Slippage/ Accelerated Spend Amount (£'000)	Explanation for request
Environment, Planning & Regeneration	2011/12	Local Safety Schemes	Grant	(6)		Reduction in allocation to the level of spend & financing
Environment, Planning & Regeneration	2011/12	Carriageway and Footways	Grant	(29)		To correct funding
Environment, Planning & Regeneration	2011/12	Carriageway and Footways	Capital Receipts	29		To correct funding
Environment, Planning & Regeneration	2011/12	Footway Reconstruction	S106	216		To correct funding
Environment, Planning & Regeneration	2011/12	Footway Reconstruction	Capital Receipts	(218)		To correct funding
Environment, Planning & Regeneration	2011/12	Footway Reconstruction	Borrowing	(20)		To correct funding
Environment, Planning & Regeneration	2011/12	Road Traffic Act - Controlled Parking Zones	s106	42		To correct funding
Environment, Planning & Regeneration	2011/12	Road Traffic Act - Controlled Parking Zones	Capital Receipts	(116)		To correct funding
Environment, Planning & Regeneration	2011/12	Road Traffic Act - Controlled Parking Zones	Borrowing	4		To correct funding
Environment, Planning & Regeneration	2011/12	Controlled Parking Zones	s106		(28)	Slip forward s106 scheme expected to be completed next year
Environment, Planning & Regeneration	2011/12	New scheme to be approved (Public Transportation Improvements)	s106		(94)	Slip forward s106 scheme expected to be completed next year
Environment, Planning & Regeneration	2011/12	Colindale CPZ Parking Review Feasibility Study- Colindale Hospital	s106		(8)	Slip forward s106 scheme expected to be completed next year
Environment, Planning & Regeneration	2011/12	Parking	Capital Receipts		(200)	Slip forward part of the programme that is to be completed in 2012
Environment, Planning & Regeneration	2011/12	A41 Aerodrome Road junction improvement works	Grant	36		To correct funding
Environment, Planning & Regeneration	2011/12	A41 Aerodrome Road junction improvement works	s106	(36)		To correct funding
Environment, Planning & Regeneration	2011/12	Highways Investment Programme	Grant	8		To correct funding
Environment, Planning & Regeneration	2011/12	Highways Investment Programme	Borrowing	(8)		To correct funding
Environment, Planning & Regeneration	2011/12	Pothole Funding	Grant	(12)		To correct funding
Environment, Planning & Regeneration	2011/12	Pothole Funding	Capital Receipts	12		To correct funding
Environment, Planning & Regeneration	2011/12	Hendon Cemetry & Crematorium Enhancement	Capital Receipts		(1,557)	
Environment, Planning & Regeneration	2011/12	Housing Assoicaiton	Capital Receipts		(14)	
Corporate Governance	2011/12	Cartwright Memorial, St Mary's Church	Borrowing	(32)		
Commercial Services	2011/12	Cartwright Memorial, St Mary's Church	Borrowing	32		

Directorate	Year	Capital Programme	Funding Type	*if* Additions/ Deletions Amount (£'000)	*if* Slippage/ Accelerated Spend Amount (£'000)	Explanation for request
PHR-HRA	2011/12	Major Works	Revenue Contribution	1,955		
PHR-HRA	2011/12	Major Works	Other/S106	(1,955)		
PHR-HRA	2011/12	Granville Road	Revenue Contribution	79		
PHR-HRA	2011/12	Granville Road	Other/S106	(79)		
PHR-HRA	2011/12	Regeneration	Revenue Contribution	295		
PHR-HRA	2011/12	Regeneration	Other	(95)		
PHR-HRA	2011/12	Misc - Repairs	Revenue Contribution	15		
PHR-HRA	2011/12	Misc - Repairs	Other	(5)		
PHR-HRA	2011/12	M&E / Gas	Revenue Contribution	(75)		
PHR-HRA	2011/12	M&E / Gas	Other	75		
PHR-HRA	2011/12	Voids & Lettings	Grant	(50)		
PHR-HRA	2011/12	Voids & Lettings	Revenue Contribution	50		
Children Services	2011/12	SAI 2009/10	Borrowing	(13)		Re-profiling money from completed works at The Compton to SAI 2010/11
Children Services	2011/12	SAI 2010/11	Borrowing	13		Re-profiling money from completed works at The Compton to SAI 2010/11
Children Services	2011/12	Modernisation 2008/09	Borrowing	70		Addition to monkfrith modernisation project from oak lodge completed works
Children Services	2011/12	Modernisation 2008/09	Borrowing	(92)		Re-profiling money from completed works at The Oak lodge.
Children Services	2011/12	Modernisation 2008/09	Borrowing	(35)		Re-profiling money from completed works at QE girls.
Children Services	2011/12	Modernisation 2008/09	Borrowing	12		Addition to modernisation project from oak lodge completed works
Children Services	2011/12	Modernisation 2008/09	Borrowing	45		Addition to unallocated from various completed projects.
Children Services	2011/12	Modernisation 2009/10	Borrowing	5		Re-profiling of money from urgent responsive works
Children Services	2011/12	Modernisation 2009/10	Borrowing	4		Re-profiling of money from urgent responsive works
Children Services	2011/12	Modernisation 2009/10	Borrowing	(11)		Re-profiling of money from urgent responsive works
Children Services	2011/12	Modernisation 2009/10	Borrowing	2		Re-profiling of money from urgent responsive works

Capital Programme Adjustments **Appendix C**

Directorate	Year	Capital Programme	Funding Type	*if* Additions/ Deletions Amount (£'000)	*if* Slippage/ Accelerated Spend Amount (£'000)	Explanation for request
Children Services	2011/12	Modernisation 2011/12	Grant	25		Re-profiling money from a cancelled project within Modernisation 2011/12 programme
Children Services	2011/12	Modernisation 2011/12	Grant	(25)		Re-profiling money from a cancelled project within Modernisation 2011/12 programme
Children Services	2011/12	Modernisation 2011/12	Grant		(250)	Re-profiling of money from 2011/12 into 2012/13 for Danegrove
Children Services	2011/12	Urgent Primary Places - Unallocated permanent expansions	Grant	3,310		Allocation of additional basic needs grant to LBB.
Children Services	2011/12	Urgent Primary Places - Unallocated permanent expansions	Grant		(3,310)	Re-profiling of grant from 2011/12 into 2012/13
Children Services	2011/12	Urgent Primary Places - Unallocated permanent expansions	Grant		(5,143)	Re-profiling of money from 2011/12 into 2012/13 and 2013/14 based on programme milestones
Children Services	2011/12	Urgent Primary Places - Unallocated permanent expansions	Capital Receipts		(3,612)	Re-profiling of money from 2011/12 into 2012/13 and 2013/14 based on programme milestones
Children Services	2011/12	Urgent Primary Places - Unallocated permanent expansions	Borrowing		(11,245)	Re-profiling of money from 2011/12 into 2012/13 and 2013/14 based on programme milestones
Children Services	2011/12	Urgent Primary Places - Unallocated permanent expansions	Grant	(625)		Re-profiling of money from unallocated to Orion
Children Services	2011/12	Urgent Primary Places - Unallocated permanent expansions	Grant	625		Re-profiling of money from unallocated to Orion
Children Services	2011/12	East Barnet School Rebuild	Borrowing		(249)	Re-profiling of money from 2011/12 into 2012/13 for JCoSS / East Barnet changing room
Children Services	2011/12	East Barnet School Rebuild	Capital Receipts		187	Accelerated spend - reprofiling money from 2012/13 to 2011/12 for playing fields
Children Services	2011/12	Youth capital funding	Grant	(1)		Re-profiling of money from youth capital funding completed project to playbuilders programme
Children Services	2011/12	Playbuilders	Grant	1		Re-profiling of money from youth capital funding completed project to playbuilders programme
Children Services	2011/12	Other schemes - General Schools Organisation	Grant		(3,000)	Re-profiling of grant from 2011/12 into 2012/13
Children Services	2011/12	Other schemes - Early years & Children's Centres	Grant	4		Re-profiling of money from youth capital funding completed project to ealry years and children's centres programme
Children Services	2011/12	Other schemes - Early years (Quality & Access)	Grant	(4)		Re-profiling of money from youth capital funding completed project to ealry years and children's centres programme
Children Services	2011/12	Modernisation 2011/12	Grant		(8)	Re-profiling of grant from 2011/12 into 2012/13
Children Services	2011/12	Urgent Primary Places - Temporary allocated expansions	Grant		(200)	Re-profiling of grant from 2011/12 into 2012/13
				3,422	**(28,731)**	

Capital Monitoring Analysis **Appendix D**

	2011/12 Latest Approved Budget	Additions/ (Deletions) recommended to February CRC	(Slippage) / Accelerated Spend recommended to February CRC	2011/12 Budget (including Fed CRC)	Forecast to year-end	Variance from Approved Budget	% slippage of 2011/12 Approved Budget
	£'000	£'000	£'000	£'000	£'000	£'000	%
Mental Health and Adults Personal Social Services Allocations	1,198	-	-	1,198	1,198	-	-
Adult Social Care & Health	**1,198**	**-**	**-**	**1,198**	**1,198**	**-**	**-**
Capitalised Redundancies	5,088	-	-	5,088	5,088	-	-
Central Expenses	**5,088**	**-**	**-**	**5,088**	**5,088**	**-**	**-**
Schools Access Initiatives	41	-	-	41	41	-	-
Schools Modernisation & Access Improvement Programmes	5,398	-	(258)	5,140	5,140	(258)	(5%)
Urgent Primary Places							
Temporary Expansions - Allocated	1,976	-	-	1,976	1,976	-	-
Other Temporary Expansions	1,559	-	(200)	1,359	1,359	(200)	(13%)
Broadfields	1,755	-	-	1,755	1,755	-	-
Other Permanent Expansions - Allocated	21,285	3,310	(23,310)	1,285	1,285	(20,000)	(110%)
Surestart Programme	190	4	-	194	194	4	-
Major School Rebuild Total	294	-	-	294	294	-	-
Primary Schools Capital Investment Programme	766	-	-	766	766	-	-
East Barnet Schools Rebuild	1,095	-	(62)	1,033	1,033	(62)	(6%)
Other Schemes	11,473	(4)	(3,000)	8,469	8,469	(3,004)	(26%)
Children's Service	**45,832**	**3,310**	**(26,830)**	**22,312**	**22,312**	**(23,520)**	**(59%)**
Capital Schemes Managed by Schools	2,568	-	-	2,568	2,568	-	-
Capital Schemes Managed by Schools	**2,568**	**-**	**-**	**2,568**	**2,568**	-	**-**
Corporate Governance Projects	34	(32)	-	2	2	(32)	-
Corporate Governance	**34**	**(32)**	**-**	**2**	**2**	**(32)**	**-**
Chief Executive Services	1,330	-	-	1,330	1,330	-	-
Chief Executive Services	**1,330**	**-**	**-**	**1,330**	**1,330**	-	**-**
Deputy Chief Executive Services	547	-	-	547	547	-	-
Deputy Chief Executive Services	**547**	**-**	**-**	**547**	**547**	-	**-**
Commercial Services	2,976	32	-	3,008	3,008	32	-
Commercial Services	**2,976**	**32**	**-**	**3,008**	**3,008**	**32**	**-**
CCTV	84	-	-	84	84	-	-
Greenspaces & Leisure	670	-	-	670	670	-	-
Highways - non-TfL	6,487	(22)	(130)	6,335	6,335	(152)	(2%)
Highways - TfL	6,333	(6)	-	6,327	6,327	(6)	-
Parking	1,348	(70)	(200)	1,078	1,078	(270)	(15%)
Waste	94	-	-	94	94	-	-
Housing Association Programme	14	-	(14)	-	-	(14)	(100%)
General Fund Regeneration	1,364	-	0	1,364	1,364	-	-
Disabled Facilities Projects	2,043	-	-	2,043	2,043	-	-
Housing Management System	-	-	-	-	-	-	-
Other Projects	1,932	-	(1,557)	375	375	(1,557)	(81%)
Environment,Planning and Regeneration	**20,369**	**(98)**	**(1,901)**	**18,370**	**18,370**	**(1,999)**	**(9%)**
General Fund Programme	**77,374**	**3,212**	**(28,731)**	**51,855**	**51,855**	**(25,519)**	**(37%)**
HRA Capital	21,371	210	-	21,581	21,581	210	-
Total Capital Programme*	**98,745**	**3,422**	**(28,731)**	**73,436**	**73,436**	**(25,309)**	**(29%)**

*Excludes Capital Schemes Managed by Schools

Virements Requiring Member Approval.

A virement of £0.023m is requested within the Environment, Planning and Regeneration Directorate to re-align the budget across Traffic Development to ensure the budgets reflect the costs and nature of this service provision. There is a nil impact on the service budgets.

Cost Centre		Account Group	Amount £'000
11218	Developmnt & Control	Employee Related	(0.100)
11218	Developmnt & Control	Employee Related	(0.250)
11218	Developmnt & Control	Transport	(0.480)
11218	Developmnt & Control	Supplies & Services	(0.290)
11218	Developmnt & Control	Supplies & Services	(0.100)
11218	Developmnt & Control	Recharges	(0.300)
11218	Developmnt & Control	Recharges	(0.350)
11218	Developmnt & Control	Customer Client	7.500
10623	Safer Routes	Transport	(0.150)
10623	Safer Routes	Supplies & Services	(13.462)
10623	Safer Routes	Recharges	(0.200)
10623	Safer Routes	Recharges	(0.150)
10648	Parking Design	Employee Related	0.100
10648	Parking Design	Employee Related	0.250
10648	Parking Design	Transport	0.480
10648	Parking Design	Supplies & Services	0.290
10648	Parking Design	Supplies & Services	0.100
10648	Parking Design	Recharges	0.300
10648	Parking Design	Recharges	0.350
10648	Parking Design	Transport	0.150
10648	Parking Design	Supplies & Services	13.462
10648	Parking Design	Recharges	0.200
10648	Parking Design	Recharges	0.150
10648	Parking Design	Customer Client	(7.500)
TOTAL			-

A virement of £0.005m is requested within the Environment, Planning and Regeneration Directorate to re-align the Highways Income budget to ensure it reflects the costs and nature of this service provision. There is a nil impact on the service budgets.

Cost Centre		Account Group	Amount '£000
10618	Highways Other	Employee Related	(0.170)
10618	Highways Other	Employee Related	(0.100)
10618	Highways Other	Transport	(2.400)
10618	Highways Other	Transport	(0.800)
10618	Highways Other	Supplies & Services	(0.220)
10618	Highways Other	Recharges	(0.760)
10618	Highways Other	Recharges	(0.020)
10618	Highways Other	Recharges	(0.110)
10618	Highways Other	Recharges	(0.170)
10648	Parking Design	Employee Related	0.170
10648	Parking Design	Employee Related	0.100
10631	N.R.S.W.A.	Transport	2.400
10631	N.R.S.W.A.	Transport	0.800
10648	Parking Design	Supplies & Services	0.220
10648	Parking Design	Recharges	0.760
11209	Strategic Costs	Recharges	0.020
10648	Parking Design	Recharges	0.110
10648	Parking Design	Recharges	0.170
TOTAL			-

A virement of £0.108m is requested within the Environment, Planning and Regeneration Directorate to re-align the Community Safety budgets subsequent to the loss of Basic Command Unit (BCU) funding. There is a nil impact on the service budgets.

Cost Centre	Account Group	Amount £'000
10021 Safer Communities Unit	Employee Related	(92.130)
10021 Safer Communities Unit	Employee Related	(0.050)
10021 Safer Communities Unit	Employee Related	(4.310)
10021 Safer Communities Unit	Transport	(0.360)
10021 Safer Communities Unit	Transport	(0.150)
10021 Safer Communities Unit	Transport	(0.310)
10021 Safer Communities Unit	Supplies & Services	(0.200)
10021 Safer Communities Unit	Supplies & Services	(0.510)
10021 Safer Communities Unit	Supplies & Services	(1.020)
10021 Safer Communities Unit	Supplies & Services	(0.500)
10021 Safer Communities Unit	Supplies & Services	(6.150)
10021 Safer Communities Unit	Supplies & Services	(0.030)
10021 Safer Communities Unit	Supplies & Services	(0.540)
10021 Safer Communities Unit	Supplies & Services	(0.040)
10021 Safer Communities Unit	Supplies & Services	(0.720)
10021 Safer Communities Unit	Supplies & Services	(0.220)
10021 Safer Communities Unit	Customer Client	0.500
10996 Stronger Safer Communities Fund	Employee Related	92.130
10996 Stronger Safer Communities Fund	Employee Related	0.050
10996 Stronger Safer Communities Fund	Employee Related	4.310
10996 Stronger Safer Communities Fund	Transport	0.360
10996 Stronger Safer Communities Fund	Transport	0.150
10996 Stronger Safer Communities Fund	Transport	0.310
10996 Stronger Safer Communities Fund	Supplies & Services	0.200
10996 Stronger Safer Communities Fund	Supplies & Services	0.510
10996 Stronger Safer Communities Fund	Supplies & Services	1.020
10996 Stronger Safer Communities Fund	Supplies & Services	0.500
10996 Stronger Safer Communities Fund	Supplies & Services	6.150
10996 Stronger Safer Communities Fund	Supplies & Services	0.030
10996 Stronger Safer Communities Fund	Supplies & Services	0.540
10996 Stronger Safer Communities Fund	Supplies & Services	0.040
10996 Stronger Safer Communities Fund	Supplies & Services	0.720
10996 Stronger Safer Communities Fund	Supplies & Services	0.220
10996 Stronger Safer Communities Fund	Customer Client	(0.500)
TOTAL		-

A virement for £1.109m is requested within the Commercial Directorate , in order to carry out budget realignment within Information Systems. There is a nil impact on the service budgets.

Cost Centre	Account Group	Amount £'000
10342 Electronic Information Service	Support and Services	(9.140)
10342 Electronic Information Service	Real Recharges	1.500
10342 Electronic Information Service	Real Recharges	0.650
11001 IT Strategy	Employee Related	190.870
11001 IT Strategy	Employee Related	96.020
11001 IT Strategy	Employee Related	44.220
11001 IT Strategy	Employee Related	(33.540)
11001 IT Strategy	Real Recharges	0.860
11001 IT Strategy	Real Recharges	0.130
11001 IT Strategy	Real Recharges	3.430
11001 IT Strategy	Real Recharges	5.920
11001 IT Strategy	Support and Services	(308.890)
10599 Swift	Employee Related	(131.580)
10599 Swift	Employee Related	10.240
10599 Swift	Real Recharges	0.130
10599 Swift	Real Recharges	0.130
10599 Swift	Real Recharges	3.130
10599 Swift	Support and Services	(0.920)
11020 System Support	Support and Services	29.810
11020 System Support	Real Recharges	1.590
11020 System Support	Real Recharges	0.050
11020 System Support	Real Recharges	0.480
11020 System Support	Real Recharges	0.560
11020 System Support	Real Recharges	(35.110)
10413 Non Recoverable Costs from non GF Accounts	Support and Services	25.550
11021 Infrastructure	Support and Services	233.360
11021 Infrastructure	Real Recharges	33.920
11021 Infrastructure	Real Recharges	0.300
11021 Infrastructure	Real Recharges	0.010
11021 Infrastructure	Real Recharges	0.180
11022 Business Systems & Partnerships	Employee Related	(202.510)
11022 Business Systems & Partnerships	Employee Related	0.330
11022 Business Systems & Partnerships	Real Recharges	21.950
11022 Business Systems & Partnerships	Real Recharges	1.550
11022 Business Systems & Partnerships	Real Recharges	(22.490)
11022 Business Systems & Partnerships	Real Recharges	5.110
11022 Business Systems & Partnerships	Support and Services	(358.590)
11199 Service Desk	Employee Related	148.200
11199 Service Desk	Employee Related	0.150
11199 Service Desk	Real Recharges	0.110
11199 Service Desk	Real Recharges	(6.300)
11199 Service Desk	Support and Services	6.620
11022 Business Systems & Partnerships	Support and Services	242.010
TOTAL		-

AGENDA ITEM: 7 Pages 22 – 31

Meeting	Cabinet Resources Committee
Date	28th February 2012
Subject	**Treasury Management Outturn for quarter ended 31 December 2011**
Report of	Cabinet Member for Resources and Performance
Summary	To report on Treasury Management activity for quarter ended 31 December 2011.
Officer Contributors	John Hooton - Assistant Director of Strategic Finance Iain Millar – Head of Treasury and Pensions
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Money Market and PWLB Rates Appendix B – Deposits as at 31 December 2011 with Credit Ratings Appendix C – Compliance with Prudential Indicators Appendix D – List of School Banking Institutions
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Iain Millar, Head of Treasury and Pensions, 020 8359 7126.

1. RECOMMENDATIONS

1.1 That the Treasury Management activity and position for the third quarter ended December 2011 be noted.

1. 2 That the Committee notes the Council's response to continuing market uncertainty which is set out in sections 9.1.4 and 9.9.

2. RELEVANT PREVIOUS DECISIONS

2.1 Council, 1 March 2011 (Decision item 10 – Treasury Management Strategy 2011/12.

2.2 Cabinet Resources Committee 29 June 2011 (Decision item 6) - Treasury Management Outturn for the year ended 31 March 2011

2.3 Cabinet Resources Committee 27 September 2011 (Decision item 17) - Treasury Management Outturn for the quarter ended 30 June 2011.

2.4 Cabinet Resources Committee 14 December 2011 (Decision item 14) - Treasury Management Outturn for the quarter ended 30 September 2011

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Treasury Management Strategy (TMS) ensures effective treasury management supports the achievement of the Council's corporate priority for 2011-2013, 'Better services with less money', through the strategic objective "manage resources and assets effectively and sustainably across the public sector in Barnet". The TMS is committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

4. RISK MANAGEMENT ISSUES

4.1 Borrowing and deposit rates are determined by the market and can be volatile at times. Officers mitigate this volatility by monitoring the interest rate market in conjunction with treasury advisors and brokers, and by actively managing the debt and deposit portfolios.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Under the Equality Act 2010, the council must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity, race, religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

5.2 The management of the Council's cash flow ensures the availability of adequate monies to pay for the delivery of the authority's public duties.

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

6.1.1 The purpose of the treasury function is to maximise the Council's budget for investment return and minimise interest costs in accordance with the risk strategy set out in the TMS.

6.1.2 The total value of long term loans as at 31 March 2011 was £202.50m and for the quarter ended 31 December 2011 was £201.50m. The average cost of borrowing for quarter ending 31 December 2011 was at 4.10%.

6.1.3 At 31 December 2011, deposits outstanding amounted to £187.9m (including £5.97m of Icelandic impairments), achieving an average rate of return of 0.75% (adjusted for Icelandic deposits) against a benchmark of 0.43%. A list of deposits outstanding and counterparty credit ratings as at quarter end 31 December 2011 is attached as Appendix B.

6.2 In response to market uncertainty the Council has further restricted its investment criteria which may impact on investment performance in the final quarter of the year. The wider financial implications for the Council are dealt with in section 9 of this report.

7. LEGAL ISSUES

7.1 These are addressed in the body of this report.

8. CONSTITUTIONAL POWERS

8.1 Financial Regulations (Part 1, Section 7) within the Council Constitution state:

(1) This organisation adopts the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice (the Code), as described in Section 4 of that Code.

(2) Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.

(3) The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMP's) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

(4) The content of the policy statement and TMP's will predominantly follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the authority materially deviating from the Code's key recommendations.

(5) Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMP's. These reports will incorporate the prudential borrowing limits and performance indicators.

8.2 Constitution - Responsibilities for Functions, Section 3.6 states that a function of the Cabinet Resources Committee is to "consider reports on Treasury Management Strategy and activity, including creating and maintaining a Treasury Management Policy Statement."

9. BACKGROUND INFORMATION

9.1 Treasury Management Strategy

9.1.1 The Council's Treasury Management Strategy 2010/11 was approved at Council in March 2011. This strategy sets out the timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing.

9.1.2 The key changes introduced in 2010/11 in amending the strategy were:
(i) The extension of the maximum permissible duration of investments from 92 days to 364 days to bring the strategy in line with that of other local authorities and to enable a higher rate of return on investments.
(ii) The adoption of the Arlingclose (the Council's treasury advisors) counterparty list which includes the Debt Management Account Deposit Facility, T-Bills, UK local authorities, UK and non-UK banks and AAA-rated Money Market Funds.

9.1.3 The Treasury Management practice is under constant review to reflect market conditions and the financing requirements of the Council. The Council's treasury advisers Arlingclose are not recommending we adjust or tighten the current strategy, this will remain the same. Whilst Arlingclose have recommended reducing maximum duration for new investments from 365 days to 3 months for approved Australian, Canadian and US banks and no new investment In European banks. The Council's response to the current market conditions is set out below:

i) Given current market uncertainty, officers have followed an even more cautious strategy than has been recommended by Arlingclose for new investments. The Council's investments are temporarily restricted to 14 days duration unless approval is given by the Chief Finance Officer to exceed this duration.

ii) Tightening counterparty criteria. Treasury Officers are restricted to investing only with UK, Canadian and Australian institutions who meet the required minimum credit rating in accordance with the treasury management strategy.

iii) Since October 2011, Money Market Funds(MMF) have been opened to diversify cash investments in highly liquid financial instruments with the highest credit rating Arlingclose have recommended that MMF investments are restricted to 10% of the Council's total cash (previously 15%), in any one MMF. Investments must be diversified between a minimum of two funds and exposure limited to 0.5% of each MMF's total funds under management. The Council is currently investing in two MMF's with less than 10% of total cash in these accounts.

iv) Increasing use of the Debt Management Office because of market uncertainty and counterparty restrictions set out above.

9.1.4 The continuing European banking uncertainty has resulted in further down grading of the credit rating of some of the major UK institutions:- RBS, Bank of Scotland, Lloyds TSB, National Westminster Bank and Clydesdale Bank no longer meet the minimum lending criteria set out in the Treasury Management Strategy and new investments with these banks are temporarily suspended. In practice this means that there are only a limited number of counterparties left with the required credit rating.

9.1.5 Changes proposed to the 2012-2013 strategy (submitted to Cabinet on 20 February 2012) would amend the counterparty criteria to allow investment with banks which have systemic importance to the global banking system. This would allow new investment with the main UK clearing banks which have been removed from the current counterparty list. Investment would continue to be subject to an operational overlay to manage credit risk. There would be limits to investment duration and the counterparty list would be restricted to the key UK banks and subject to regular review.

9.1.6 Restrictions on duration of investment and exclusions from the counterparty list are expected to be a temporary measure. This report asks the Committee to note the cautious approach and the proposed amendments to the 2012-13 TMS.

9.2 Icelandic Bank Deposits

9.2.1 On 28 October 2011, the Supreme Court of Iceland upheld the District Court judgment for the test cases, that local authorities' claims are deposits that qualify in full for priority in the bank administrations. Securing priority creditor status means that authorities with deposits in Glitnir are set to recover 100 per cent of their money, whilst those with deposits in Landisbanki are estimated to recover 94.8 per cent.

9.2.2. Details of the timing of any distributions by the winding up board are uncertain. In the case of Glitnir, sufficient cash has already been realised in the winding up, to repay all of the principal due. However in the case of Landisbanki, assets are held in a basket of currencies and in property. It may take time for the administrators to realise these assets and this process could take several years.

9.2.3 The Council has set aside £14.1 million in the risk reserve and impaired £5.97 million in its accounts against Icelandic Bank losses. The latest indications are that the Council will, across both banks, recover a sum greater than the principle invested However, most of the recoverable deposits and interest due will be paid from escrow accounts in Icelandic and Norwegian Kroner, Euros, and US Dollars, so fluctuations in currency rates against sterling since 2009 is likely to result in a potential shortfall on the deposits and interest expected to be returned to the Council. The potential shortfall would be met from within the existing risk reserve.

9.3 Economic Background for quarter ended 31 December 2011

9.3.1 **Growth:** Lack of global growth prospects continued. Growth in the UK registered just 0.5% for the twelve months to September as domestic demand was depressed by low wage growth, high inflation and the fiscal policy measures taken by the coalition government to address the deficit and high level of debt an was not helped by the Eurozone Sovereign debt crisis.

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9.3.2 **Inflation**: Inflation remained high. Annual CPI for November was 4.8%; CPI had remained above Monetary Policy Committee's 3% upper limit for 23 consecutive months and required the Bank of England's Governor to write his eighth open letter to the Chancellor. The rise in September CPI to 5.2% had been anticipated because of planned increases in energy prices thought the medium term outlook is that inflation will lower.

9.3.3 **Employment / Consumer Confidence**: Unemployment on the ILO measure rose to 8.39%. and unemployment rose to 2.63% with youth unemployment reaching 1 million. Only service sector employment showed growth. There was little sign of wage pressures as average weekly earnings increased just 2%. Real wages (i.e. after inflation) have been negative for over three years resulting in lower disposable income, further damaging already fragile consumer confidence.

9.3.4 **Monetary Policy**. Central bankers' policies were driven by the feeble growth outlook rather than the upward trend in inflation. The slowdown in the global economy, a deterioration in the economic outlook, the severe strains in the bank funding markets and a continued lack of supply of credit were the reasons given by the Monetary Policy Committee's decision at its meeting in October to increase asset purchases (QE) by £75bn whilst maintaining the Bank Rate at 0.5%. The European Central Bank also opted for unconventional monetary policy by substantially increasing its refinancing operations. The ECB reintroduced year-long loans for banks and its main refinancing programme would be made available until at least July 2012, both of which are intended to provide much-needed liquidity for its banking sector.

9.3.5 The political impasse in the Eurozone threatened to derail peripheral nations and it was not surprising that the rating agencies' warnings became more strident. Moody's said that it would review the ratings of all European Union sovereigns in the first quarter of 2012 after December's summit failed to produce decisive policy measures. Fitch placed the ratings of several sovereigns including Italy, Spain, Belgium and Ireland on rating watch negative based on its view that a comprehensive solution to the crisis was technically and politically beyond reach.

9.3.6 **Gilt yields and money market rates** The very poor outlook for global growth has pushed back expectations for a rise in the UK bank rate to 2014/2015. Gilts once again benefited from their safe haven status and yields, which had already fallen to lows in the previous quarter, fell further. 5-year gilt yields fell to 1.13%, 10-year yields to 2.1% and 20-year yields to 2.85%.

9.3.7 Public Works Loan Board (PWLB) borrowing rates fell commensurately (the Board maintained the +0.90% margin above the equivalent gilt yield for new borrowing). There was very little change to Libor and Libid rates as at 31/12/2011, the differential 0.1% to 0.2% for maturities up to 12 months, although the differential widened with respect to overnight rates.

9.3.8 The TMS will be kept under review specifically in terms of market conditions, benchmarks and yield.

9.4 Debt Management

9.4.1 The total value of long term loans as at 31 March 2011 was £202.50m and for the quarter ended 30 December 2011 was £201.50m. There has been no borrowing in the financial year to date. The average cost of borrowing for the quarter ending 31 December 2011 was at 4.10%.

9.4.2 Given the significant cuts to local government funding putting pressure on Council finances, the decision was taken to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant (just over 3%). The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. The latest advice from Arlingclose is that there is no benefit from taking new long term debt while borrowing costs are forecast to remain at current levels.

9.4.3 The Council's long term debt position to the end of the quarter ended 31 December 2011 was as follows:

	31 December 2011		31 March 2011	
	Principal	Average Rate	Principal	Average Rate
PWLB	£139.00m	4.19%	£140.00m	4.19%
Market	£ 62.50m	3.91%	£ 62.50m	3.91%
Total Borrowing	£201.50m	4.10%	£202.50m	4.10%

9.4.4 The Council's long-term debt portfolio is a mixture of PWLB and market loans in the form of Lender's Option Borrower's Option, (LOBO's) loans that are at a fixed interest rate for an initial period, following which the lender can change the interest rate but the borrower has the option to repay the loan if the rate is changed and not considered value for money.

9.4.5 In order to comply with accounting standards for financial instruments, some of the market loans in the debt portfolio have been recalculated on an effective interest rate basis as opposed to being calculated on an amortised cost basis. The total value of loans in question before re-measurement was £9.5m; an additional charge of £0.36m was added to the carrying value of these loans.

9.4.6 Money Market data and PWLB rates are attached at Appendix A.

9.4.7 PWLB Borrowing: Despite the issue of Circular 147 in October 2010, where new borrowing rates for fixed loans increased by approximately 0.87% across all maturities, the PWLB remains the preferred source of borrowing for the Council as it offers flexibility and control.

9.4.8 In September 2011, the Department For Communities and Local Government (DCLG) announced the interest rate offered to local authorities by the PWLB will be temporarily reduced from January 2012 until 26 March 2012, The lending to which this reduced rate will apply is solely that of local authorities undertaking borrowing from the PWLB in order to make their 'settlement payment' to leave the existing annual subsidy system for council housing finance and from that point on be 'self-financing.

9.4.9 Alternative Sources: The decision to offer a reduced PWLB rate is cheaper than the forecast costs of borrowing from capital markets.

9.5 Investment Performance

9.5.1 The DCLG's revised Investment Guidance came into effect on 1 April 2010 and reiterated the need to focus on security and liquidity, rather than yield. Security of capital remained the Authority's main investment objective. This was maintained by following and complying with the counterparty policy as out in the TMS 2010/11.

9.5.2 Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, S&P and Moody's); credit default swaps; Gross Domestic Product (GDP) of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price.

9.5.3 Deposits are managed internally. At 31 December 2011, deposits outstanding amounted to £187.9million (£5.97m being Icelandic impairments)), achieving an average rate of return of 0.75% (adjusted for Icelandic deposits) against a benchmark of 0.43%.

9.5.4 The benchmark is the average 7-day LIBID rate is provided by the authority's treasury advisors Arlingclose. The LIBID rate or London Interbank Bid Rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

9.6 Prudential Indicators

9.6.1 The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of its indebted status. This is a statutory limit which should not be breached. The Council's Authorised Limit (also known as the Affordable Borrowing Limit) was set and approved at £463.818 million.

9.6.2 The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included with the Authorised Limit. The Council's Operational Boundary for 2011/2012 was set and approved at £448.818million

9.6.3 During the quarter end to 30 December 2011 there were no breaches of the Authorised Limit and the Operational Boundary.

9.6.4 Further details of compliance with prudential indicators are contained in Appendix C.

9.7 Compliance

9.7.1 The current 2011/2012 TMS was approved by Council on 1 March 2011. The TMS demands regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this Committee that all current deposits for investment are in line with agreed principles as contained within the corporate TMS.

9.7.2 As at quarter end 30 December 2011, the Council had deposits outstanding with a total value of £187.9 (£5.97m being Icelandic impairments) of which four Icelandic deposits totalling £27.4m fell outside the TMS as approved on 1 March 2011. A list of deposits outstanding and counterparty credit ratings as at quarter end 31 December 2011 is attached as Appendix B.

9.7.3 All Deposits placed during the quarter ended 30 December 2011 were compliant with the TMS as approved on 1 March 2011.

9.7.4 Treasury management procedures are monitored and reviewed in light of CIFPA guidance and current market conditions.

9.7.5 Update on schools banking - current position. The Department of Education changed their guidance on schools banking arrangements. The new guidance requires schools to bank with institutions that meet the requirements of approved counterparties as identified in the TMS. Appendix D contains a list of schools that currently bank with institutions that fall outside the TMS. Work is underway to transfer bank accounts to the approved list of banks and close bank accounts with those banks not on the approved list. Four schools were in discussion to transfer funds from Allied Irish Bank. Three of the schools have now transferred surplus funds from Allied Irish Bank. Accounts for two schools have also been opened with the Co-operative Bank. Work is in progress to open accounts and transfer accounts for the remaining school.

9.8 Reform of Council Housing Finance

9.8.1 In the publication Implementing Self-Financing for Council Housing issued in February 2011 the DCLG set out the rationale, methodology and financial parameters for the initiative. The Localism Bill received Royal Assent on 15 November 2011. The proposed transfer date is Wednesday 28th March 2012 (in line with PWLB timetables on the payment/receipt of funds to clear by the 31st of March 2012).

9.8.2 The self-financing model provides an indicative sustainable level of opening housing debt. As the Council's debt level generated by the model is higher than the Subsidy Capital Financing Requirement (SCFR), the Council will be required to pay the CLG the difference between the two, which is £102.58m. This will require the Council to fund this amount in the medium term through internal resources and/or external borrowing. The Council has the option of borrowing from the PWLB or the market.

9.8.3 The treasury management implications of HRA reform and an appropriate strategy to manage the process are being actively reviewed with the Council's Treasury Advisor and includes a thorough balance sheet analysis to ensure that the General Fund and the HRA SCFR's are accurate, including an estimate of the 2011/12 position upon which the significant reform settlement will be applied.

9.9. Outlook for Q3 2011

9.9.1 Financial markets remain extremely nervous and are suffering from extreme changes in sentiment. The stresses are most extreme in Europe where the lack of real progress in resolving the sovereign indebtedness problem is affecting even the stronger Euroland countries

9.9.2 At the time of writing this activity report, the outlook for interest rates is as follows:

	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Official Bank Rate													
Upside risk					0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													

9.9.3 The higher inflation projection and the weaker outlook for growth, increases the dilemma for the Bank of England. Given the precarious outlook for growth, rates will rise if there is firm evidence the economy has survived the fiscal consolidation or there is sustained inflationary pressure over the coming months.

9.9.4 The Chancellor of the Exchequer set out reduced forecast for growth in his Autumn Statement on 29 November. The Office for Budget Responsibility expects GDP in Britain to grow this year by 0.9% – and by 0.7% next year. The OBR believes that higher than expected inflation driven by a sharp increase in global commodity prices is the main reason for slower than expected growth.

9.9.4 The Consumer Price Index (CPI) has remained persistently high, but fell from 5.2% in September to 5.0% in October. RPI fell to 5.4% from 5.6%. CPI is forecast to remain above the Bank of England's 2% target throughout 2012.

9.9.5 Retail sales are contracting. Consumer spending has not shown any growth over the year due to a fall in disposable income, weak house price growth and a lack of consumer confidence. Unemployment and youth unemployment in particular continues to rise and will increase as the public sector shrinks and if private sector employment grows at only a modest pace.

10. Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the third quarter of the financial year 2011/12. As indicated earlier in this report, none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
The proposed changes to counterparty credit criteria are set out in the 2012-2013 Treasury Management Strategy.

11. LIST OF BACKGROUND PAPERS

11.1 None.

Legal – JKK
CFO – JH/MC

Table 1: Bank Rate, Money Market Rates 1.4.11-31.12.11

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2011	0.50	0.40	0.54	0.54	0.69	1.12	1.59	1.89	2.36	3.00
30/04/2011	0.50	0.50	0.40	0.49	0.69	1.05	1.52	1.62	2.07	2.74
31/05/2011	0.50	0.40	0.40	0.52	0.69	1.08	1.56	1.53	1.89	2.54
30/06/2011	0.50	0.50	0.40	0.56	0.77	1.06	1.54	1.44	1.82	2.5
31/07/2011	0.50	0.40	0.40	0.50	0.78	1.07	1.55	1.29	1.53	2.1
31/08/2011	0.50	0.40	0.40	0.56	0.86	1.15	1.63	1.27	1.43	1.92
30/09/2011	0.50	0.60	0.60	0.54	0.92	1.21	1.69	1.25	1.38	1.98
31/10/2011	0.50	0.63	0.55	0.56	0.96	1.25	1.74	1.30	1.42	1.81
30/11/2011	0.50	0.65	0.58	0.64	1.01	1.31	1.80	1.41	1.49	1.76
31/12/2011	0.50	0.50	0.65	0.67	1.05	1.35	1.84	1.31	1.34	1.54
Minimum	0.50	0.40	0.35	0.49	0.68	1.01	1.40	1.08	1.23	1.62
Average	**0.50**	**0.46**	**0.43**	**0.55**	**0.84**	**1.16**	**1.64**	**1.42**	**1.71**	**2.30**
Maximum	0.50	0.65	0.95	0.67	1.05	1.35	1.84	1.96	2.42	3.08
Spread		0.25	0.60	0.18	0.37	0.34	0. 44	0.88	1.19	1.46

Table 2 : PWLB Borrowing (Maturity) – Fixed Rate Summary 1.4.11 to 5.1.12

Maturity	5.1.12	Low 2011-12	Average 2011-12
1 year	1.28	1.19	1.52
4½-5 yrs	2.06	1.97	2.70
9½-10 yrs	3.10	3.03	3.88
14½-15 yrs	3.62	3.56	4.42
29½-30 yrs	4.11	4.03	4.79
49½-50 yrs	4.12	3.98	4.77

Table 3 : PWLB Premature Repayment (Maturity) – Fixed Rate Summary 1.4.11 to 5.1.12

Maturity	5.1.12	Low 2011-12	Average 2011-12
1 year	0.17	0.08	0.41
4½-5 yrs	1.55	1.46	2.01
9½-10 yrs	2.12	2.04	2.77
14½-15 yrs	2.69	2.62	3.44
29½-30 yrs	3.64	3.58	4.44
49½-50 yrs	4.04	3.98	4.76

Following the announcement in the CSR on 20th October 2010 and from instruction by HM Treasury, the PWLB has increased the interest rate on all new loans by an average of 1% above U.K. Government Gilts.

- The new borrowing rate for fixed rate loans whether borrowed on an EIP, Annuity or Maturity loans have increased by around 0.87% across all maturities.
- The premature repayment rates do not benefit from the corresponding increase and the PWLB's methodology remains unchanged.

For variable rate loans, the rate is 0.90% higher than preciously, so a premium of 0.90% should be added to the variable rate published on the PWLB website

Table 3: Credit Score Analysis

Scoring:

Long-Term Credit Rating	Score
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10
Not rated	11
BB	12
CCC	13
C	14
D	15

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit

The Council aims to achieve a score of 5 or lower, to reflect the Council's overriding priority of security of monies invested and the minimum credit rating of threshold of A+ for investment counterparties.

Appendix B – Deposits as at 31 December 2011 with Credit Ratings

DEPOSITS OUTSTANDING AS AT 31 DECEMBER 2011 FOR LONDON BOROUGH OF BARNET

Deal Number	Counter Party	Start Date	Maturity Date	Rate of Interest %	Principal Outstanding	Max Limit	Actual Limit	Fitch Rating				Moody's Rating			S&P Ratings	
								L Term	S Term	Indiv	Support	L Term	S Term	Fin Stgth	L Term	S Term
	Local Authorities and Debt Management Office															
2000011294	MONMOUTHSHIRE COUNTY COUNCIL	16-Dec-11	05-Jan-12	0.3	1,000,000			AAA				Aaa			AAA	
2000011297	SWINDON BOROUGH COUNCIL	21-Dec-11	04-Jan-12	0.3	5,000,000											
2000011298	METROPOLITAN POLICE	21-Dec-11	06-Jan-12	0.4	15,000,000											
2000011293	DEBT MANAGEMENT OFFICE	16-Dec-11	03-Jan-12	0.25	19,800,000											
2000011301	DEBT MANAGEMENT OFFICE	23-Dec-11	04-Jan-12	0.25	2,500,000											
					43,300,000											
	UK Banks & Building Societies															
2000010341	BANK OF SCOTLAND	09-Sep-09	CALL A/C	0.75	16,500,000	37,500,000	13.30%	AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1
2000011027	BANK OF SCOTLAND	11-Jan-11	10-Jan-12	2.00	4,000,000			AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1
2000011070	BANK OF SCOTLAND	17-Feb-11	17-Feb-12	2.10	4,500,000			AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1
2000010527	BARCLAYS COMMERCIAL BANK	11-Feb-10	CALL A/C	0.45	20,200,000			AA-	F1+	B	1	Aa3	P-1	C	A+	A-1+
2000011142	ROYAL BANK OF SCOTLAND	16-Jun-11	30-Mar-12	1.25	2,300,000			AA-	F1+	C	1	Aa3	P-1	C-	A+	A-1
2000011145	ROYAL BANK OF SCOTLAND	22-Jun-11	20-Jun-12	1.48	1,700,000			AA-	F1+	C	1	Aa3	P-1	C-	A+	A-1
2000011290	HSBC	15-Dec-11	12-Jan-12	0.40	6,500,000			AA	F1+	B	1	Aa2	P-1	C+	AA-	A-1+
2000011292	HSBC	16-Dec-11	16-Jan-12	0.40	18,500,000			AA	F1+	B	1	Aa2	P-1	C+	AA-	A-1+
					74,200,000											
	Money Market Funds															
2000011251	AVIVA INVESTORS	09-Nov-11	on call	0.82	6,000,000			AAA				Aaa			AAA	
2000011284	GOLDMAN SACHS ASSET MANAGEMENT	09-Dec-11	on call	0.78	12,000,000			AAA				Aaa			AAA	
					18,000,000											
	Non UK Banks & UK Building Societies															
2000011281	AUSTRALIA & NEW ZEALAND BANKING CORP	08-Dec-11	06-Jan-12	0.50	9,500,000			AA-	F1+	B	1	Aa2	P-1	B-	AA-	A-1+
2000011289	AUSTRALIA & NEW ZEALAND BANKING CORP	15-Dec-11	12-Jan-12	0.48	5,000,000			AA-	F1+	B	1	Aa2	P-1	B-	AA-	A-1+
2000011299	AUSTRALIA & NEW ZEALAND BANKING CORP	21-Dec-11	20-Jan-12	0.50	10,500,000			AA-	F1+	B	1	Aa2	P-1	B-	AA-	A-1+
					25,000,000											
			Average rate of return	**0.75**												
	Investments outside TMS															
	Icelandic Banks															
2000005163	GLITNER BANK (ICELAND)	07-Nov-06	frozen		7,000,000											
2000005218	GLITNER BANK (ICELAND)	24-Jan-07	frozen		3,000,000											
2000005226	GLITNER BANK (ICELAND)	07-Feb-07	frozen		2,400,000											
2000005511	LANDISBANKI ISLANDS H.F.	28-Sep-07	frozen		15,000,000											
					27,400,000											
TOTAL VALUE OF INVESTMENTS AS AT 30 SEPTEMBER 2011					**187,900,000**											
	LESS ICELANDIC IMPAIRMENT AS AT 30 SEPTEMBER 2011				**-5,969,000**											
					181,931,000											

Appendix C: Prudential Indicator Compliance

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2011/12 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	40
Compliance with Limits:	Yes

Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	**Upper Limit %**	**Lower Limit %**	**Actual Fixed Rate Borrowing as at 31/12/11**	**% Fixed Rate Borrowing as at 31/12/11**	**Compliance with Set Limits?**
Under 12 months	0	50		0	N/A
12 months and within 24 months	0	50	0	0	N/A
24 months and within 5 years	0	75		0	N/A
5 years and within 10 years	0	75	0	0%	N/A
10 years and above	0	100	201,500,000	100%	Yes

Appendix D: List of Schools Banking Institutions

School	Banking
Bishop Douglass	LlOyds TSB
Finchley Catholic High	Co-Operative
St James' Catholic High	Nat West
St Michaels Cath Gram	Allied Irish
Osidge JMI	Barclays
Mill Hill High	Barclays
Akiva	Barclays
All Saints NW2	Co-Operative
All Saints N20	Co-Operative
Annunciation Inf	Co-Operative
Annunciation Jun	Co-Operative
Barnfield	Co-Operative
Beis Yaakov	Co-Operative
Bell Lane	Co-Operative
Blessed Dominic	Co-Operative
Broadfields Primary	Co-Operative
Brookland Inf	Co-Operative
Brookland Jun	Co-Operative
Brunswick Park	Co-Operative
Chalgrove	Co-Operative
Childs Hill	Co-Operative
Christchurch JMI	Co-Operative
Church Hill	Co-Operative
Claremont Primary	Co-Operative
Colindale	Co-Operative
Coppetts Wood	Co-Operative
Courtland	Co-Operative
Cromer Road	Co-Operative
Deansbrook Inf	Co-Operative
Deansbrook Jun	Co-Operative
Dollis Inf	Co-Operative
Edgware Inf	Co-Operative
Edgware Jewish Primary	Co-Operative
Edgware Jun	Co-Operative
Fairway	Co-Operative
Foulds	Co-Operative
Frith Manor	Co-Operative
Garden Suburb Inf	Co-Operative
Garden Suburb Jnr	Co-Operative
Goldbeaters	Co-Operative
Grasvenor Avenue Inf	Co-Operative
Hasmonean Primary	Co-Operative
Hollickwood	Co-Operative
Holly Park	Co-Operative
Holy Trinity	Co-Operative
Hyde	Co-Operative
Independent Jewish	Co-Operative
Livingstone	Co-Operative
Manorside	Co-Operative
Martin Primary School	Co-Operative
Menorah Primary	Co-Operative
Monken Hadley CE	Co-Operative
Monkfrith	Co-Operative
Moss Hall Inf	Co-Operative
Moss Hall Jun	Co-Operative
Northside	Co-Operative
Orion	Co-Operative
Our Lady of Lourdes	Co-Operative
Pardes House	Co-Operative
Parkfield	Co-Operative
Queenswell Inf	Co-Operative
Queenswell Jun	Co-Operative
Rosh Pinah	Co-Operative
Sacred Heart	Co-Operative
St Agnes RC	Co-Operative
St Andrews CE	Co-Operative
St Catherines RC	Co-Operative
St Johns CE N11	Co-Operative
St Johns CE N20	Co-Operative
St Josephs RC Inf	Co-Operative
St Josephs RC Jun	Co-Operative
St Mary's & St Johns Primary	Co-Operative
St Marys CE N3	Co-Operative
St Marys CE EB	Co-Operative
St Pauls CE N11	Co-Operative
St Theresas RC	Co-Operative
St Vincents RC	Co-Operative
Summerside	Co-Operative
Sunnyfields	Co-Operative
Trent	Co-Operative
Tudor	Co-Operative
Underhill Inf	Co-Operative
Underhill Jun	Co-Operative
Wessex Gardens	Co-Operative
Whitings Hill	Co-Operative
Woodcroft Primary	Co-Operative
Woodridge	Co-Operative
Christs College Finchley	Co-Operative
Copthall	Co-Operative
Friern Barnet	Co-Operative
Hasmonean High	Co-Operative
Henrietta Barnett	Co-Operative
JCoSS	Co-Operative
Ravenscroft	Co-Operative
Whitefield	Co-Operative
Mapledown	Co-Operative
Northway	Co-Operative
Oak Lodge	Co-Operative
Oakleigh	Co-Operative
BrookHill Nursery	Co-Operative
Hampden Way Nursery	Co-Operative
Moss Hall Nursery	Co-Operative
St Margaret's Nursery	Co-Operative
Menorah Foundation	HSBC
Danegrove	Lloyds TSB
Dollis Junior	Lloyds TSB
Mathilda Marks Kennedy	Lloyds TSB
St Pauls CE NW7	Lloyds TSB
Hendon	Nat West
Queen Elizabeth's Girls'	Nat West
St Mary's C E High	Nat West

AGENDA ITEM: 8 Pages 32 – 39

Meeting	Cabinet Resources Committee
Date	28th February 2012
Subject	Ex Hendon Football Club Ground and adjoining land Claremont Road, Hendon
Report of	Cabinet Member for Resources and Performance
Summary	To reconsider the decision to dispose of the Council's freehold interest in the ex Hendon Football Club stadium to Montclare Ltd following a reference back to the decision maker (Commercial Director in consultation with the Cabinet Member for Resources and Performance) by the Business Management Overview and Scrutiny Committee. In light of changed circumstances, the decision maker has elected to refer the matter to the Cabinet Resources Committee for decision to enable matters raised by the Business Management Overview and Scrutiny Committee and recent changes in circumstances to be addressed

Officer Contributors	Philip Stanbridge – Principal Valuer
Status (public or exempt)	Public, with separate exempt report
Wards affected	Golders Green Ward
Enclosures	Appendix A – Plan no. 23356/17.
	Appendix B – Delegated Powers Report of 25th November 2011
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	The report seeks Cabinet Resources Committee's confirmation of the decision of the Commercial Director, in consultation with the Cabinet Member for Resources and Performance, recorded in Delegated Powers Report number 1497 following its call-in and consideration by Business Management Overview &

Scrutiny Committee. The decision is thus not eligible for call-in for a second time.

Contact for further information: Philip Stanbridge, Principal Valuer, 020 8359 7349, philip.stanbridge@barnet.gov.uk.

1. RECOMMENDATIONS

1.1 Cabinet Resources Committee take into account the information contained in the public and the exempt reports and agree that authority be given to complete the sale of the Council's freehold interest in this site to Montclare Limited on the terms authorised by the Director for Commercial Services in consultation with the Chairman of the Cabinet Resources Committee as set out in the Delegated Powers Report of 25th November 2011.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee (CRC), 18th September 2003 – approved in principle the freehold sale of the Hendon Football Club site for residential development.

2.2 CRC, 8th July 2004 – approved terms, (amongst other matters) to the ultimate transfer of the freehold interest in part of the site to Ealing Family Housing Association for the building of an elderly persons care home and day centre.

2.3 On 18th October 2004 – Outline Planning Consent was granted for 162 two bedroom flats and a care home.

2.4 CRC, 26th September 2005 – approved terms for the sale of the freehold of the site to the developer Kings Oak North London, subject to extensive conditions safeguarding the Council's objectives and the future of Hendon Football Club.

2.5 CRC 6th December 2006 – agreed to proceed with conditional contracts to Oracle Homes Ltd and City and Docklands Property Group on their offers for the sale of part of the Hendon Football Club site subject to various conditions.

2.6 CRC 14th January 2008 – approval was given to the sale of this Council's freehold interest to Hendon Football Club Ltd

2.7 CRC 28th July 2011 – approval was given to proceed with negotiations with Montclare Ltd and for the final terms to receive approval of the Commercial Director in consultation with the Chair of the Cabinet Resources Committee.

2.8 Delegated Powers Report 1467 dated? 25th November 2011 – gave authority to proceed with the sale on the terms agreed and noted in the exempt part of the report.

2.9 Business Management, Overview and Scrutiny Committee (BMOSC), on 9th January 2012 – referred the decision back to the decision maker (Commercial Director (in consultation with the Cabinet Member for Resources & Performance)), for reconsideration to investigate different uses for the land, taking into account the demand for local community use and retention of open space

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Under the Corporate priority 'Better Services with Less Money', the Council has committed to 'Better use Council assets'.

3.2 The Council's Estates Strategy 2011-2015 sets out our commitment to continually review the use of council assets so as to reduce the cost of accommodation year on year and to obtain best consideration for any surplus assets to maximise funds for capital investment and/or the repayment of capital debt. This proposal supports this, by producing a capital receipt for the Council in line with this objective.

3.2 These proposals align with the Council's objectives for regeneration in the Borough as set out in the Council's Local Development Framework. The Regeneration Service has been consulted and their observations are included below.

4. RISK MANAGEMENT ISSUES

4.1 When disposing of land, Section 123 of the Local Government Act 1972 requires local authorities to achieve the best consideration reasonably obtainable. The proposed sale has not been the subject of a marketing process because it has arisen out of on-going negotiations with the lessee, Montclare Ltd. A valuation has been undertaken by an independent third party (The Valuation Office Agency) and the report has confirmed that the agreed price and terms are the best consideration reasonably obtainable.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Under the Equality Act 2010, the Council must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regards to eliminating discrimination

5.2 The proposals have been considered and will not give rise to any issues under the Council's Equalities Policy and do not compromise the Council in meeting its statutory equalities duties.

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

6.1 It is anticipated that a capital receipt will be receivable by this Council although the current rent receivable will cease. Details of the estimated capital receipt are set out in the accompanying exempt report.

7. LEGAL ISSUES

7.1 Any disposal of land must comply with the provisions of Section 123 of the Local Government Act 1972 in that, 'except with the consent of the Secretary of State, a council shall not dispose of land under this section, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained'. As noted above an independent valuation has been commissioned and has confirmed that the Council has satisfied this statutory requirement.

7.2 At BMOSC concern was raised by both a member of the public and Members of the Committee that covenants contained in the Conveyance dated 3 November 1925 ('1925 Covenant') and in the Agreement dated 11 March 1927 ('1927 Agreement'), prohibited the sale of the land for any other use than for open space and recreation.

7.3. The 1925 Covenant was discharged in September 2006 by a successful application to the Lands Tribunal.

7.4.1 As both the benefit and burden of the 1927 Agreement merged and vested in the Council, the covenants contained therein were effectively discharged. An application was made cancelling the entry in the Land Charges and Local Land Charges registers with the knowledge and subject to the approval of the London Borough of Bromley.

7.5 The 1927 Agreement and a supplemental 1936 Agreement, were essentially financial agreements between Hendon Urban District Council (HUDC) and Middlesex County Council (MCC), which would have meant that had the former HUDC wanted to redevelop the site, they would have been subject to MCC's consent and likely repayment of their initial contribution plus interest. In the case of a breach of the Agreement, the contributions which were made by the former MCC, together with interest, would have had to be repaid. As detailed above, since both the benefit and burden of the covenants vest in the Council, they have been discharged and cannot be enforced.

7.6 Section 63 (Schedule 14) of the Education Act 2011, replacing Schedule 1 to the Academies Act 2010, making related changes, including to Schedule 22 to the School Standards and Framework Act 1998 have been considered. With regards to the potential bid from London Jewish Girls High School (LJGHS), the regulations including changes to arrangements governing the disposal of publicly funded land do not apply to the specifics of this disposal.

8. CONSTITUTIONAL POWERS

8.1 Constitution, Part 3, Responsibility for Functions - paragraph 3.6 states the functions of the Cabinet Resources Committee which includes all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.

8.2 Constitution, Overview and Scrutiny Procedure Rules – section 15 details the call-in procedure.

8.2.1 Section 15.9 provides that the BMOSC are able to refer decisions back to the original decision making body or person for reconsideration, setting out the nature of its concerns. At the BMOSC meeting held on 9 January 2012, the decision (taken by the Commercial Director (in consultation with the Cabinet Member for Resources and Performance), Delegated Powers Report 1467) to dispose of the ex Hendon Football Club site to Montclare Developments Limited was referred back to the decision-maker to request that different uses for the land be investigated, taking into account the demand for local community use and retention of open space.

8.2.2 Section 15.10 stipulates that where a decision is referred back to the original decision maker, he/she will reconsider the decision and decide whether or not to change it before adopting a final decision. Following the reference back, the Commercial Director (in consultation with the Cabinet Member for Resources and Performance) have decided, in light of changed circumstances, to refer the matter up to the Cabinet Resources Committee for decision to enable matters raised by the BMOSC and recent changes in circumstances to be addressed.

9. BACKGROUND INFORMATION

9.1 The background to the ex Hendon Football Club site has been set out in the report to the Committee on 28th July 2011 which details the lengthy history of negotiations with the lessee, Hendon Football Club Ltd, and their current owners, Montclare Ltd, which since 2004 have sought to bring forward the site of the former Hendon Football Club ground for redevelopment and capital gain for the Council.

9.2 At the meeting on 28th July 2011, the Committee provided authority for officers to negotiate a sale of the Council's freehold interest in the site to Montclare Ltd and to report terms, when agreed, in the form of a delegated powers report (DPR) completed by the Commercial Director, in consultation with the Chairman of the Committee.

9.3 Terms were agreed and the DPR was signed on 25th November 2011. This decision was called-in and reviewed by the BMOSC on 9th January when it was decided that the decision should be referred back to the decision-maker (the Commercial Director in consultation with the Cabinet Member for Resources & Performance) for reconsideration to investigate different uses for the land, taking into account the demand for local community use and retention of open space.

9.4 The decision maker has carefully considered the issues raised and an approach from LJGHS and has found no grounds for changing the previous decision. However, in view of the strength of feeling expressed at BMOSC he has consulted with the Cabinet Member for Resources and Performance and has decided to refer the matter back to CRC for a final decision. This report addresses the substantive issues raised by the BMOSC and examines the LJGHS position in guiding this decision.

9.4.1 Whilst the stated terms of the referral are understood, they fail to acknowledge that 85 years of a 99 year lease, held by Montclare Ltd, remain unexpired. During this time possession of the site remains with the lessee such that the Council is not free to act unilaterally to deliver recreation or community uses without first securing the lessee's agreement or buying the leasehold interest. Past negotiations have addressed the option of buying out the Montclare lease but have foundered, not only on the disinclination of Montclare to sell, but the inability or unwillingness of either the Council or the Brent Cross development partner, Hammersons, to fund a purchase price which would exceed £5 million. Furthermore, currently, the lessee has no wish to consider other uses or indeed offers at this time wishing only to proceed with the development project previously planned.

9.4.2 During the period that the redevelopment has been contemplated there have been various approaches received by officers from recreational and community groups wishing to explore alternative uses for the site. These have been discussed and explored with the groups concerned and have been subject to liaison with Montclare Ltd where appropriate. None of the approaches however have been sufficiently funded, planned or organised to justify collaborative exploitation with the lessee given that, as noted above, Montclare wish to proceed with the earlier planned redevelopment.

9.4.3 BMOSC Members raised the view however that the lease could be forfeited because of failures by the lessee to comply with its conditions, such as to keep the buildings in repair, to only use the ground for the playing of football and to provide part of the site for car parking. Whilst indeed, contrary to the lease terms, actions leading to these breaches have occurred, they have been undertaken on the request or instruction of this Council. Forfeiture of the lease would require action under Section 146 of the Law of Property Act 1925 and, given the context of the breaches and that no action has been taken in respect of these matters and rent has continued be collected, it is likely that a Court would be minded to grant the lessee relief from forfeiture.

9.4.4 The terms of the referral further appear not to hold in mind that the potential for community and recreational uses were considered as part of the granting of planning permission in 2004 and indeed will form part of any future consideration if the site proceeds to residential development. At the point of considering a new planning consent Section 106 agreement, funds that will flow from the development can be directed towards recreational, transport and public realm improvements, community uses within the area as well as the delivery of affordable housing.

9.4.5 It was questioned at BMOSC as to whether the appropriate market value for the sale was being achieved. This matter is addressed at paragraph 4.1 above. Independent external valuers from the Valuation Office Agency have confirmed that the values and deal structure agreed with Montclare Ltd are at the best terms reasonably obtainable.

9.5 In 2003, the Council instigated a plan to redevelop the site for housing. In pursuit of that plan, which involved working as development partners with Montclare Ltd and it's predecessor in title, LBB granted to itself planning consent for the re-development and worked with Montclare to move the football activities from the site pending the redevelopment. Accordingly the playing of football at the Claremont Road ground was discontinued at the end of season 2007/2008. Soon after the site became the subject of significant and repeated squatting which has been addressed by the lessee, at significant cost. In 2009 on specific instruction from the Council, the enclosed buildings on site were demolished to prevent further occupation. Further squatting again had to be addressed together with the removal of some hazardous fly tipping as recently as December 2011. The lessee has made it clear that they believe that in acting in reliance on assurances from the Council of working jointly towards the redevelopment and in that context concurring with the Councils requests and instructions, they have suffered loss of income and incurred significant costs.

9.6 In weeks after BMOSC the LJGHS indicated that they wished also to make an offer for the freehold interest in this site. The details of this offer are set out in the exempt report. This offer does not however include clear indication of how the leasehold interest will be acquired and Montclare have indicated in writing that they do not wish to dispose of their leasehold interest to the school and have not been involved with the preparation of the offer. Therefore this offer is not considered to be capable of delivering redevelopment of the site.

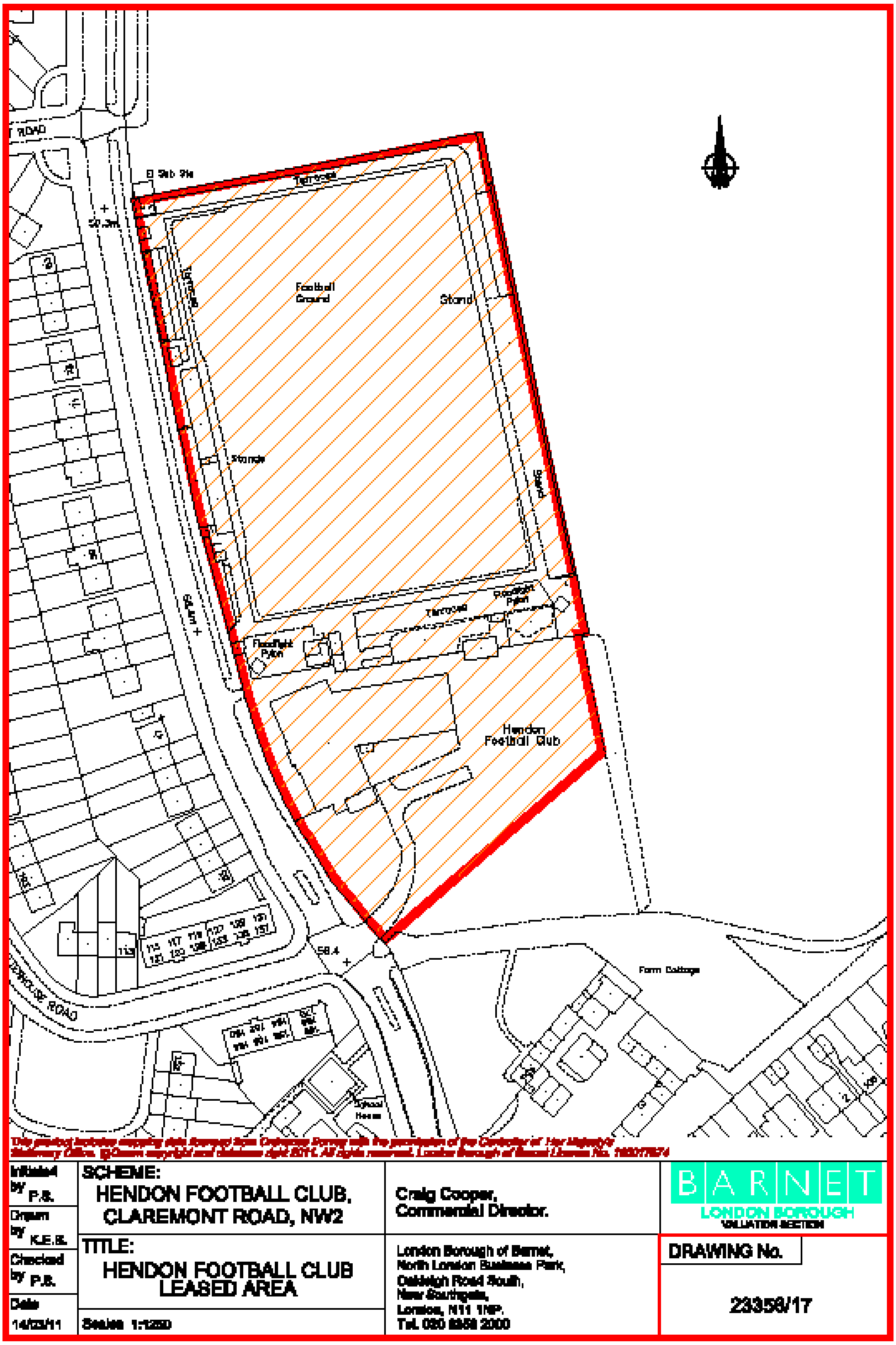
LIST OF BACKGROUND PAPERS

10.1 None.

Legal: JKK/JO'H
Finance: MC

Appendix A

Plan



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DELEGATED POWERS REPORT NO. **1497**

SUBJECT: Ex Hendon Football Club Ground and adjoining land Claremont Road, Hendon

Control sheet

All of the following actions MUST be completed at each stage of the process and the signed and dated report MUST be passed to Governance Service for publishing

All reports		
1. Governance Service receive draft report	Name of BGO Date	Andrew Charlwood 04/11/2011
2. Governance Service cleared draft report as being constitutionally appropriate	Name of BGO Date	Andrew Charlwood 04/11/2011
3. Finance clearance obtained *(report author to complete)*	Name of Fin. officer Date	Hayley Woolard 18/11/2011
4. Staff and other resources issues clearance obtained *(report author to complete)*	Name of Res. officer Date	N/A
5. Trade Union response received (Staffing issues only)	Name of TU rep. Date	N/A
6. Legal clearance obtained from *(report author to complete)*	Name of Legal officer Date	Joanna Kromidias 11/11/2011
7. Policy & Partnerships clearance obtained *(report author to complete)*	Name of P&P officer Date	Andrew Nathan 04/11/2011
8. Equalities & Diversity clearance obtained *(report author to complete)*	Name of officer Date	Andrew Nathan 04/11/2011
9. The above process has been checked and verified by Director, Head of Service or Deputy ***(report author to complete)***	Name Date	Craig Cooper 25/11/2011
10. Signed & dated report, scanned or hard copy received by Governance Service for publishing	Name of BGO Date	Andrew Charlwood 28/11/2011
11. Report published by Governance Service to website	Name of BGO Date	Andrew Charlwood 29/11/2011
Officer reports:		
12. Head of Service informed report is published and can be implemented.	Name of BGO Date	N/A
Cabinet Member reports:		
13. Expiry of call-in period	Date	05/12/2011
14. Report circulated for call-in purposes to BMOSC members & copied to Cabinet & Head of Service	Name of BGO Date Date	Andrew Charlwood 29/11/2011

ACTION TAKEN UNDER DELEGATED POWERS BY OFFICER IN CONSULTATION WITH CABINET MEMBER(S) (EXECUTIVE FUNCTION)

Subject	**Ex Hendon Football Club Ground and adjoining land Claremont Road, Hendon** **Sale of freehold interest to Montclare Developments Ltd**
Officer taking decision	Commercial Director
Cabinet Member(s)	Cabinet Member for Resources and Performance
Date of decision	25 November 2011
Date decision comes into effect	5 December 2011
Summary	Further to the Cabinet Resources Committee decision of 29th July approval is now sought to proceed with the sale of this property on the terms noted in the exempt report.
Officer Contributors	Philip Stanbridge, Principal Valuer
Status (public or exempt)	Public (with separate exempt report)
Wards affected	Golders Green Ward
Enclosures	Appendix – Cabinet Resources Report of 29th July 2011 Appendix – Plan No 23356/17
Reason for exemption from call-in (if appropriate)	Not applicable

Contact for further information: Philip Stanbridge, Principal Valuer, 020 8359 7349, philip.stanbridge@barnet.gov.uk.

Serial No. 1497

1. RELEVANT PREVIOUS DECISIONS

1.1 Cabinet Resources Committee (CRC), 18th September 2003 - approved in principle the freehold sale of the Hendon Football Club site for residential development.

1.2 CRC, 8th July 2004 - approved terms, (amongst other matters) to the ultimate transfer of the freehold interest in part of the site to Ealing Family Housing Association for the building of an elderly persons care home and day centre.

1.3 Planning and Environment Committee,18th October 2004 - outline planning consent was granted for 162 two bedroom flats and a care home.

1.4 CRC, 26th September 2005 - approved terms for the sale of the freehold of the site to the developer Kings Oak North London, subject to extensive conditions safeguarding the Council's objectives and the future of Hendon Football Club.

1.5 CRC, 6th December 2006 - agreed to proceed with conditional contracts to Oracle Homes Ltd and City and Docklands Property Group on their offers for the sale of part of the Hendon Football Club site subject to various conditions.

1.6 CRC, 14th January 2008 - approval was given to the sale of this Council's freehold interest to Hendon Football Club Ltd.

1.7 Business Management Overview and Scrutiny Committee, 11th July 2011 – the Committee asked questions of the Cabinet Member for Resources and Performance on the proposed sale of the site.

1.8 CRC, 29th July 2011 - gave authority to proceed to conclude negotiations with Montclare Developments Ltd and to report to the Chairman for approval to the agreed terms and to complete the sale.

2. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

2.1 The Corporate Plan commits the Council to delivering better services with less money. A key principle of the Medium Term Financial Strategy is to continually review the use of council assets so as to reduce the cost of accommodation year on year and to obtain best consideration for any surplus assets to maximise funds for capital investment and/or the repayment of capital debt. This proposal does this by producing a capital receipt for the council which can be set against this priority.

2.2 The Regeneration Service has been consulted and confirmed that the proposals in this report do not significantly adversely impact any of the council's regeneration schemes.

3. RISK MANAGEMENT ISSUES

3.1 When disposing of land, Section 123 of the Local Government Act 1972 requires local authorities to achieve the best consideration reasonably obtainable. The terms indicated in the exempt report are the result of extensive negotiation and a wide reaching internal valuation process, however, to be sure that best value has been obtained, the terms set out in the exempt report will be the subject of an independent valuation process conducted by the Valuation Office Agency and the transaction will not proceed unless their report considers the terms agreed are the best reasonably obtainable.

3.2 As reported in the CRC report of 29th July 2011.

4. EQUALITIES AND DIVERSITY ISSUES

4.1 The proposals have been considered and will not give rise to any issues under the Council's Equalities Policy and do not compromise the council in meeting its statutory equalities duties.

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

5.1 There are no procurement, performance and value for money, staffing, IT or sustainability implications.

5.2 The sale will produce a significant capital receipt for the council, as detailed in the exempt report.

6. LEGAL ISSUES

6.1 No issues other than those concerning the powers of disposal under the Local Government Act 1972 as detailed in the CRC report of 29th July 2011.

7. CONSTITUTIONAL POWERS

7.1 Council Constitution, Part 3, Responsibility for Functions - paragraph 6.1 provides that Chief Officers can take decisions without consultation with the Cabinet Member concerned where it is it involves the implementation of policy or earlier decision of the Council or Cabinet or

Committee. The decision of the Cabinet Resources Committee on 28th July 2011 provided officers with authority to conclude negotiations with Montclare Ltd for the sale of the freehold interest in the site. The decision stipulated that upon conclusion of the negotiations, the outcome be reported to the Chairman (the Cabinet Member for Resources and Performance) to provide authority for the Council to complete the necessary documentation for the sale of the freehold site. This report is pursuant to that requirement and the decision to proceed with the disposal of the site is being taken by the Commercial Director (in accordance with his delegated powers) in consultation with the Cabinet Member for Resources and Performance (Chairman of the Cabinet Resources Committee).

8. BACKGROUND INFORMATION

8.1 The Cabinet Resources Report of 29th July 2011 detailed the history of proposed development schemes on the ex Hendon Football Club site and requested authority to conclude negotiations for the sale of the council's freehold to Montclare Developments Ltd who now own Hendon Football Club Ltd.

8.2 Negotiations have continued and terms have been provisionally agreed. The bulk of the sale price, as set out in the exempt report, is required to be paid in full on completion of the sale. Further additional (overage) and balancing payments are due if the scale of the development and proportion of affordable housing differ from the bench mark assumptions made when determining the main capital sum.

8.3 Completion of the sale will be subject to a new residential planning consent and appropriate S106 agreement replacing an original outline consent that is now considered inappropriate in scale and configuration. Completion of the sale is conditional on the reserved matters relating to the old outline planning consent being withdrawn by Montclare, such that the consent will lapse.

8.4 A deposit equivalent to 5% of the sum indicated in the exempt report will fall due on exchange of contracts. This deposit will be refundable if the transaction does not proceed, should Montclare fail to obtain the necessary planning consent to develop the site.

8.5 However, if planning consent and completion take place as expected, the sums of additional payment will fall to be paid no later than 18 months after exchange of contracts.

8.6 The sums noted in the exempt report are significantly less than those previously contemplated and reported to CRC in 2008. These falls are due not only to the general decline in residential property values and the increase in construction costs since 2008 but also, crucially, the reduction in scale of the development by approximately 170 habitable rooms (from its earlier 500 plus rooms), together with an increased affordable housing requirement.

8.7 A new planning consent, assuming the scale noted above, will deliver in the order of £1.25m of Section 106 and related contributions together with affordable housing or equivalent payments in the order of £4.9m.

9. LIST OF BACKGROUND PAPERS

9.1 None.

10. CONSULTATION WITH CABINET MEMBER(S)

10.1 The Cabinet Member for Resources & Performance has been consulted and has agreed the action taken.

11. OFFICER'S DECISION

I authorise the following action:

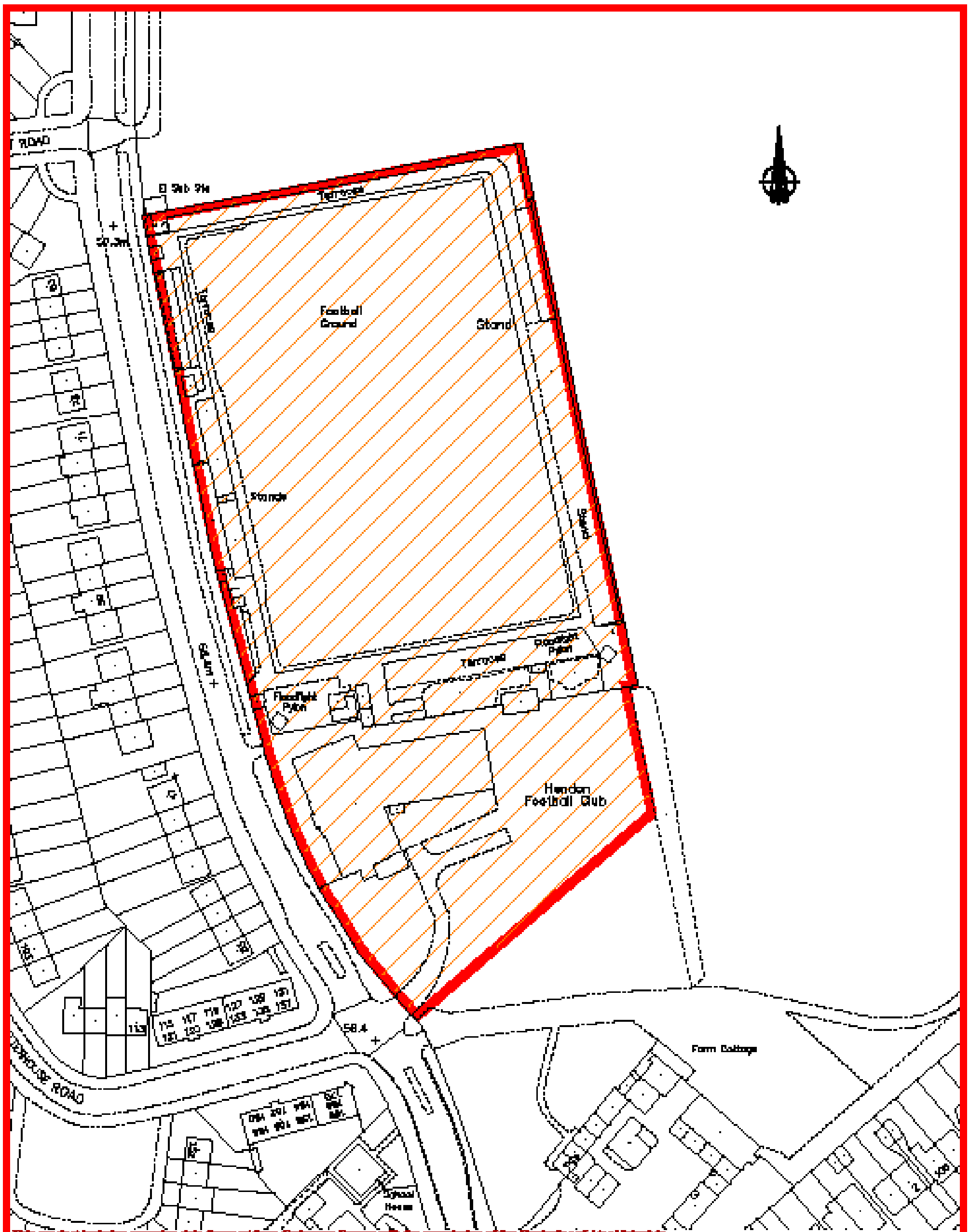
11.1 To proceed with the sale of the ex Hendon Football Club ground and adjoining land in Claremont Road, Hendon to Montclare Developments Ltd on the terms set out above and in the exempt report.

Signed ______________________________

Craig Cooper

Director of Commercial Services

Date **25 November 2011**



Initialed by P.S.	SCHEME: HENDON FOOTBALL CLUB, CLAREMONT ROAD, NW2	Craig Cooper, Commercial Director.	BARNET LONDON BOROUGH VALUATION SECTION
Drawn by K.E.S.			
Checked by P.S.	TITLE: HENDON FOOTBALL CLUB LEASED AREA	London Borough of Barnet, North London Business Park, Oakleigh Road South, New Southgate, London, N11 1NP. Tel. 020 8359 2000	DRAWING No. 23356/17
Date 14/03/11	Scales 1:1250		

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AGENDA ITEM: 8 Pages 33 – 40

Meeting	Cabinet Resources Committee
Date	28 July 2011
Subject	Ex Hendon Football Club Ground and Adjoining Land Claremont Road, Hendon
Report of	Cabinet Member for Resources and Performance
Summary	Provisional indicative terms have been agreed with the tenant of this site for their purchase of the Council's freehold interest. Authority is sought to proceed with negotiations on the basis set out in this Report.

Officer Contributors	Philip Stanbridge – Principal Valuer
Status (public or exempt)	Public with separate exempt report
Wards affected	Golders Green Ward
Enclosures	Appendix 1 - Plan no. 23356/17
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Philip Stanbridge, Principal Valuer, 020 8359 7349, philip.stanbridge@barnet.gov.uk.

1. RECOMMENDATIONS

1.1 That officers be given authority to seek to conclude negotiations for the sale of the freehold interest of this site to Montclare Ltd (the current owners of Hendon Football Club Ltd), being the tenant of this site. This should be upon a basis which satisfies the Council's requirement to achieve best consideration and reflect the development, permitted under a new planning consent to be submitted by Montclare.

1.2 That upon conclusion, the outcome of these negotiations be reported to the Chairman for authority for the Council to complete the necessary documentation for the sale of the freehold site.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee (CRC), 18th September 2003, approved in principle the freehold sale of the Hendon Football Club site for residential development.

2.2 CRC, 8th July 2004, approved terms, (amongst other matters) to the ultimate transfer of the freehold interest in part of the site to Ealing Family Housing Association for the building of an elderly persons care home and day centre.

2.3 On 18th October 2004 Outline Planning Consent was granted for 162 two bedroom flats and a care home.

2.4 CRC, 26th September 2005, approved terms for the sale of the freehold of the site to the developer Kings Oak North London, subject to extensive conditions safeguarding the Council's objectives and the future of Hendon Football Club.

2.5 CRC 6th December 2006 agreed to proceed with conditional contracts to Oracle Homes Ltd and City and Docklands Property Group on their offers for the sale of part of the Hendon Football Club site subject to various conditions.

2.6 CRC 14th January 2008 approval was given to the sale of this Council's freehold interest to Hendon Football Club Ltd

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Under the Corporate priority 'Better Services with Less Money', the Council has committed to 'Better use Council assets'.

3.2 The Council's Estates Strategy 2011- 2015 sets out our commitment to continually review the use of council assets so as to reduce the cost of accommodation year on year and to obtain best consideration for any surplus assets to maximise funds for capital investment and/or the repayment of capital debt. This proposal supports this, by producing a capital receipt for the Council in line with this objective.

3.3 These proposals align with the Council's objectives for regeneration in the Borough as set out in the Council's Local Development Framework. The Regeneration Service has been consulted and their observations are included below.

4. RISK MANAGEMENT ISSUES

4.1 When disposing of land, Section 123 of the Local Government Act 1972 requires local authorities to achieve the best consideration reasonably obtainable. The proposed sale has not been the subject of a marketing process because it has arisen out of on-going negotiations with the Montclare . An independent valuation will therefore be sought to confirm that the agreed price satisfies the Council's statutory duty.

4.2 The outline planning consent was granted without the usual S106 agreement because, as the applicant was the London Borough of Barnet, any such agreement would have been with itself and therefore invalid. The intention had been to secure to the Council these S106 benefits in settlements as part of the land deal. The reserved matters submitted by Montclare have never been determined, leaving the permission extant. Whilst this represents a risk to the Council this has been addressed by Montclare's agreement to withdraw the reserved matters. This will cause the original planning application to lapse and any new application will be concluded with an appropriate S106 agreement by Montclare.

4.3 In 2000, LBB invited tenders for the provision of new care homes and their ongoing management. The tender that was accepted from Catalyst, involved the sequential demolition of old unsuitable care homes and the reconstruction of new purpose built facilities. Perryfields, was one of the units which it was intended to rebuild. However when the potential extent of the West Hendon Regeneration area became clear, there was a possibility that the unit might be subject to compulsory purchase. Catalyst were thus offered two alternative units which they rejected. Further discussions took place in 2002 which resulted in a proposal to utilise part of the Hendon Football Club site subject to various conditions which were not satisfied.

4.4 Legal Services have confirmed that although a site swap agreement was entered into with Catalyst in respect of Perryfields, the conditions were not satisfied within the time frame and long stop dates have expired.

4.5 Whilst discussions are ongoing with Catalyst, these sites no longer form part of negotiations. Arbitration proceedings have taken place regarding a deficit claim by Catalyst, have been settled. Whilst discussions are ongoing with Catalyst concerning abortive costs, these sites no longer form part of negotiations. There is therefore no reason why this proposed disposal cannot now proceed.

4.6 The possibility of retention of the site for inclusion within the Brent Cross regeneration scheme has also been considered. This would require the acquisition of the leasehold interest from Montclare in order to achieve a unified site. This option has been examined with the Council's regeneration department, who have not to date secured the requisite interest from the Council's identified regeneration partners, to commit the necessary capital to the purchase.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The proposals have been considered and will not give rise to any issues under the Council's Equalities Policy and do not compromise the Council in meeting its statutory equalities duties.

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

6.1 On the conclusion of further negotiations between the Council and Montclare, it is anticipated that a capital receipt will be receivable by this Council although the current rent receivable will cease.

7. LEGAL ISSUES

7.1 Any disposal of land must comply with the provisions of Section 123 of the Local Government Act 1972 in that, ‘except with the consent of the Secretary of State, a council shall not dispose of land under this section, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained’. As noted above an independent valuation has been commissioned, to ensure that the Council satisfies this statutory requirement.

8. CONSTITUTIONAL POWERS

8.1 The Constitution, in Part 3, Responsibility for Functions, paragraph 3.6 states the functions delegated to the Cabinet Resources Committee including all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.

9. BACKGROUND INFORMATION

9.1 The London Borough of Barnet owns the freehold of the site in Claremont Road, being the former site of the Hendon Football Club ground. The site is subject to a 99 year lease granted to the club in 1997. The original intention at the time of that grant was that the club would continue to play at the ground.

9.2 It became evident however that there was a capital gain to be made, for both parties, from the redevelopment of the facility and LBB worked very closely with Hendon Football Club Ltd (HFC Ltd) to bring that about. In 2004 outline planning permission was granted (to LBB) for a substantial residential development which provided a residential care home and 162 two bedroom flats.

9.3 As set out in section 2 above, various options were proposed and a joint marketing of the site was undertaken. In 2007, it was agreed that LBB would sell its freehold interest to HFC Ltd (by that point owned by Montclare) who would then proceed to redevelop the site. However, before this sale could be completed, there was a significant collapse in the property market which undermined the viability of the scheme and Montclare withdrew.

9.4 The vacated stadium and ancillary buildings became the subject of unauthorised occupation by squatters. After legal action by Montclare to secure possession, the buildings were demolished and the site hoarded in the autumn of 2009 although in recent months it has again been the subject of further squatting which has been addressed as at the date of this Report.

9.5 With the steadying of the property market, interest in the potential redevelopment has re-emerged although at significantly lower levels than those of 2007. Whilst active marketing has not been undertaken, the Council has received approaches to sell its freehold interest including an offer from Montclare who wish now to proceed and build a residential scheme on the site.

9.6 In theory, the holder of an interest in land should always be able to bid more than competitors who hold no interest. This is because the merger of two interests, (in this case the leasehold and the freehold), produces an asset worth more than the sum of its parts. Thus a bid from Montclare, who hold the leasehold interest, should exceed that which could be offered by other bidders. This will however, be confirmed by independent valuation as set out in section 7 above.

9.7 As noted in paragraph 4.2, a condition of the agreement will be that the existing outline planning consent be allowed to lapse by withdrawal of the reserved matters application. This will permit a new, less dense and more appropriate development in a low rise configuration to be considered for the site. Inevitably this less intense development will reduce the value of the site from its earlier levels and the formula shown in the exempt report for determining the value allows the development permitted, to determine the price to be paid. If approval is given to seek to conclude a sale with Montclare, they will then proceed to submit a new planning application.

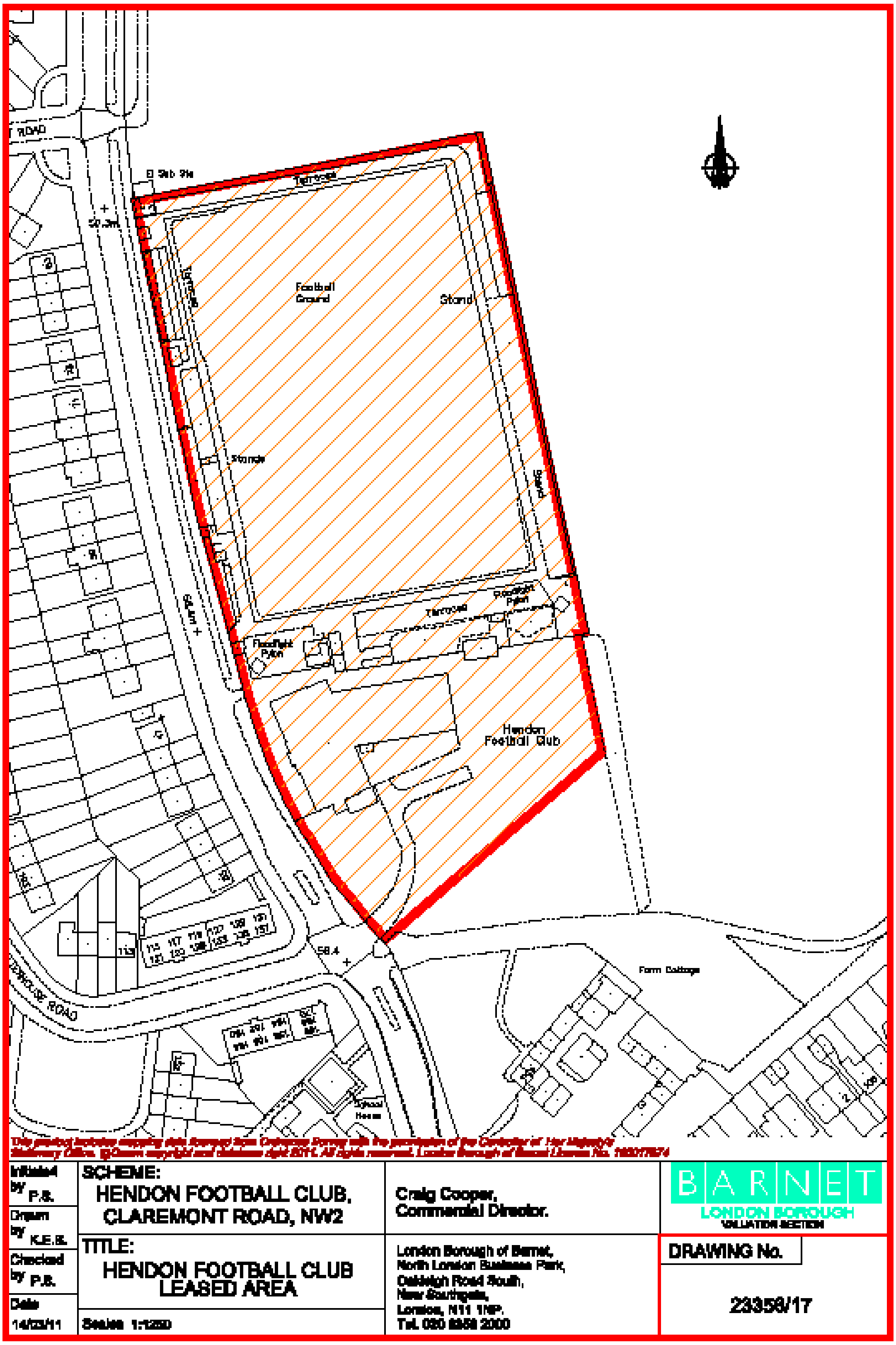
9.8 An offer, in the form of a structure and method of calculation of payments, has been submitted by Montclare. Details are set out in the exempt report and will, subject to approval by this Committee, form the starting point for negotiations seeking a recommendable transaction. These negotiations will examine alternative deal structures to be sure that best value is secured for the Council in any transaction. It is intended that the outcome of any negotiations will be reported back to the Chairman of this committee before any agreement is finalised.

LIST OF BACKGROUND PAPERS

10.1 None.

Legal: JK
CFO: MC/JH

Appendix 1: Plan



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AGENDA ITEM: 9 Pages 40 – 44

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Write off of general income debts**
Report of	Cabinet Member for Resources and Performance
Summary	This report proposes the write off of individual debts in excess of £5,000 in respect of income debts totalling £65,151.74

Officer Contributors	David Rowe, Interim Income Manager Maria G. Christofi – Assistant Director – Financial Services
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix – Listing of income debts recommended for write off
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: David Rowe, Interim Income Manager, 020 8359 7242.

1. RECOMMENDATIONS

1.1 That the income debts totalling £65,151.74 and detailed in the Appendix to this report be written off.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee

31 October 2007 - Write off of Income Debts in excess of £5000.00

1 December 2008 - Write off of Income Debts in excess of £5000.00

28 March 2011 - Write off of Income Debts in excess of £5000.00

16 January 2012 – Approval of Debt Management Strategy

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The write off of these debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income that helps to deliver the council's strategic objective to 'Manage resources and assets effectively and sustainably across the public sector in Barnet'.

4. RISK MANAGEMENT ISSUES

4.1 The recommendation to write off these debts recognises that there is no longer a realistic possibility of these sums being recovered. All appropriate avenues have been exhausted in attempting to recover these sums.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 It is not considered that this matter is likely to impact on the Council's statutory duties under the Equality Act 2010 or raise any concerns under the Council's Equalities and Diversity Policies.

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

6.1 The amounts being recommended for write off are within the bad debt provision.

6.2 There are no other resource implications.

7. LEGAL ISSUES

7.1 The Council has a duty to its taxpayers to take reasonable steps to recover money owed to it. However, the recovery of certain debts is precluded by statute including those where the debtor is subject to bankruptcy proceedings. The Council is also statute barred from recovering debts founded on simple contract which are over six years old by virtue of section 5 of the Limitation Act 1980.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution in Part 3, Responsibility for Functions, paragraph 3.6 states that the functions of the Cabinet Resources Committee include "to write off debt".

9. BACKGROUND INFORMATION

9.1 The debt referred to in this report is for general income debt and where there is no prospect of recovery. There are a number of reasons including, that the debtor has died leaving insufficient estate or the debtor has gone into liquidation or bankruptcy.

9.2 Two of these debts relate to legacy debts raised on SAP as part of the migration from earlier financial systems.

9.3 The recovery rate for outstanding debt continues to improve and since the beginning of this financial year the total value of the outstanding debt has fallen by 8.02%.

9.4 The Council has a fiduciary duty to its council taxpayers to recover monies owing to it. The Council also has a duty to act reasonably.

9.5 The breakdown of the debt by the financial year that the debt was initiated is as follows:

Financial year	Number of invoices	Amount £
2003	1	8,550.06
2005	1	13,220.04
2006	1	5,521.46
2008	1	6,009.50
2009	2	31,850.68
Totals	**6**	**£65,151.74**

9.6 The breakdown of the debt by service area is as follows:

Service Area	Number of invoices	Amount £
Adult Social Services	5	53,114.21
Deputy Chief Executives	1	12,037.53
Totals	**6**	**£65,151.74**

9.7 The collection procedures used for the recovery of these debts has included the issue of an invoice, a reminder and also a final notice, followed by a Notice before Proceedings. Efforts would also have been made to contact the debtor where possible and to agree suitable instalment arrangements.

9.8 The reasons for non-recovery in these cases are as follows:

- In three instances the clients have passed away and there are insufficient funds in the estate to clear the outstanding debts,
- In one instance the London Borough of Barnet has been granted appointeeship and although the current debts are being met this cannot be retrospectively applied to debts incurred prior to the appointeeship.
- In one instance the recovery action has been exhausted.
- For the debt within the Deputy Chief Executives service the debtor successfully applied for bankruptcy preventing the outstanding debt from being collected.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: VG
CFO: MC

APPENDIX – Schedule listing the proposed amount to be written off

Document Number	Document Date	O/S Amount
000001	24/10/2003	8,550.06
000002	12/01/2006	13,220.04
000003	20/07/2006	5,521.46
000004	03/09/2008	6,009.50
000005	30/06/2009	12,037.53
000006	17/12/2009	19,813.15

AGENDA ITEM: 10 Pages 45 – 52

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Award of Contract – Corporate Buildings Security**
Report of	Cabinet Member for Resources and Performance
Summary	This report seeks approval to award a three year buildings security contract, with an option to extend for a further two years to Blue 9 Security Ltd.

Officer Contributors	Craig Cooper – Director of Commercial Services Martyn Carter – Procurement Manager, Commercial Services Jeff Mazzoni – Strategic Facilities Manager, Commercial Services
	Public (with separate exempt report)
Wards affected	All
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contacts for further information: Martyn Carter, 020 8359 7267.

1. RECOMMENDATIONS

1.1 That the contract for the provision of Buildings Security Services be awarded to Blue 9 Security Ltd at an annual cost of £883,218 for a period of three years and with an option to extend for a further two years.

2. RELEVANT PREVIOUS DECISIONS

2.1 Delegated Powers Report No 798, May 2009 by the Director of Resources to authorise the instigation of a specification phase followed by a tender exercise to test the market and determine if a corporate security contract is in the best interests of the Council and maximises potential for savings and efficiency gains.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The three priority outcomes set out in the 2011/13 Corporate Plan are:

- Better services with less money
- Sharing opportunities, sharing responsibilities
- A successful London suburb

3.2 The outsourcing of corporate buildings security services to one provider will help to achieve efficiencies in terms of client side contract management. It is also evident that tendering companies have submitted competitive rates in anticipation of securing a significant level of business covering several buildings.

4. RISK MANAGEMENT ISSUES

4.1 Due diligence was undertaken during the selection and award stages of the tender process, particularly in respect of prospective suppliers financial viability, capacity and resources.

4.2 In accordance with the Council's Contract Procedure Rules, companies invited to tender were requested to verify that they would be able to provide a Parent Company Guarantee or Performance Bond. The proposed contract also provides for additional contractual remedies in the event of unsatisfactory performance.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Pursuant to the Equality Act 2010, public sector organisations have a responsibility to consider equality as part of this procurement.

5.2 The council is also under an obligation to have due regard to eliminating unlawful discrimination, advancing equality and fostering good relations in the contexts of age, disability, gender reassignment, pregnancy, and maternity, religion or belief and sexual orientation.

5.3 This duty, also, applies to a person, who is not a public authority but who exercises public functions and therefore must, in the exercise of those functions, have due regard to the general equality duty. This includes any organisation contracted by a local authority to provide services on its behalf.

5.4 The role for this duty in this procurement, is to make sure that those who might bid for the contract are not discriminated against, which is largely consistent with the requirements of the EC Treaty referred to at paragraph 7 below. And in addition, the pre-qualification stage of the tender process included an evaluation of applicants' procedures for equalities and diversity to ensure that they were in accordance with the Council's procedures.

5.5 The pre-qualification stage of the tender process included an evaluation of applicants' procedures for equalities and diversity to ensure that they were in accordance with the Council's procedures.

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

6.1 Procurement – The procurement of buildings security services was undertaken in accordance with the Procurement Directives for Part B services and followed the restricted procedure which involves an initial pre-qualification selection process. Pre-qualification was followed by Invitation to Tender award stage. The evaluation team involved officers from Commercial Services, Customer Services, Environmental Services and The Deputy Chief Executive's Department. The tender process was overseen by Corporate Procurement.

6.2 Finance – The Contract is to be awarded for an initial period of three years at £2.649m with the option to extend for a further two years at the Council's discretion. The estimated total value for the five years of contract for this period will be approximately £4.416m.

6.3 Performance & Value for Money – The contract does not allow any annual uplift in cost for three years. Given the high profile of this contract and the need for a professional service covering properties with diverse requirements, client side contract monitoring will be regular and pro–active. The contract specification was drafted to include procedures for regular reporting and communication. The cost of the services will be met from the existing budgets set for each building.

6.4 Staffing – The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) applies to this tender in respect of first and second generation employees. Sixteen contracted employees and two Barnet Council employees are eligible for TUPE transfer. The relevant employee details were provided to the tendering companies. Specific information regarding TUPE Plus and pension provisions was provided in respect of the two Council employees.

6.5 I.T - The successful service provider will supply a patrol management system for use at Council buildings. The costs of related hardware and software have been included within tenders.

7. LEGAL ISSUES

7.1 The basic premise applying to the letting of contracts for works, supplies or services by contracting authorities is that the provisions of Directive 2004/18/EC, as implemented by the Public Contracts Regulations 2006 (as amended), should be adhered to. For the most part this set of rules (the **"**Procurement Rules**"**) requires there to be fair and open competition across the European Community for government contracts.

7.2 The Procurement Rules as apply to services differentiate between Part A services and Part B services. Part A services are subject to the full tendering regime. Part B services have a comparatively relaxed regime applying to them, covering only matters such as ensuring that specifications for services are not discriminatory and that reporting and notifying obligations are met. Part B services are not subject to the rules requiring publication of the invitation to tender on a Community-wide basis because they would generally be of less interest to service providers from other member states.

7.3 The proposed buildings security contract falls within Part B services. However, contracting authorities are still required to comply with the Treaty on the Functioning of the European Union (formerly the EC Treaty principles) in the way they carry out procurements and also to obtain value for money. These principles apply to all procurements with a "cross-border interest", whether or not the full procurement regime applies. This means that the contracting authority is expected to ask itself whether there is a market for these services in other member states and if so what form of appropriate notification and advertisement should apply before an award of contract.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution, Part 3, Responsibility for Functions, paragraph 3.6 states the terms of reference of the Cabinet Resources Committee

9. BACKGROUND INFORMATION

9.1 Following the decision to authorise the instigation of a specification phase followed by a tender exercise for buildings security, a restricted tender process was undertaken. There are five corporate buildings within the scope of the tender, namely; Hendon Town Hall, Barnet House, Barbara Langstone House, Mill Hill Depot and Burnt Oak Library. There are currently two companies providing the buildings security services. North London Business Park was not included in the tender because security services are provided by the Council's Landlord for this building. The Council pays for security at North London Business Park as part of the service charge.

9.2 Each of the buildings have specific requirements in terms of security. Barnet House requires high profile security to deal with occasional incidents of aggressive or confrontational behaviour relating to Housing. There are also occasions where a security presence is required when the Children's Service deal with sensitive family issues. Hendon Town Hall occasionally requires security guards at public meetings. There can be large numbers of people at these meetings and it is imperative that Security Guards can be tactful and calm when dealing with the public. Barbara Langstone House includes residents who may be vulnerable. Consequently, there is a need for Security Guards who are trained in Close Protection. Burnt Oak Library experiences occasional incidents of anti-social behaviour and night time vandalism which results in the need for visible security that can liaise with the local police and deal effectively with such incidents. Mill Hill Depot requires a twenty four hour security presence given the scale of activity and Council assets located within the complex. Particular attention was given to the specification to take account of all the buildings security requirements.

9.3 A tender advertisement was placed on 17th June 2011 informing any interested parties to request the Pre-Qualification Questionnaire (PQQ). A total of 134 companies requested the PQQ. Following the statutory 37 day period, a total of 35 PQQ's were completed and returned.

9.4 <u>Pre – Qualification Evaluation</u>

9.4.1 The evaluation team scored the questionnaires in accordance with a pre-determined criteria covering: Experience, Capacity, Financial Viability, Environmental Aspects, Health and Safety. The top ten scoring companies were selected for short listing. The table below details the results for the top 10 scoring companies.

Company	Score
Company B	85.4%
Company E	83.3%
Company C	81.0%
Company G	80.9%

Company F	78.9%
Company D	77.3%
Company A	79.4%
Company H	76.1%
Blue 9	74.5%
Company J	73.8%

9.5 Tender Evaluation

9.5.1 Following PQQ evaluation, Invitations to tender were sent to the short listed companies. Tenders were returned on 7th November 2011. Company J decided to withdraw from the tender therefore leaving 9 tender submissions.

9.5.2 Tenders were evaluated on the basis of the most economically advantageous tender according to the criteria and corresponding weightings set out in the table below and notified to the bidders with the Invitation to Tender. The evaluation was based on a combination of Quality and Price with the ratio of 50/50 (50 Quality and 50 Price).

Award Criteria	**Weighting %**
1. Ability to ensure continuity in service provision including cover for civil emergencies.	10
2. Capacity and Resources to support the contract	15
3. Ability to meet the requirements of the specification	15
4. Ability to provide and evaluate management performance information to monitor and improve services including delivery and monitoring of KPI's	10
6. Price	50

9.5.3 Each tender submission detailed the total annual cost of providing Building Security services in accordance with the tender pricing schedule. The proposed costs annual costs are detailed in the table below.

Tenderer Name	Cost
Company A	£702,546.62
Company B	£689,651.93
Company C	£837,959.00
Blue 9	£883,218.00
Company D	£987,838.00
Company E	£699,732.45
Company F	£701,164.00
Company G	£845,901.94
Company H	£713,145.00

9.5.4 The score for cost was calculated by using a formula which takes the median figure of all the bids (£784, 572.99) and awarding 50 points at that level. Tenders were scored based on percentage variance from the median level. Therefore tenders priced above the median resulted in one point per percentage point deducted from 50 and tenders priced below the median level resulted in one point per percentage point added to 50. The score was subsequently divided by two in order to aggregate with the 50% quality weighting. This is a common method for scoring tender costs.

9.5.5 The evaluation team individually scored each bid according to the quality sub criteria and reached a consensus on scores for each bidder. The table below details the combined scores for quality and cost.

Tender Name	**Weighted Price Score**	**Weighted Quality Score**	**Overall**
Company A	30.23	22	**52.23**
Company B	31.05	27	**58.05**
Company C	21.60	32	**53.60**

Blue 9	18.71	45	**63.71**
Company D	12.05	10	**22.05**
Company E	30.41	22	**52.41**
Company F	30.32	22	**52.32**
Company G	21.09	10	**31.09**
Company H	29.55	8	**37.55**

9.5.6 The evaluation team commented on the significant variance of the tenders in terms of cost and qualitative factors. It was evident that three of the tendering companies had not addressed the specific requirements and simply provided prices and standard forms detailing their procedures. The lower priced tenders were scrutinised in particular to ensure that all requirements had been considered. It was noted that certain tenders had not considered a number of factors ranging from unrealistic costing of close protection duties, training requirements, bank holiday cover and start up costs. In particular, the lower priced bids were comparatively short on site specific solutions and weak on detail relating to key performance indicators. It was also noted that a number of tender responses did not confirm that they could provide a Performance Bond along with the associated costs.

9.5.7 The evaluation team agreed that Blue 9 Security Ltd offered the most economically advantageous tender that covered all of the Council’s requirements.

10. LIST OF BACKGROUND PAPERS

10.1 Tender Files for the provision of Buildings Security Services (ref 50347).

10.2 Anyone wishing to inspect these background papers should contact Martyn Carter on: 020 8359 7267

Legal: PJ
CFO: MC

Putting the Community First

BARNET LONDON BOROUGH

AGENDA ITEM: 11 Page nos. 53 - 61

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Appointment of Insurer for Liability and Motor Insurance and the Appointment of Legal Providers for Associated Advice, Assistance and Representation**
Report of	**Cabinet Member for Resources and Performance**
Summary	To note the acceptance of the tender from Zurich Insurance, trading as Zurich Municipal Insurance, for the Council's liability and motor insurances from 1 October 2010, and the appointment of legal providers for associated advice, assistance and representation.

Officer Contributors	Paul Lawrence, Head of Insurance
Status (public or exempt)	Public (with separate exempt report)
Wards affected	Not applicable
Enclosures	Appendix A – Scoring
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Paul Lawrence, Head of Insurance, 020 8359 7197

1. RECOMMENDATIONS

1.1 To note the acceptance of the tender submitted by Zurich Insurance, trading as Zurich Municipal Insurance, for the Council's liability and motor insurances, with effect from 1 October 2010, at a first year annual premium of £359,231, subject to a 3 year Long Term Agreement expiring 30 September 2013, with an option to extend for a further 2 years to 30 September 2015.

1.2 Upon the annual renewal of the Council's liability and motor insurances arrangements to waive the sealing requirement contained in Contract Procedure Rule 10.6.

1.3 To retrospectively agree:-

(i) the waiver of the Council's Contract Procedure Rules in respect of the procurement of the provision of legal advice, assistance and representation required as a result of claims made before 1 April 2012 under the Council's liability and motor insurances arrangements; and

(ii) the entry into contracts from April 2011 with (a) Weightmans LLP, (b) Kennedys LLP, and (c) Barlow Lyde & Gilbert LLP for the provision of legal advice, assistance and representation required as a result of claims made before 1 April 2012 under the Council's liability and motor insurances arrangements.

1.4 To waive the Council's Contract Procedure Rules in respect of the procurement of the provision of legal advice, assistance and representation required as a result of claims made after 1 April 2012 under the Council's liability and motor insurances arrangements.

1.5 To enter into contracts with:-

(i) legal providers on the panels of the Council's respective insurers; and

(ii) ad hoc specialist legal providers,

for the provision of legal advice, assistance and representation required as a result of claims made after 1 April 2012 under the Council's liability and motor insurances arrangements.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee 22 July 2008 (Decision Item 9) – Resolved that the Insurance Strategy and Risk Analysis Appendix be adopted.

2.2 Cabinet 22 February 2010 (Decision Item 6) – Budget & Council Tax 2010/11 - Recommended to Council that authorisation be given to allow tenders to be sought for contracts listed in Appendix I (Contracts)

2.3 Council 2 March 2010 (Minute Item 145) – Received and adopted the Cabinet Budget & Council Tax 2010/11 Report of 22 February 2010.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Corporate Plan 2011-13 commits the Council to delivering ‘Better Services with Less Money’. Insurance cover can provide the Council with budget certainty against losses arising from insurable risk. Reviewing and negotiating contractual arrangements for associated legal costs will also support the delivery of better services with less money.

3.2 The Council’s insurance contracts are periodically subject to full European Union market testing. Also insurance contracts are considered to be a partnership between insured and insurer, where it is in the interest of both parties to reduce risk and incidence of claims supported by entering into Long Term Agreements (LTA’s).

4. RISK MANAGEMENT ISSUES

4.1 Sound insurance arrangements are essential to protect the Council and its assets. Failure to effect cover would have detrimental financial and reputational consequences.

4.2 As the provision of legal services falls within Part B of the Public Contracts Regulations 2006, they are not subject to the rules requiring publication of the invitation to tender on a Community-wide basis. Legal advice, assistance and representation required as a result of claims made under the Council’s liability and motor insurances arrangements has been ongoing for a number of years. Accordingly officers consider the risk of challenge to be fairly low.

4.3 The risk and cost of disengaging current representation on existing claims and instructing new advisers is considered too high. Accordingly subject to Cabinet agreement it is proposed to continue with existing terms of engagement for instructions given on claims received prior to 1 April 2012.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Pursuant to the Equality Act 2010, the Council and all other organisations exercising public functions on its behalf must have due regard to the need to: eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between those with a protected characteristic and those without; promote good relations between those with a protected characteristic and those without. The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; Sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

5.2 Adequate insurance arrangements are essential to provide the Council with budgetary certainty to enable delivery of services for the benefit of all members of the community. Zurich Municipal and the legal providers have equal opportunities policies in place which meet the Council's equalities obligations.

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

6.1 Liability and Motor Insurance Arrangements

6.1.1 The Council's Liability and Motor Insurance expired on 30th September 2010. In support of the Insurance Strategy, bidders were asked to provide quotations on the basis of the Council's expiring level of cover, varying increases in policy excesses, changes to cover limits and range of cover. This practice demonstrated value for money in the procurement of insurance and satisfaction around the level of risk to be taken by way of insurance excesses, self and non insurance. The results for variations generally across the range of cover did not demonstrate sufficient benefit by way of additional premium reductions to warrant materially altering the basis of cover.

6.1.2 Financial implications, details of the bids and consideration of the basis of cover are set out in the Background Information section below and the accompanying exempt report.

6.1.3 The identity of the tenderers referred to in the table below and Appendix A are detailed in the exempt report. Tenders for the sums detailed were received as follows:-

Bidder	Annual Premium
Zurich Municipal Insurance (ZMI)	£359,231
Bidder B	£459,314
Bidder C	£559,629

6.1.4 The annual premium is met from existing budgetary provision.

6.1.5 The first annual premium is £359,231. If the contract is renewed annually within the terms of the initial 3 year LTA the full contract cost will be circa £1.08m. If the contract is extended and renews annually for a further 2 years, the full contract cost will be circa £1.8m. Annual premiums may be subject to increase or decrease by RICS property building indices, salary and wages fluctuations and changes in risk etc. Assuming the level of risk and claims experience remains constant increases are not expected to rise by more than 5% per annum.

6.2 Associated Legal Provision of Advice, Assistance and Representation

6.2.1 The proposals for providing associated legal support on claims arising under the Council's Liability and Motor Insurance arrangements is set out at 9.2.6.to 9.2.8 below.

6.2.2 The cost per claim under the new arrangements should be less however the overall cost will depend on the number and complexity of claims received.

6.2.3 The hourly charging rates for current existing claims already instructed agreed with providers range between £145 to £160 per hour for a Partner, £125 to £150 for a Solicitor/Associate and £88 to £100 for a trainee/para-legal.

6.2.4 Per claim panel rates for legal representation on new claims arising from claims incurred on or after 1 October 2010 but made after 1 April 2012 will be selected from a panel of solicitors provided by the existing Insurer, Zurich Municipal.

6.2.5 Per claim panel rates for legal representation on new claims arising from claims incurred prior to 1 October 2010 but made after 1 April 2012 will be allocated by the expiring insurer, Chartis (AIG) to one firm of solicitors where a similar fixed fee arrangement has been agreed. The proposed solicitors are acceptable to the Council.

6.2.6 These cost form part of the overall cost of insurance and are met from existing Insurance budgets.

6.3 There are no Staffing, ICT, Property or Sustainability implications.

7. LEGAL ISSUES

7.1 Procurement processes must comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination as well as the Council's Contract Procedure Rules (CPR's)

7.2 As set out in section 9.1.2 below, a European procurement was carried out for the Council's liability and motor insurances arrangements.

7.3 CPR 10.3.7.2 requires that a sufficient surety (e.g. a bond) shall be taken for due performance for a contract with a value of over £300,000 unless the Director/Head of Service, the Chief Finance Officer and the Head of Legal so direct following the completion of a risk assessment. These officers have agreed a surety is not required for the Council's liability and motor insurances arrangements because insurance companies are strictly regulated by the Insurance Companies Act 1982 and Insurance Companies (Reserves) Act 1995. These regulations require companies to be registered to transact business in this country and satisfy specified reserve and solvency margins. The Standard and Poor's industry rating of ZMI is currently an acceptable AA-/Stable.

7.4 CPR 10.6.1 requires that contracts whose value exceed £156,422 must be sealed on behalf of the Council unless the Assistant Director - Legal directs otherwise. The Assistant Director - Legal has agreed that the contract for the Council's liability and motor insurances arrangements is not one required to be sealed due to commercial insurance practice where it is accepted practice that the insurance policy is evidence of the contract. The policy wording sets out all terms and conditions applicable. As stated in Recommendation 1.2 a waiver of CPR 10.6.1 is sought for the annual renewal of the Council's liability and motor insurances arrangements.

7.5 The basic premise applying to the letting of contracts for works, supplies or services by contracting authorities is that the provisions of Directive 2004/18/EC, as implemented by the Public Contracts Regulations 2006 (as amended), should be adhered to. For the most part this set of rules (the **"**Procurement Rules**"**) requires there to be fair and open competition across the European Community for government contracts.

7.6 The Procurement Rules make a distinction between two categories of services. Part A services are subject to the full tendering regime. Part B services have a comparatively relaxed regime applying to them, covering only matters such as ensuring that specifications for services are not discriminatory and that reporting and notifying obligations are met. Part B services are not subject to the rules requiring publication of the invitation to tender on a Community-wide basis because they would generally be of less interest to service providers from other member states.

7.7 The provision of legal services falls within Part B services. However, contracting authorities are still required to comply with the Treaty on the Functioning of the European Union (formerly the EC Treaty principles) in the way they carry out procurements and also to obtain value for money. These principles apply to all procurements with a "cross-border interest", whether or not the full procurement regime applies. This means that the contracting authority is expected to ask itself whether there is a market for these services in other member states and if so what form of appropriate notification and advertisement should apply before an award of contract.

8. CONSTITUTIONAL POWERS

8.1 Constitution, Part 3 – Responsibility for functions, section 3 – Responsibility of the Executive, paragraph 3.6 – terms of reference of the Cabinet Resources Committee.

8.2 Constitution, Part 4 - Financial Regulations part 2, section 10.1 states that "The Chief Finance Officer is responsible for maintaining the Insurance Strategy, arranging adequate insurance cover for the Council and keeping comprehensive records of all risks covered".

8.3 Constitution, Part 4 – Contract Procedure Rules, section 5.8 provides that a Cabinet Committee may waive the requirements of the Contract Procedure Rules if satisfied that the waiver is justified because:

5.8.1 the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procedure Rules is justifiable; or

5.8.2 the contract is for works, supplies or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or

5.8.3 the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or English Law); or

5.8.4 there are other circumstances which are genuinely exceptional

8.4 This report seeks waivers of the Contract Procedure Rules for the procurement of the provision of legal advice, assistance and representation on the basis of Contract Procedure Rules 5.8.1 and 5.8.4 because of the risks associated with changing providers of existing cases, the Insurers requirement to approve the selection of legal representation and the currently unknown extent of future in-house local authority legal provision and the impact this will have on external arrangements.

9 BACKGROUND INFORMATION

9.1 Liability and Motor Insurance Arrangements

9.1.1 The Council's Liability and Motor Insurance was arranged subject to a Long Term Agreement (LTA) which expired on 30th September 2010.

9.1.2 Notices in compliance with the EC Public Services Directive were prepared and published in OJEU (Official Journal of the European Union) on 30 May 2010. Initial expressions of interest were received from Zurich Municipal Insurance (ZMI) and three others. Pre Qualification Questionnaires (PQQ's) were dispatched to all four prospective bidders.

9.1.3 On return the PQQ's were subject to evaluation by Insurance, Procurement and Finance. One PQQ returned did not meet a key financial ratio test and therefore could not be progressed to the invitation to tender stage. Details are included in the exempt section of this report.

9.1.4 Tender Documents setting out the Council's requirements and details of the insurance programme for the next 12 months and beyond were sent to the ZMI and bidders B and C.

9.1.5 All three companies made submissions. It should be noted that insurance companies will often present their insurance programmes in different ways which means it is not always possible to provide a direct comparison between bidders in terms of cover and premiums. However, tenders were scored on the best available data with adjusting comments made where necessary. The results of the bids and consideration of the basis of cover are set out in the exempt report.

9.1.6 Appendix A shows the scoring allocated to ZMI against the other two bidders.

9.1.7 It should be noted that ZMI is the lowest price, they are an existing provider of insurance to the Council, and have a Standard and Poor's rating of AA-/Stable.

9.1.8 Insurance contracts are offered subject to LTA's. The object of these agreements are to build longer term relationships between the insurer and insured to work together to improve insurable risk to the mutual benefit of both parties. In exchange for a discount off the premium quoted the insured agrees to accept renewal from the insurer during the period of the LTA providing the rates quoted are not increased beyond inflation increases. If claims experience warrants increases the agreement is broken and the insured is free to seek alternative markets, or accept the terms provided by the existing insurer. All bidders offered a 5% reduction in premium in exchange for an initial 3 year LTA with an option for the Council to extend by an additional 2 years. Premiums quoted are net of this discount and 5% Insurance Premium Tax.

9.1.9 Following evaluation of the tender Zurich Insurance, trading as Zurich Municipal Insurance, were advised that their submission was successful. Policy documents were issued and as set out in Recommendation 1.1 cover for the Council's Liability and Motor Insurances put in place.

9.2 Associated Legal Provision of Advice, Assistance and Representation

9.2.1 Third Party claims alleging negligence against the Council indemnified by our liability and motor insurance arrangements are predominantly investigated and determined by officers. If these matters are of a particularly complex legal or sensitive nature or become the subject of formal litigation, the Council may require further legal representation.

9.2.2 The Council receives approximately 800 claims per annum under these insurance arrangements and appoints legal representation on approximately 75 cases per annum. These range from simple pre-action disclosure, pothole vehicle damage claims, motor vehicle accidents, pavement tripping claims, employee accidents, tree root subsidence. more serious injury claims and representation at inquests.

9.2.3 In respect of these claims the Council's respective insurers have agreed to the appointment of three main external firms of solicitors to represent both the Councils' and the Insurers' interests. In addition a further specialist firm has been agreed on matters involving safeguarding. These firms are all vastly experienced in insurance liability and specifically public sector litigation.

9.2.4 The level of work can vary considerably depending on the number and complexity of claims received. Charging rates currently agreed with providers range between £145 to £160 per hour for a Partner, £125 to £150 for a Solicitor/Associate and £88 to £100 for a trainee/para-legal. Average legal costs incurred through these arrangements are just under £2,400 per case or circa £250,000 per annum

9.2.5 Currently there is no in-house legal resource available to support insurance claims however consideration is being given to this as a consequence of discussions regarding inter authority partnering arrangements. Once this is established and a capacity to deliver a service to Barnet in respect of insurance claims is identified, a further report will be brought to Cabinet Resources Committee to agree future arrangements. Until then it is proposed to enter into the following arrangements.

9.2.6 As set out at recommendation 1.4 and 1.5 legal representation on new matters arising from claims incurred on or after 1 October 2010 but made after 1 April 2012 will be selected from a panel of solicitors provided by the existing Insurer, Zurich Municipal. The Council will benefit from panel rates negotiated by Zurich with these providers. By committing all claims to this arrangement the Council will benefit from agreed fixed rates, details of which are set out in paragraph 6.2.1 of the exempt report. The range of solicitors available via the Insurers panel is acceptable to the Council.

9.2.7 As set out at recommendation 1.4 and 1.5 legal representation on new claims arising from claims incurred prior to 1 October 2010 but made after 1 April 2012 will be, with agreement of the expiring insurer, Chartis (AIG), allocated to Kennedys LLP on a fixed fee basis. As this work will involve older claims and therefore likely to be more complex, it is expected that the fixed fee will be higher than those referred to in paragraph 9.2.5 above. Details of the rates are set out in paragraph 6.2.2 of the exempt report. These solicitors are acceptable to the Council.

9.2.7 Specialist appointments, for example safeguarding claims, will continue to be instructed in agreement with the relevant insurer. Charging rates are agreed on each claim, subject to annual review.

9.2.8 As set out at recommendation 1.3 cases where solicitors have been instructed to advise and represent the Council on claims received before 1 April 2012 under the Council's liability and motor insurances arrangements will continue within the terms and conditions of the existing agreed annual contracts.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal: SWS
Finance: MC/JH

Appendix A – Scoring

			Zurich Municipal		Bidder B		Bidder C	
Insurance Cover	Weighting Criteria	Scoring criteria	Tender Score	Total Score	Tender Score	Total Score	Tender Score	Total Score
Financial Evaluation	40%	ranked 1 to 3 (3 = lowest price)	3	24	2	16	1	8
Conditions and Extent of Cover	20%	out of 5	4	16	5	20	4	16
Quality of Service Standards including Claims Handling	20%	out of 5	5	20	5	20	5	20
Range of services offered by insurer, expertise with public sector risks, wording of the long term agreement/contract offered	20%*	out of 5	5	20	5	20	5	20
TOTAL				**80**		**76**		**64**

*please note due to a typographical error the weighting criteria was initially shown as 10%. This correction does not affect the outcome.

AGENDA ITEM: 12 Pages 62 - 69

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	Information Systems Contracts
Report of	Cabinet Member for Resources and Performance
Summary	The report seeks: (i) waiver of, relevant, rules within the Council's Contract Procedure Rules to enable regularisation of contractual arrangements within Information Systems; (ii) authority to regularise contracts; and (iii) authority to extend a number of Information System Contracts.

Officer Contributors	Andrew Gee, Acting Head of Information Systems Service Delivery
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Andrew Gee, Head of IS Service Delivery, 020 8359 3362

1. RECOMMENDATION

1.1 That the Committee authorise a waiver of Contract Procedure Rules as necessary to enable regularisation of the following contractual arrangements;

1.1.1 To enable regularisation of the contractual arrangements with BT who currently provide the council with network services and Internet connectivity, the contract to continue up to 31st March 2013 with an appropriate break clause to allow the new NSCSO partner to explore alternative solutions. Annual cost £411,000.

1.1.2 To extend the support contract for the Children's Service Case Management System ICS, up to 31st March 2013 whilst the Children's Service's complete a procurement exercise that may change the underlying system and the requirements of any future support arrangements. Estimated annual cost £110,000 (includes supplier Retail Price Index [RPI] uplift).

1.1.3 regularisation of contracts with Northgate that provide maintenance of both the hardware and software to support SWIFT until the end of 31st December 2013, whilst a procurement exercise is undertaken by Children's and Adult's services. Estimated annual cost £89,000 (includes supplier RPI uplift).

1.1.4 regulations of the contract with Messagelabs for the provision of critical secure email and incoming mail scanning serviced up to the 31st March 2013, and to regularise payments for the year 2011/12. This will have an annual cost of £104,000 for all mail scanning and 500 secure mail users for 2011/12 (includes supplier RPI for 2012/13).

1.1.5 regularisation of the existing contractual arrangement with 2e2 for the provision of WISDOM support up to the end of the existing managed service support contract with 2e2 in June 2013. This will have an annual cost of £56,000 (includes supplier RPI uplift).

1.1.6 regularisation the existing contractual relationship with IDOX for Acolaid business systems, the contract to continue until 31st March 2013. Total annual cost for 2012/13 is £94,000 (includes supplier RPI for 2012/13).

1.1.7 regularisation of the existing contractual relationship with CAPITA for the provision of AXIS income system up to 31st March 2013. Total annual cost for 2012/13 is £19,000 (includes supplier RPI uplift).

1.1.8 regularisation of the existing contractual relationship with Tribal Solutions for the provision of Tribal business systems, the contract to contiunue up to 31st March 2013. Total annual cost for 2013 is £45,000 (includes supplier RPI for 2012/13).

regularisation of the existing contractual relationship with Norwel Legal Systems provider, the contract to continue until 31st March 2013. Total annual cost for 2013 is £13,000 (includes supplier RPI uplift).
1.2 That the Committee authorise the variation of the council's managed service support contract with 2e2 in order to include, within the contract, the provision of support for the WISDOM software referred to in Recommendation 1.1.5 (above).

2. RELEVANT PREVIOUS DECISIONS

2.1 Audit Committee at its meetings on 16th June 2011 and 6th September 2011 reviewed and agreed the Procurement Controls and Monitoring Plan produced following the comprehensive review of the Councils contract monitoring arrangements.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The aim of the suggested regularisation of and extension to the IS Support Contracts and are sought is to ensure that Information Services (IS) does not hinder or impede the Council's 'One Barnet' objectives. Therefore, IS needs to secure that there are contracts in place to cover the period between now and until any new service provider agreement is fully executed.

3.2 The regularisation and extension of contracts, going forward, will progress with priority as per the Council's Corporate Plan: Better services with less money – through efficient procurement and contract management, including reduction of administration costs associated with placements.

4. RISK MANAGEMENT ISSUES

4.1 If the contracts, identified in this report, are not regularised and extended, the Council will lose the opportunity to bring together corporate support services from across the Council to create a better, more efficient service and looking over the long term, the potential to use this partnership to deliver services to others. The remaining estimated time for the NSCSO procurement process is 10 months to Contract award.

4.2 Unless the option to regularise and extend contracts is exercised the council will need to carry out costly tendering processes before January 2013, resulting in arrangements that may not deliver best value for money.

4.3 Some of the savings identified in 2012-13 budgets have been based on the re-negotiation of existing support contracts. If waivers are not granted then there is a risk that predicted savings may not be acheived.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Under the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

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

6.1 The anticipated 2012/13 spend relating to these contracts is tabulated below and includes worst-case RPI uplifts to which the existing contracts are subject. These uplifts will be challenged but where suppliers enforce the uplift, or a lower percentage increase, the result will be a pressure on IS budgets. The contracts below are funded within the existing IS budget provision.

Contract	Anticipated 2012/13 spend
BT Pipe to the Internet and BT Network lines	£411,000
ICS Serco	Estimated at £110,000 (includes supplier RPI uplift)
SWIFT Northgate & Anite	Estimated at £89,000 (includes supplier RPI uplift)
Secure e-mail Message Labs	£104,000 for all mail scanning and 500 secure mail users (includes supplier RPI uplift).
Wisdom 2e2	Estimated at £56,000 (includes supplier RPI uplift)
Acolaid business systems	Estimated at £94,000 (includes supplier RPI uplift)
CAPITA Income Systems	Estimated at £19,000 (includes supplier RPI uplift)
The Tribal business systems	Estimated at £45,000 (includes supplier RPI uplift)
Norwel Legal Case management System	Estimated at £13,000 (includes supplier RPI uplift)

6.2 There are no issues related to Staffing and Property

6.3 There is less than 10 months remaining before outsourcing of the service as part of the NSCSO One barnet Programme Project, leaving a short period of time to address and implement major procurement projects

7. LEGAL ISSUES

7.1 In the event that the lifetime values of the contracts, dealt with within this report, exceed the, relevant, European Threshold, the Public Contracts Regulations 2006 (as amended) will apply. Any non-compliance with the Regulations carries a risk of legal challenge and the imposition of sanctions if successful.

7.2 With reference to the BT Pipe to the Internet and BT Network lines contracts which have values above the, relevant, EU threshold it is considered that reliance may be placed upon Regulation 14 of the Public Contracts Regulations 2006 (as amended), which implement the European Directive into domestic legislation. Regulation 14 enables a Contracting Authority to negotiate a contract with a particular supplier, without the publication of a contract notice, when, for technical or artistic reasons, or for reasons connected with the protection of exclusive rights, the public contract may be awarded only to a particular economic operator.

7.3 The Treaty provisions of equal treatment, fairness and non-discrimination must be complied with, by the council, in carrying out its functions and in exercising its powers.

7.4 With respect to the council's own Contract Procedure Rules, the Cabinet Committee has power to waive any one of more of those Rules if satisfied that waiver is justified on any one or more of the grounds set out in Section 8, below.

8. CONSTITUTIONAL POWERS

8.1 The Constitution, Part 3, Section 3.6 sets out the functions of the Committee, including the power, set out in contract procedure Rule 5.5 and Table 5-1, to Authorise and Accept contracts.

8.2.1 Section 5.8 of the Contract Procedure Rules enables a Cabinet Committee to waive the requirements of the Contract Procedure Rules if satisfied, after considering a written report by the appropriate officer, that the waiver is justified because:

8.2.2 the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procedure Rules is justifiable; or

8.2.3 the contract is for works, supplies or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or

8.2.4 the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or English Law); or

8.2.5 there are other circumstances which are genuinely exceptional.

8.2.6 Waiver of the Contract Procedure Rules is being sought, herein, on the basis of exceptional circumstances, in view of the complex nature of the contracts which require regularisation; the time which it would take to carry out full procurement process(es); and the impending externalisation of NSCSO to an private partner.

9. BACKGROUND INFORMATION

9.1 Historically, the procurement and management of contracts for IT were owned by the IT department and managed in line with corporate procurement guidelines. The set-up of IT within local government is very complicated and a number of interdependences between systems need to be effectively managed to run an effective operation. During periods of significant change, it is not prudent to change systems that are operating effectively as this introduces new risk into the delivery of the IT and this can lead to additional cost to resolve the impact of any failure from unnecessary technical changes.

9.2 Over the last 5 years, devolved IS teams and capability from across the business have been centralised into the corporate IS team. In creating this capability a number of additional contracts were inherited and many of these would now need to be re-procured. As the council is seeking to procure a new partner through NSCSO, it would be inappropriate to re-procure contracts at this stage as best value is usually obtained through longer term contracts, and novating long term contracts to a new supplier in January 2013, may introduce the risk of additional cost. The background for each contractual arrangement where IS are requesting a waiver of Corporate Procurement Rules is listed below.

9.3.1 **BT**

The Council's data Network infrastructure including our internet services were put in place with BT when the Modernising our Infrastructure (MOI) contract with 2e2 was awarded in 2005. Procuring a different provider at this stage would jeopardise budget savings and could result in a major project having to re-direct key resources and activities. An independent report was undertaken by Imerja dated 25th February 2011, and the identified savings that could be achieved through a new technology delivery model, providing the same level of service, have been proposed by the current supplier. Waiver of COPRs, in accordance with the Reccomendations of this report, will enable an immediate cost saving of approximately 80k, subject to formal offer from the supplier.

9.3.2 **ICS Serco**
Children Service's main case management system is ICS. As part of their plan to replace SWIFT, the Children's Services have a live project in place to procure a replacement system. Permission is sought to extend the current support contract with Serco which comes to an end in March 2012 to the end of the financial year 2013 while Children Service's complete a procurement exercise and clarify the future of the system as this may significantly change the requirements of any future support arrangements.

9.3.3 **Swift Northgate**
SWIFT is a Northgate system which is the key case management application used by Children's and Adult's. Both services are currently in the process of procuring a replacement to SWIFT. As we are currently in a procurement process it is not appropriate for IS to enter into a further contracts for the support of SWIFT. Permission is sought to regularise our support arrangement up to the end of 2012/13 to enable the current system to be supported until the future of the current system is known and any replacement system commissioned.

9.3.4 **Message labs Secure e-mail**
Barnet currently spends approximately £104,000 a year with Messagelabs (Symantec) for incoming e-mail scanning and secure e-mail services. There is an urgent requirement for increased use of secure e-mail in the business. Specifying and procuring a new technology solution and supplier between now and the NSCSO outsource will introduce significant risk in terms of technology integration and IT security and delay the implementation of increasing use of secure e-mail into the business. The change activities associated with embedding a new secure e-mail method would also be significant as there would be user training required to effect the change. Permission is sought to regularise the contract with Message labs up to the 31st March 2013 allowing for up to an additional 500 users at an estimated £3 each per month. Permission is also sought to regularise our payments for the year 2011/12.

9.3.5 **2e2 WISDOM EDRMS**
The Wisdom EDRMS is the council's core electronic document and records management system. The system has been through a number of changes of ownership and now rests with 2e2, our current managed service support contractor. The 2e2 contract is due to end in June 2013 when IS transfers to the new partner. Ahead of the transfer there is still a requirement to continue to support the system. IS therefore propose to vary the contract with 2e2 to cover the support of WISDOM until the end of their existing contract. As system principles, they are the only providers of WISDOM licenses and support. Permission is sought to waive contract procedure rules and complete a change control with 2e2 to regularise our contract to include WISDOM support up to the end of the 2e2 contract in June 2013

9.3.6 **IDOX & Acolaid Business Systems**
The Acolaid business systems and peripheral applications were originally selected by competitive tender procedures. A robust procurement process was carried out which evaluated products from the leading suppliers with the result that Acolaid from Plantech (now acquired by IDOX) was chosen as preferred supplier and the system purchased and installed. The system was further upgraded, authorised by DPR 1372 in 2011 when the underlying time expired servers were replaced and online elements of the system, which are proprietary to IDOX, were upgraded. IDOX are the only providers of support for this system, and the business owner does not want to change the system at this time. The NSCSO partner will bring greater procurement leverage to ensure an appropriate long term solution.
Permission is sought to waive contract procedure rules and regularise our contractual relationship up to 31st March 2013. The estimated cost for 2012/13 is £94,000.

9.3.7 **CAPITA AXIS Income System**
The AXIS payment system which is proprietary to CAPITA PLC, was originally selected by competitive tender procedures. The procurement process was initiated at the beginning of 2007 to replace a legacy mainframe system and was introduced in June 2007. A robust procurement process was carried out which evaluated products from the leading finance system suppliers with the result that AXIS was chosen as preferred supplier. The AXIS system is embedded in the Finance service, forming an integral part of the service delivery. Annual cost for 2012/13 is £19,000. Permission is sought to regularise our contractual position up to 31st March 2013. CAPITA are the only providers of support for this system, and the business owner does not want to change the system at this time. The NSCSO partner will bring greater procurement leverage to ensure an appropriate long term solution.

9.3.8 **Tribal and Tribal Business Systems**
The Tribal business systems which are proprietary to Tribal Solutions were originally selected by competitive tender procedures. Procurement began as a replacement system to ESIS, the in-house developed Educational Services Information System. Permission is sought to regularise our contractual position with Tribal up to 31st march 2013. Spend for 2012/13 £45,000. Tribal are the only providers of support for their systems and the business owner does not want to change the system at this time. The NSCSO partner will bring greater procurement leverage to ensure an appropriate long term solution.

9.3.9 **Norwel Legal Case Management System**
The Norwel Case Management System which is proprietary to Norwel Computer Services was originally selected by competitive tender procedures. The procurement process was initiated in 2003 to find a replacement system to Datix, (an LBB bespoke system created for Legal Services), and is embedded in the Legal service, forming an integral part of the service delivery. Legal are currently following a process to enter into Shared Service with Harrow and therefore any resource spent tendering for a new contract with Norwel would be of minimal business benefit. Waiver is sought to regularise the existing contractual relationship with Norwell up to 31st march 2013 to enable the systems to be supported during the setting up of the Shared Service.

10 LIST OF BACKGROUND PAPERS

10.1 Imerja Infrastructure Review Report of 25th February 2011. Commissioned by Rod Matthews, Director of Resources

Legal – SS
CFO – MC

AGENDA ITEM: 13 Pages 70 – 74

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Provision of Recruitment Advertising Services**
Report of	Cabinet Member for Resources and Performance
Summary	To approve the award of contract for Recruitment Advertising Contract for a period of 2 years (with an option to extend for a further 12months) from 31 March 2012

Officer Contributors	Mark Rudd, Head of HR Service Delivery (Deputy Chief Executive Service) Praful Ladwa, Corporate Procurement (Commercial Services)
Status (public or exempt)	Public with separate exempt part.
Wards affected	None
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Mark Rudd, Head of HR Service Delivery, 020 8359 2509

1. RECOMMENDATION

1.1 That the Committee approves the award of contract to TMP Worldwide Limited as the preferred supplier of recruitment advertising services for an initial period of 2 years (with the option to extend for a further 12 months) from 31 March 2012 under the Eastern Shires Purchasing Organisation (ESPO) framework**.**

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Corporate Plan 2011-13 states that “we will continue to drive costs out of the Council through transforming our internal organisation” and that we will focus on “….making sure we get the best value from resources across the public sector, including our people and assets” and to meet the Council’s corporate priority “Better services with less money” strategic goal to maximise improvements and savings in back office functions.

4. RISK MANAGEMENT ISSUES

4.1 Officers have considered whether there are any risk issues involved likely to raise concern or give rise to policy considerations and are content none exist.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Under the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; and c) promote good relations between those with a protected characteristic and those without. The ‘protected characteristics’ referred to are: age; disability; gender reassignment; pregnancy; maternity; race; religion or belief; sex; and sexual orientation. The duty to eliminate discrimination also extends to marriage and civil partnership.

5.2 All preferred suppliers under the Eastern Shires Purchasing Organisation (ESPO) ‘Advertising & Recruitment Consultancy Services’ framework contract have confirmed through the formal tender process, compliance with all their statutory obligations under the Sex Discrimination Act 1975, Race Relations Act 1976 and the Disability Discrimination Act 1995 or any statutory modification or re-enactment thereof relating to discrimination in employment e.g. Equality Act 2010.

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

6.1 There are no adverse staffing, IT or property issues as a result of participating in the framework contract.

6.2 ESPO objectives are to provide its members and other client bodies a comprehensive, cost effective contracting and procurement service, covering a diverse range of services. The established framework is fully compliant with the Public Contracts Regulations 2006. Terms and conditions are established to underpin the framework, and the framework is centrally managed and monitored by ESPO and participating organisations.

6.3 All Service providers under the ESPO framework agreement were invited to tender for the Council recruitment advertising services. Two out of the three Service Providers submitted bids by the deadline and these were evaluated against the following criteria as set out in the framework agreement and in accordance with current EU procurement legislation:

Award Criteria	Level 1 Sub Criteria	Level 2 Sub Criteria
Technical – 50%	Methodology- 25%	Case Study 1- 12.5% Case Study 2- 12.5%
	Capacity – 10%	Workload- 10% Continuity of Service- 5%
	Quality of Staff- 15%	Organisation Chart – 5% Personnel- 10%
Commercial- 50%	Price – 50%	

6.4 The table below summarises the results of the evaluation process:

	Technical- 50%			Commercial- 50%	
Supplier Name	Methodology	Capacity	Quality of Staff	Price	Total Score
TMP Worldwide	20%	6%	12%	50%	88%
Supplier 2	7.5%	6%	12%	40.32%	65.82%

6.5 The total cost of the contract is difficult to estimate as the services provided are dependent upon actual usage, spend in 2010 was £422,728 and in 2011 was £211,000 (Mar11 – Sep11). Funding for the services required is met from individual service budgets on a project by project basis and any expenditure is contained within existing budgets. The Council has not given any guarantees of volumes of work or expenditure during the tender process. In addition, in recent years the Council has changed its recruitment advertising strategy and has increased the use of online media as opposed to traditional print media, this reduces spend on recruitment advertising. The estimated annual cost of the contract would be approximately £267,000 an estimated saving of £91,348 per annum.

6.6 TMP has offered the council more favourable discounts than its standard framework discounts. The level of discounts actually offered is set out in the exempt report.

7. LEGAL ISSUES

7.1 Procurement processes must comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination as well as the Council's Contract Procedure Rules.

7.2 A Framework is an agreement between a client and contractor or contractors or consultant or consultants (depending upon the nature of the framework), the purpose of which is to establish the terms governing particular call-off contracts that may be awarded during the term of the framework, in particular with regard to price and quantity.

7.3 Framework agreements are referenced under paragraph 6.9.1.1 through to 6.9.1.5 of the Contract Procedure Rules, as set out at paragraph 8.2 below. And on the basis of the information contained in the report the relevant provisions of the Council's Contract Procedure Rules have been met.

7.4 In accordance with the Council's Contract Procedure Rules, there will be a need to enter into formal contract with the successful tenderer.

8. CONSTITUTIONAL POWERS

8.1 Constitution Part 3 "Responsibility for Functions" paragraph 3.6 sets out functions of the Cabinet Resources Committee.

Contract Procedure Rules (CPR) Section 5 "Authorisation & Acceptance Procedures". Under Table 5-1 of the CPR, authorisation by Cabinet Committee is required for contract value of £500,000 and above.

8.2 Framework agreements are referenced under paragraph 6.9.1.1 through to 6.9.1.5 of the Contract Procedure Rules, as set out below.

"Before procuring or entering into a framework agreement, the Commercial Director shall be satisfied that:

6.9.1.1 the term of the arrangement shall be or is for a period of no longer than four years duration;
6.9.1.2 the terms and conditions of the arrangement do not compromise the Council's contractual requirements;
6.9.1.3 the parties to the arrangement are recognised public bodies or providers from the private sector;
6.9.1.4 full, open and proper competition in respect of the creation of the framework agreement has taken or will take place in accordance with the Relevant EU Rules and/or Relevant Contract Procedure Rules
6.9.1.5 Preference should be given to use of any Government Procurement schemes e.g. OGC".

.

8.3 In this case, the proposed contract is for 2 years (with an option to extend for a further 12 months) from 31 March 2012. And the Commercial Director has confirmed that the framework agreement represents a prudent, efficient and economical way of ensuring compliance with procurement rules; and the Commercial Director has given approval to join the framework agreement.

9. BACKGROUND INFORMATION

9.1 The Council is seeking to award a contract for the provision of recruitment advertising services under the Eastern Shires Purchasing Organisation (ESPO) 'Advertising & Recruitment Consultancy Services (ESPO Contract 3: Issue No. 11)' for a period of 2 years (with an option to extend for a further 12months) from 31 March 2012.

9.2 Following a tendering process undertaken by the Council, the Council wishes to award the contract to TMP Worldwide Limited, 265 Tottenham Road, London, as the preferred supplier.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – PJ
CFO – MC/JH

AGENDA ITEM: 14 Page nos. 75 - 80

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Write offs of Business Rates debts, Council Tax debts and Housing Benefit Overpayment Debts**
Report of	Cabinet Member for Resources and Performance
Summary	This report proposes the write off of individual debts of £5,000 or more, in respect of Business Rates debts totalling £1,244,603.51, Council Tax debts totalling £211,164.65 and Housing Benefit overpayment debts totalling £103,006.77.

Officer Contributors	Andrew Travers (Deputy Chief Executive and Chief Financial Officer) David Sharpe (Head of Revenues and Benefits)
Status (public or exempt)	Public
Wards Affected	All
Key Decision	No
Reason for urgency / exemption from call-in	
Function of	Executive
Enclosures	Appendix A - Business Rate debts recommended for write off Appendix B – Council Tax debts recommended for write off Appendix C – Housing Benefit overpayment debts recommended for write off.

Contact for Further Information: David Sharpe on 020 8359 2327

1. RECOMMENDATIONS

1.1 That the write offs set out in this report be approved.

2. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

2.1 The proposed write off of these debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income. It also supports the corporate plan priority of 'better services with less money'.

3. KEY DECISION

3.1 This is not a key decision as it involves no expenditure on the part of the authority.

4. RELEVANT PREVIOUS DECISIONS

4.1 Cabinet Resources Committee –1 December 2008
Agenda Item 17 - WRITE OFFS OF NON-DOMESTIC RATES AND INCOME DEBTS (Report of the Leader/Cabinet Member for Resources)
The committee approved the recommendation to write off Non-domestic Rates debts totalling £472,181.28 and Income debts totalling £1,508,382.35.

5. RISK MANAGEMENT ISSUES

5.1 The recommendation to write off these debts recognises that there is no longer a realistic possibility of their economic recovery. All appropriate avenues have been exhausted in attempting to recover these sums.

6. EQUALITIES AND DIVERSITY ISSUES

6.1 It is not considered that this matter is likely to raise any concerns under the Council's Equalities Policy.

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

7.1 The amounts being recommended for write off total £1,244,603.51 in respect of non domestic rates, and £211,164.65 in respect of Council tax, and £103,006.77 in respect of Housing Benefits overpayments.

7.2 These are within Barnet's existing council tax bad debt provision of £11 million. The bad debt provision in respect of business rates is borne by the National Non-domestic Rates Pool. No bad debt provision exists for Housing Benefit overpayment debts so these will be picked up by the Revenues and Benefits service budget.

8. LEGAL ISSUES

8.1 The Council has a fiduciary duty to its council taxpayers to recover monies owing to it, where it would be acting reasonably in so doing. However, in the cases dealt with within this report and for the reasons given, it is not reasonable to pursue recovery of the debts.

9. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

9.1 Constitution, Part 3 – Responsibility for Functions, Section 3- Powers of the Executive, paragraph 3.6 – Terms of reference of the Cabinet Resources Committee includes to write off debt.

10. BACKGROUND INFORMATION

10.1 Non-Domestic Rates

10.1.1 Irrecoverable non-domestic rates of £1,244,603.51 are recommended for write off. The individual debts are all £5,000 or more and cover the years 2001/2 to 2009/10. A schedule of the debts is in Appendix A.

10.1.2 All the debts are in respect of closed accounts. The vast majority are in respect of either individuals subject to bankruptcy, or limited companies that were subject to liquidation proceedings or that were dissolved or were in receivership. No or insufficient monies to clear these debts were yielded (business rate debt does not rank as a preferential debt in insolvency proceedings) and no further action can be taken. Other debts are in respect of debtors who have absconded or where the debts are statute-barred for recovery purposes. See 9.14 below for the breakdown of the reasons for write off and age of debts.

10.1.3 Attempts to trace absconded debtors include searches of internal systems, enquiries made with owners, agents and new occupiers of properties, and visit reports by the council's bailiffs. Having regard to cost effectiveness, the extent of tracing activity will correspond to the amount of individual debts, with a greater number of checks being carried out in respect of larger debts. Although a rare event, it has happened in the past, and therefore it should be noted that if any of the debtors' whereabouts be discovered following write off, their debt will be re-raised and attempts made to recover it.

10.1.4 The breakdown of the debts is as follows:

Reason	Value	No. of cases
Absconded	£133,995.97	16
Bankruptcy, liquidation, company dissolved or in receivership	£1,082,029.54	56
Statute-barred	£28,578.00	2
Total	**£1,244,603.51**	**74**

Account balances	Value	No. of cases
£5,000 to £9,999	308,535.01	48
£10,000 to £14,999	79,697.84	6

£15,000 to £19,999	132,457.37	8
£20,000 to £24,999	20,190.39	1
£25,000 to £49,999	221,798.83	6
£25,000 to £128,060	481,924.07	5
Total	**£1,244,603.51**	**74**

Year debt raised	**Value**
2001/2	£14,290.53
2002/3	£8,521.50
2003/4	£62,194.03
2004/5	£156,788.06
2005/6	£264,429.10
2006/7	£269,309.97
2007/8	£251,485.91
2008/9	£208,174.16
2009/10	£9,410.25
Total	**£1,244,603.51**

NB - breakdown of *number of cases* for individual years not supplied because some of the 74 accounts have debts in respect of rates liability for more than one financial year.

10.2 Council Tax debts

10.2.1 Irrecoverable council tax debts of £211,164.65 are recommended for write off. The individual debts are all £5,000 or more and cover the years 2000/1 to 2008/9. A schedule of the debts is in Appendix B.

10.2.2 All the debts are in respect of closed accounts. Most are in respect of debtors who have absconded, including some who are known to now be abroad. Other debts are either individuals subject to bankruptcy, or limited companies that have been dissolved, or companies registered abroad. No or insufficient monies to clear these debts were yielded (council tax debt does not rank as a preferential debt in insolvency proceedings) and no further action can be taken. See 9.2.4 below for the breakdown of the reasons for write off and age of debts.

10.2.3 Attempts to trace absconded debtors include searches of internal systems, enquiries made with owners, agents and new occupiers of properties, and visit reports by the council's bailiffs. Having regard to cost effectiveness, the extent of tracing activity will correspond to the amount of individual debts, with a greater number of checks being carried out in respect of larger debts. Although a rare event, it has happened in the past, and therefore it should be noted that if any of the debtors' whereabouts be discovered following write off, their debt will be re-raised and attempts made to recover it.

10.2.4 The breakdown of the debts is as follows:

Reason	**Value**	**No. of cases**

Absconded	£97,092.38	15
Absconded - known to be abroad	£54,785.09	9
Bankrupt	£20,225.28	3
Company dissolved	£6,700.23	1
Irrecoverable - company abroad	£19,814.75	2
Diplomatic immunity	£12,546.92	3
Total	**£211,164.65**	**33**

Account balances	**Value**	**No. of cases**
£5,000 to £5,999	£83,164.50	15
£6,000 to £6,999	£63,201.97	10
£7,000 to £7,999	£29,984.29	4
£8,000 to £10,600	£34,813.89	4
Total	**£211,164.65**	**33**

Year debt raised	**Value**
2000/1	£17,231.22
2001/2	£12,390.58
2002/3	£18,638.90
2003/4	£27,605.07
2004/5	£37,528.12
2005/6	£39,592.07
2006/7	£33,450.73
2007/8	£16,981.54
2008/9	£7,746.42
Total	**£211,164.65**

NB - breakdown of *number of cases* for individual years not supplied because some of the 33 accounts have debts in respect of council tax liability for more than one financial year.

10.3 Housing Benefit Overpayments

10.3.1 Housing Benefit overpayments totalling £103,006.77 are recommended for write off.

10.3.2 There are 11 cases in total where all available recovery methods have been explored but there is no prospect of recovery. The debts were raised between 2005 and 2010. . A schedule of the debts is in Appendix C.

10.3.3 In all cases, 40% subsidy has been claimed from Central Government in accordance with Housing Benefit legislation in the year the debts were raised..

10.3.4 The breakdown of the debts is as follows:

Year Debt Raised	Number of Cases	Total Amount
2005	5	£59,145.31
2006	1	£7,374.38
2007	2	£12,815.48
2009	1	£6075.00
2010	2	£17,596.60
Total	**11**	**£103,006.77**

11. LIST OF BACKGROUND PAPERS

11.1 Appendix A - Business Rate debts recommended for write off
Appendix B - Council Tax debts recommended for write off
Appendix C - Housing Benefit debts recommended for write off.

11.2 Anyone wishing to inspect the background papers should telephone David Sharpe on 020 8359 2327.

Legal: MC
CFO: PL

APPENDIX A **NNDR Write Offs**

	Reference	Amount	Total
Company dissolved	73610481	£5,000.00	
	73838871	£5,006.30	
	73779671	£5,149.32	
	73679921	£5,280.81	
	724936X1	£5,440.78	
	74274831	£5,507.85	
	73722991	£5,585.51	
	74196331	£5,784.10	
	74169401	£5,979.64	
	72075611	£6,010.50	
	72707701	£6,037.96	
	73931101	£6,061.00	
	703744X1	£6,071.84	
	73835161	£6,262.59	
	74137901	£6,347.79	
	73782071	£7,710.21	
	73911811	£7,758.44	
	73626941	£8,858.71	
	74052651	£12,432.00	
	74155011	£14,412.48	
	73735631	£15,132.80	
	74159591	£17,741.64	
	73887051	£17,848.04	
	73747291	£42,716.43	
	73706631	£47,079.09	
	73898501	£90,355.13	
	73908751	£126,667.95	£494,238.91
Company in receivership	74208651	£6,432.48	
	74010131	£14,406.73	£20,839.21
Company in liquidation	73608951	£5,000.00	
	72428721	£5,070.94	
	73571451	£5,113.01	
	74263271	£5,123.06	
	73838541	£5,297.13	
	74170171	£5,364.50	
	72424691	£5,488.76	
	73188021	£5,551.93	
	72530551	£6,511.82	
	72777031	£6,917.50	
	72399831	£7,098.54	
	73585181	£7,439.42	
	73598811	£7,853.46	
	74206691	£8,855.13	
	73692131	£9,837.49	

	73563711	£11,772.63	
	74262951	£24,529.69	
	74261201	£16,253.46	
	73703141	£16,600.91	
	73973401	£20,190.39	
	73940921	£25,080.01	
	72080631	£38,617.49	
	73073561	£43,776.12	
	73631521	£66,051.67	
	73742721	£70,789.85	
	72443881	£128,059.47	£558,244.38
Ratepayer bankrupt	73780001	£8,707.04	£8,707.04
Statute-barred	74369451	£11,691.00	
	74369561	£16,887.00	£28,578.00
Absconded	73838431	5,244.92	
	73699321	5,287.10	
	72513211	5,524.11	
	73539281	5,704.13	
	73999781	5,840.76	
	74151861	6,237.00	
	72312511	6,833.49	
	73677301	6,994.89	
	73856861	7,049.00	
	73748711	7,282.35	
	73899041	7,333.74	
	73894911	8,392.00	
	73886731	9,295.96	
	73708481	14,983.00	
	72268901	15,900.00	
	73950841	16,093.52	£133,995.97
Total write offs			**£1,244,603.51**

APPENDIX B **Council Tax Write Offs**

	Reference	Amount	Total
Absconded	47744608	£5,351.65	
	45197936	£5,407.66	
	47018248	£5,430.99	
	44953000	£5,568.78	
	43346331	£5,752.62	
	43336138	£5,833.18	
	46421302	£5,853.66	
	47242361	£6,118.42	
	46016884	£6,227.04	
	44452436	£6,254.45	
	44408799	£6,622.69	
	46682670	£7,153.69	
	45016440	£7,197.17	
	40474341	£7,817.90	
	44969353	£10,502.48	£97,092.38
Absconded known to be abroad	42324519	£5,017.22	
	46064053	£5,018.34	
	45805525	£5,262.71	
	46364978	£5,409.38	
	44229576	£5,628.41	
	43625139	£5,703.76	
	42758457	£6,491.44	
	42511187	£8,039.89	
	40556745	£8,213.94	£54,785.09
Bankrupt	46112002	£6,172.55	
	43471666	£8,057.58	
	46381931	£5,995.15	£20,225.28
Company dissolved	44119929	£6,700.23	£6,700.23
Diplomatic Immunity	47312770	£5,930.99	
	47318840	£6,068.23	
	46700032	£7,815.53	£19,814.75
Irrecoverable -company abroad	45883911	£6,103.70	
	45883939	£6,443.22	£12,546.92
Total write offs			**£211,164.65**

Appendix C

Housing Benefit Write Off Recommendations

DATE OP RAISED	CLAIMANT REF	ACCOUNT REF	TOTAL HB	REASON FOR WRITE OFF REQUEST
21.03.2005	1681282	50141700	£5,362.53	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
24.09.2005	146270	51040576	£5,452.12	Claimant has been made bankrupt we are listed on documents no prospect of recovery
02.03.2007	1683269	50135932	£5,789.99	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
18.02.2009	1613582	50132841	£6,075.00	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
23.02.2007	1695553	51036005	£7,025.49	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
05.07.2010	10029940	50518235	£7,200.00	Claimant has passed away no funds left in the estate to repay this debt
15.02.2006	1054669	51036151	£7,374.38	Claimant won her appeal with against DWP for this period re Social Security Benefits. Op is now over 6 years old so unable to pursue debt through the courts
07.03.2005	1277025	50188627	£10,384.97	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
28.10.2010	1677521	50432229	£10,396.60	All tracing methods have been exhausted - LL has absconded
22.09.2005	147715	500323702	£11,117.16	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
07.03.2005	1267226	50193918	£26,828.53	Claimant has mental health issues. we have exhausted all available recovery methods and have been unable to recover any of the op. Debt is now over 6 years old so we are unable to pursue debt through the courts
			£103,006.77	

AGENDA ITEM: 16 Pages 85 – 111

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Community Infrastructure Levy**
Report of	Leader of the Council and Cabinet Member for Resources & Performance
Summary	The Community Infrastructure Levy is a mechanism to replace the use of planning obligation tariffs and to make the process of applying infrastructure funding from new development more flexible and responsive. It requires local authorities to develop a 'charging schedule' that justifies levying standard charges on development that are justified in terms of both the total cost of funding new infrastructure as well as the viability of development.

Officer Contributors	Lucy Shomali – Assistant Director for Strategic Planning and Regeneration Adam Driscoll – Infrastructure Planning and Growth Areas Officer
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A – Preliminary Draft Charging Schedule
For decision by	Cabinet
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Adam Driscoll, Infrastructure Planning and Growth Areas Officer, 020 8359 4922.

1. RECOMMENDATIONS

1.1 That the Council move towards adopting a Community Infrastructure Levy and that the Preliminary Draft Charging Schedule (see Appendix 1) be approved for public consultation.

1.2 That progress may continue through the stages of Draft Charging Schedule public consultation, examination of the Draft Charging Schedule and post examination amendments until a final version of the Charging Schedule is ready for adoption by a resolution of the full council.

1.3 That the Director of Environment, Planning and Regeneration be authorised to make any necessary changes to the Preliminary Draft Charging Schedule and its subsequent variants as required to progress through to adoption by a resolution of full council.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee, 19 October 2010 (Decision Item 7) approved the Infrastructure Delivery Plan as part of the Council's evidence base to support the Core Strategy as well as to be used as the basis for developing a Community Infrastructure Levy to replace the use of S106 tariff arrangements.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Adoption of a Community Infrastructure Levy supports all three core Council objectives as set out in the Corporate Plan 2011 to 2013 by providing a funding stream to support delivery of community infrastructure.

3.2 The Council's 'Three Strands Approach: Protect, Enhance and Consolidate planned Growth (PECG)' is a key planning and regeneration strategy that requires effective infrastructure planning and funding solutions to have real effect.

4. RISK MANAGEMENT ISSUES

4.1 The Council's preparations for the delivery of CIL have been audited by the CIL Knowledge Partnership (commissioned by the Planning Advisory Service to support national frontrunner local authorities) and found to be sound in all aspects other than the preparation for operational implementation, which is timetabled to commence in October 2011 (whilst the consultation on the Preliminary Draft Charging Schedule is underway). .

4.2 Failure to deliver a Community Infrastructure Levy to replace Planning Obligations tariffs by March 2014 would impact significantly on the Council's ability to fund Education, Libraries and Healthcare infrastructure. Delays to the adoption of a local CIL could impact on the proposed adjustment to support the viability of development within Barnet.

4.3 If the rates of CIL set are too high, then there is a risk that development in the Borough will be stymied, where as if the rates set are too low, then there is a risk that less funds are raised towards supporting the delivery of infrastructure than could otherwise have been achieved and alternative sources of funding will need to be found. Getting this balance right has been a three stage process of firstly getting independent testing of the viability of development and secondly considering the maximum income that could be achieved through a CIL approach focused on maximising income from development and then lastly considering the impact of a maximum charge against the ability to deliver regeneration and other development in the borough, alongside the signals this will send to the local development industry. The assessment of various options for rate-setting has led to selection of a rate that focuses on a locally appropriate balance seeking to support the local development industry to return to growth.

5. EQUALITIES AND DIVERSITY ISSUES

The Community Infrastructure Levy will a contribution towards the funding required to enable delivery of critical and necessary infrastructure projects in Barnet, needed to maintain public services as a result of population change.

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

6.1 The cost of setting up collection systems and preparing for introduction of a local Community Infrastructure Levy is expected to be up to £179k of capital investment and £231k for operation of systems over the first 3 years; this gives a total cost of £410k.

6.2 This cost will be funded firstly through an administration charge of up to 5% of the total value of the local levy collected in the first three years of its operation and 4% of Mayoral CIL income collected in the first 3 years of its operation; total income is anticipated to be £315k. In order to cover the full cost of setup and operation, £96k of existing s.106 monitoring contributions will be required to supplement this CIL monitoring income, and any cashflow costs can also be met through the monitoring contributions.

6.3 Use of electronic means of communication will be maximised in order to reduce process and production costs.

6.4 All CIL income collected through the operation of Barnet's Community Infrastructure Levy, except for the monitoring percentage, will be paid into an Infrastructure Reserve held by the Council and utilised to support priority infrastructure projects.

6.5 Decisions on spend priorities will be determined through the usual capital programme processes, but taking into account the community spending priorities identified within the Infrastructure Delivery Plan. The Council's 'Regulation 123 list', the list of projects eligible to be funded using CIL income, will be published online and updated as required to reflect any changes in CIL spending priorities.

7. LEGAL ISSUES

7.1 The Planning Act 2008 made provision for the imposition of a charge to be known as the Community Infrastructure Levy. The Community Infrastructure Regulations that came into effect on 6 April 2010 as amended on 6 April 2011 made first use of those powers by setting out the framework and the detailed provisions for its operation. The formal Guidance was published in March 2010 and provides detail and clarification enabling Local Authorities to set up and adopt a charging schedule.

7.2 Upon formal adoption the Community Infrastructure Levy will become a statutory levy upon local development, and the local authority's permitted rights to secure agreed payments are set out in the 2010 Regulations as amended in April 2011; these include the levying of fines and the ability to instigate criminal proceedings.

8. CONSTITUTIONAL POWERS

8.1 The Council's Constitution in Part 3, Responsibility for Functions, states in paragraph 3.8 the functions delegated to the Cabinet; namely the considering of policy and instigation of new policy.

8.2 The government's formal Guidance on development of Charging Schedules requires that a Local Community Infrastructure Levy is adopted by resolution of full council, meaning the importance of the document is considered similar to a Development Plan Document, despite not being a required part of the Local Development Framework.

9. BACKGROUND INFORMATION

9.1 Purpose of the 'Community Infrastructure Levy' (CIL)

9.1.1 Currently development related infrastructure funding is principally generated from Section 106 contributions, details of the income and its application are reported to this committee, for which the Council currently has around £7m unspent, most of which is already fully allocated to projects, whilst forward projections of existing approved planning permissions anticipate £12m further income in 2011-16.

9.1.2 The current 'tariff' usage of Section 106, however, will be replaced through a new form of charge upon all development to be known as Barnet's 'Community Infrastructure Levy'. This was introduced in the Planning Act 2008 by the previous government and brought into force through formal regulations published on 6 April 2010 and updated on 6 April 2011; it allows councils to charge developers to pay for local infrastructure.

9.1.3 The introduction of the Localism Bill to Parliament 13th December 2010 within the planning and regeneration provision will further amend the Community Infrastructure Levy from June 2012, to give more flexibility to local authorities and their communities to determine what they consider to be the most appropriate balance between ensuring development is viable and infrastructure can be funded, as well as to encourage some of the revenue to be made available for the local community to utilise towards delivering neighbourhood level infrastructure they value. In London this 'meaningful proportion' will likely involve the Council undertaking a survey of residents to analyse their preference in terms of how CIL is applied between different types of infrastructure projects such as Schools, Roads, Community Facilities, Parks and any other category of infrastructure.

9.1.4 The CIL will replace the use of Section 106 for ‘tariff obligations’ with a ‘charging schedule’ identifying the universal CIL rate required to be paid per sqm of new development. The Council has determined to focus on supporting growth in the economy rather than maximising its infrastructure funding to ensure that not only will development remain viable, but that it will be incentivised to come forwards in the current economic climate despite the current difficulty in sales.

9.1.5 From 6th April 2014, CIL will become the only permitted mechanism through which contributions from new development can be legally ‘pooled’ (levied on more than 5 development proposals) for the delivery of required local infrastructure. This means that the introduction of CIL will in particular affect income presently received in relation to Education, Libraries and Healthcare facilities.

9.1.6 The Government views CIL as offering additional benefit to local authorities as funding will be very flexible and could be applied to any capital infrastructure project that is published in the Council’s official list of CIL-related infrastructure (“Regulation 123 list”). This list only needs to be agreed prior to final adoption of a CIL and can be regularly adjusted to account for changes in planned infrastructure delivery through the Capital Programme monitoring function of Cabinet Resources Committee.

9.1.7 A report to assess the economic viability of the various types of development in Barnet was commissioned from BNP Paribas; it offered analysis of the viability of both different types of development and for different areas.

9.1.8 Four ‘rate-setting’ approaches were considered in terms of ensuring the right balance is struck between infrastructure delivery and development viability:
- (i) maximum infrastructure income (limit of average development viability),
- (ii) maximum viability based on all viable development – low flat rate,
- (iii) maximum viability based on residential development – medium flat rate,
- (iv) differential rates focused on achieving regeneration scheme viability.

9.1.9 Barnet’s Regeneration Review determined that at the present time and for the short term, up to three years, a single (low) flat rate should be applied to enable development in Barnet to become more viable and thereby facilitate economic growth. This approach follows the successful approach taken by LB Redbridge whose rate has been adopted.

9.1.10 The low flat rate of CIL proposed is £135 /sqm of development, the Preliminary Draft Charging Schedule provides an impacts analysis of this rate and how it compares to existing planning obligation tariffs levied by the Council on different types of residential development. This rate is anticipated to secure an income of £13m, although it is important to note that this full amount may not be collected by April 2016 as it will depend on development commencing. Together with the Mayoral CIL, the combined rate for new development will be £170 /sqm of ‘net additional floorspace’.

9.1.11 The low flat rate compares well compared with other local authorities in London when considered against the aims behind the proposed rate. By April 2012 we expect Sutton, Islington and Camden to have begun the consultation process too, Barnet’s rate has been considered in light of expectations for rate-setting in these boroughs as well:

Local Authority	Progress	Flat rate	Differential rate			
			Residential	Office/ Retail	Industrial	Community
Redbridge	Adopted	£70				
Wandsworth	Examination		£575 & £265 - Nine Elms	£120 ‘met centre’	£120	£120

			£0 - Roehampton £250 – all other residential £0 C1 & C2 uses	£0 elsewhere		
Croydon	Consultation		£120 except for £0 in 'met centre' £0 C1 & C2	£120 'met centre' £0 elsewhere	£120	£120
Brent	Consultation		£200 C3 & C4 £300 student halls	£40 office £80 retail	£0	£5 leisure D2 £0 for D1
Merton	Consultation		£385 Wimbledon £140 Colliers Wood / Raynes Park £42 Mitchum/Morden	£100 retail £0 office	£0	£0
Barnet	Proposed	£135				

9.2 Operation of a local CIL

9.2.1 The charging schedule is required to be formally consulted upon through a 6-week 'Preliminary Draft Charging Schedule' first round of consultation and then a 4-week 'Draft Charging Schedule' second round of consultation ahead of submission to a qualified examiner who will review the Council's charging schedule to check that it is compliant with the legislation, regulations and formal guidance. A copy of the Preliminary Draft Charging Schedule has been attached as Appendix 1 to this report.

9.2.2 It is proposed that the Council consult on the preliminary draft charging schedule in March-April 2012 and undertake the second round of consultation in June 2012 to enable examination to take place in Autumn 2012 and adoption in early 2013 in time to begin charging a local CIL from 1st April 2013.

9.2.3 Development of the Preliminary Draft Charging Schedule, see Appendix A, has followed the recent publication of an update to the Council's Infrastructure Delivery Plan that evidenced an infrastructure funding gap of £88.5m.

9.2.4 Barnet was successful in being selected to be a round 2 national frontrunner for the delivery of its Community Infrastructure Levy and the work undertaken to date, particularly in terms of forward planning infrastructure and funding was acknowledged as an exemplar by the team working for the Planning Advisory Service.

9.2.5 It is proposed that subject to only minor changes being required, that Cabinet permit progress on all stages of implementing a local CIL up to the point of adoption, which according to national guidance must be undertaken by a resolution of a meeting of the full council.

9.3 The London context: accounting for a regional CIL

9.3.1 According to the legislation, Barnet's CIL must account for the viability of development inclusive of top-slicing for the proposed £35 /sqm contribution from all development (except social housing, charities, schools and health facilities) towards the Mayoral CIL. The Mayoral CIL is expected to operate from 1st April 2012.

9.3.2 The Mayor's draft charging schedule examination hearings took place in November 2011 and a decision on the soundness of the charge is pending production of some additional information. The Charging Schedule will allow him to charge for strategic transport infrastructure in London; this will all be directed to support the £300m CIL contribution required by government as part of the Crossrail funding package.

9.4. Barnet's proposed CIL arrangements

9.4.1 In terms of the local context it is clear that only residential, hotel and retail development appear to be sufficiently viable to be delivered in the current market, given the primary need to support economic growth locally, a low flat rate of CIL for all development is proposed to be set to ensure that all development is made more viable.

9.4.2 Certain types of development are exempted from being charged CIL by the Regulations, namely development of:

- gross internal area < $100m^2$; except if it is for one or more additional dwellings.
- where a charitable institution is the owner of the chargeable development and it will be used wholly or mainly for charitable purposes
- all portions of a chargeable development intended for social housing

9.4.3 Regulations also permit relief from the requirement to pay CIL in 'exceptional circumstances' and discretionary relief for 'charitable investments', however it is determined that such options will not be adopted due to them still having an impact on the need for local infrastructure.

9.4.4 To further enable the viability of development to be secured, the Council is currently in discussions with the Mayor of London regarding the potential for putting in place the option for CIL to be paid in instalments instead of as an up front lump sum payment.

9.5 Review of Barnet's Charging Schedule

9.5.1 In Barnet, the decision to set a low flat rate of CIL is intended to focus on the short-term objective of promoting growth through a difficult economic climate. The Regeneration Review recommended that such a rate only operate for 3 years, and therefore if it is charged as proposed from April 2013, then a new rate will need to be consulted upon and adopted to operate from April 2016 if the Council is to continue to strike the right balance between funding infrastructure and supporting delivery of new development.

9.5.2 Secondly to fit with the Infrastructure Delivery Plan operating in 5-year time periods, it is anticipated that the 'charging schedule' should be reviewed anyway in early 2015/16 to enable a new charging schedule to be adopted by April 2016 and thereby account for the next group of infrastructure projects required to be delivered in the 2016-21 period. To enable this to take place it is proposed that completion of an update to the Infrastructure Delivery Plan, including costing for 2016-21, will be required to be in place by April 2015.

10. LIST OF BACKGROUND PAPERS

10.1 If anyone wishes to view the complete Infrastructure Delivery Plan dataset, then they should contact Adam Driscoll on 020 8359 4922.

Legal – CH
Finance – JH / MC

London Borough of Barnet:

Community Infrastructure Levy

Preliminary Draft Charging Schedule

February 2012

Introduction

1.1 Introduction to CIL

1.1.1 This is a consultation document from the London Borough of Barnet ("the Council") as the first step towards setting a local Community Infrastructure Levy ("CIL") under powers set out in Part 11 of the Planning Act 2008 ("the Act"), the CIL Regulations 2010 as amended 2011 ("the Regulations") and informed by 'CIL guidance: charge setting and charging schedule procedures' ("the Guidance"). A June 2012 amendment to the Regulations will account for any agreed amendments relating to introduction of the Localism Bill.

1.1.2 From 1st April 2012, the Mayor of London ("the Mayor") will be charging CIL ("Mayoral CIL") on most development, to help provide £300m towards the cost of delivering the Crossrail project, a strategic priority to support the growth and development in London. All chargeable development in Barnet will pay a flat rate of £35 per m^2. The proposed Barnet CIL rates in this document account for this top-slice within the analysis of the viability evidence.

1.1.3 The London Borough of Barnet intends to set its local CIL as a single flat rate of £135 per square metre of net additional floorspace. By setting it at this rate the Council has ensured that it is a rate affordable for all viable development proposals brought forwards. The Council recognises that this rate will overall secure less income than under planning obligation tariffs, but sees this as its contribution towards ensuring growth in new housing can continue in Barnet. The justification for the Council's proposed CIL rate is set out in section 3 & 4.

1.1.4 The CIL will apply to all 'chargeable development', defined as:

- consisting of buildings usually used by people (but excluding buildings to which people do not usually, or only occasionally, go to inspect machinery or structures such as electricity pylons or substations)
- delivering 100sqm or more of gross internal floorspace or the creation of one additional dwelling, even if the gross internal floorspace is <100sqm.
- floorspace that is not exempted under the Act, the Regulations or for a locally defined reason to be set out in section 4.3 of this document.

1.1.5 The purpose of Barnet's CIL is to secure funding to help address the gap in funding for local infrastructure. The money raised by Barnet's CIL will used to pay for infrastructure needed to support the development of an area. The definition of infrastructure is set out in section 216(2) of the Act and in Barnet's Infrastructure Delivery Plan. Barnet will publish a formal list of the exact infrastructure to be funded from CIL prior to adoption of the charge, as required by Regulation 123.

1.1.6 Details on collection procedures will be published on the Council's website prior to likely commencement of Mayoral CIL charging from 1st April 2011.

2 Process of CIL Adoption

2.1 Timetable for delivery of CIL

2.1.1 Figure 1 shows Barnet's timetable for delivery of CIL, it sets out the likely process allowing sufficient time for consultation, examination and adoption processes, as well as sufficient transition time to ensure the development industry and internal stakeholders are prepared for the system changeover.

Figure 1 – Timetable for the delivery of CIL in Barnet

Stage	Objective	Due date
1. Evidence Preparation	Commission update report to Affordable Housing Viability Appraisal completed March 2010	Jun – Aug 2011
	Anticipated CIL chargeable floorspace projections	Aug – Sep 2011
	Adoption and testing of updated Infrastructure Delivery Plan	Nov - Dec 2011
2. Develop 'Preliminary Draft Charging Schedule' to set out Barnet's CIL policy	Rate-setting and production of PDCS to reflect the evidence	Sep 2011 -Jan 2012
3. Cabinet review of CIL	Approval to take forward the policy proposals for consultation	Feb 2012
4. CIL collection systems setup	Processes in place to enable Mayoral CIL to be collected	Feb-May 2012
5. Preliminary Draft Charging Schedule Consultation	Undertake a 6 week dialogue on local CIL with stakeholders	Mar-Apr 2012
6. Draft Charging Schedule Consultation	Provide 4 week pre-examination final consultation stage	Jun 2012
7. Charging Schedule Examination	Demonstrate soundness of the charging schedule adoption process & related evidence	Sep-Oct 2012
8. Adoption by the Council	Full Council resolution required	Jan 2013
9. Transition Processes	Ensure readiness for decisions on existing applications to be completed ahead of adoption.	Jan-Mar 2013
10. Commencement Date	All planning decisions charged CIL instead of s.106 tariffs.	Apr 2013

2.2 Consultation: Preliminary Draft Charging Schedule

2.2.1 The consultation on this document will take place 19 March 2012 - 30 April 2012. Any responses received after the end of the consultation period will be carried forward to the Draft Charging Schedule Consultation Stage and considered at that time.

2.2.2 The Regulations that set the framework for the Preliminary Draft Charging Schedule Consultation are as follows:

> Regulation 15(1) states that *"A charging authority which proposes to issue or revise a charging schedule must prepare a preliminary draft charging schedule for consultation."*
>
> Regulation 15(2-3) states that the Preliminary Draft Charging Schedule (PDCS) must be sent to all the consultation bodies usually consulted in relation to changes in planning policy and the Local Development Framework.
>
> Regulation 15(5) states that *"The charging authority must also invite representations on the preliminary draft from—*
>
> *(a) persons who are resident or carrying on business in its area; and*
>
> *(b) such of the following as the charging authority consider appropriate—*
>
> *(i) voluntary bodies some or all of whose activities benefit the charging authority's area, and*
>
> *(ii) bodies which represent the interests of persons carrying on business in the charging authority's area.*
>
> Regulation 15(6-7) state that: *"The charging authority must make such arrangements as it considers appropriate for inviting representations under paragraph (5)… [and that] the charging authority must take into account any representations made to it… before it publishes a draft of the charging schedule for examination in accordance with section 212 of the act"*

2.2.3 A letter or email will be sent to all representees and stakeholders listed on the Council's Local Development Framework (LDF) consultation list to inform them of this consultation period on the PDCS and how representations might be made. Notification of the consultation will also be detailed on the 'forward-planning' pages of the Council's website.

2.2.4 Barnet will hold a consultation on the PDCS for 6 weeks in accordance with Paragraph 47 of the Guidance; all responses received will be fully considered and the Council's response will be provided at the Draft Charging Schedule Consultation stage.

2.2.5 Paragraph 45 of the Guidance states that the PDCS should *"go beyond broad proposals for CIL… [that it should be] evidence based and reduce the need for subsequent modifications".* For this reason Chapter 3 of this document sets out the background and evidence compiled to underpin Barnet's proposed CIL rate before setting out how this has informed the Council's decision in order to ensure a suitable balance has been struck between the need to fund infrastructure and ensure development remains viable.

2.2.6 A Developers Forum was held prior to commencement of this consultation to provide the opportunity for questions to be asked and answers given ahead of this first consultation period and essentially to help the local development industry understand what CIL is and how it operates.

2.2.7 Regulations on the Draft Charging Schedule, Examination and Adoption stages of the process will be included within the Draft Charging Schedule.

3 Evidence and Setting the CIL Rate

3.1 The policy context for CIL

3.1.1 The Core Strategy of the Local Development Framework (LDF) in Barnet sets out in paragraph 20.7.2 that Barnet intends to develop a local CIL charging schedule to sit alongside the LDF to, as defined in Policy CS15, to *"support the delivery of infrastructure, facilities and services to meet the needs generated by development and mitigate for the impact of development"*.

3.1.2 The role of the Council as 'charging authority' is defined in the Guidance, but the process through which the local CIL is developed and operates has not been defined and is therefore left to the discretion of the Council:

> *"Section 206 of the Act confers the power to charge CIL on certain bodies known as 'charging authorities'. The charging authority's responsibilities are to:*
>
> - *Prepare and publish a document known as the charging schedule which will set out the rates of CIL that apply in the authority's area. This will involve consultation and independent examination*
> - *Apply the CIL revenue it receives to funding infrastructure to support the development of its area, and;*
> - *Report to the local community on the amount of CIL revenue collected, spent and retained each year."*

3.1.3 This document provides both the justification behind the selected rates of CIL to be levied in Barnet, as well as the processes for its adoption.

3.2 Evidence required to calculate Barnet's CIL rate

3.2.1 Regulation 14 provides a broad framework for the development of the CIL charging schedule, explicitly focusing on the way the balance is determined between the costs of infrastructure and contributions that will be required from individual developments as they come forwards:

> *"in setting rates in a charging schedule, a charging authority must aim to strike what appears to the charging authority to be an appropriate balance between-*
> *(a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and*
> *(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area."*

3.2.2 Regulation 11 defines that the 'relevant evidence' a charging authority should use to guide development of its charging schedule rates is:

> "*evidence that is readily available and which, in the opinion of the charging authority, has informed its preparation of the draft charging schedule".*

3.2.3 This broad framework means that provided the Council gives *"an explanation of how the chargeable amount will be calculated"*, the specific building blocks of that calculation are to be only the evidence considered by the Council to be both readily available and relevant to the process of calculating its CIL rate.

3.2.4 The following sections in this chapter set out the evidence considered to be most relevant to the CIL calculation by the Council.

3.3 A trajectory of consolidated residential growth

3.3.1 Regulation 9 defines "chargeable development" as development for which planning permission is granted by way of general consent, including each separate phase of a phased permission and any permission granted under section 73 of the Town and Country Planning Act.

3.3.2 Whilst Barnet is already London's most populous borough, with 349,800 residents in 2011, it will continue delivering growth that builds on a local population increase of 30,300 (9.5%) since 2001. Figure 2 shows the target of 28,150 new homes meaning Barnet has the fourth highest housing target in London for the period 2011-12 to 2021-22, as set out in the Mayor's Strategic Housing Land Availability Assessment (SHLAA). Of which 15,720 units will be delivered through regeneration areas and 3,200 through the priority estates.

3.3.3 Much of the planned development to March 2016, and almost all of the development in regeneration areas and priority estates, has already been granted planning permission and therefore will not be required to pay CIL if this extant permission is built. However if a new or revised planning application is received for any of these sites, then CIL will be chargeable subject to the exemptions set out in section 4.4 of this document.

3.3.4 Development in Brent Cross Cricklewood, Mill Hill East, Stonegrove and Spur Road Estate, and West Hendon Estate has already been granted planning permission and therefore all the units planned in relation to these sites have been excluded in the calculation of anticipated chargeable floorspace.

Figure 2 – Distribution of Housing Growth up to 2026 as set out in the Core Strategy.

	SOURCE	2011-16	2016-21	2021-26	TOTAL
1	Incremental small housing schemes incorporating windfall allowance	2000	980	980	**3960**
2	non self contained accommodation	635	635	635	**1905**
3	vacant properties	395	395	395	**1185**
4	Total Town Centre sites	520	90	200	**810**
5	Total Other Major sites	1320	20	30	**1370**
6	Priority Housing Estates[1]	1500	1120	580	**3200**
	Regeneration and Development Areas				
	Brent Cross - Cricklewood	0	1800	3300	**5100**
	Mill Hill East AAP	930	1000	200	**2130**
	Colindale AAP	4470	3320	300	**8090**
	North London Business Park / Oakleigh Road South Planning Brief	150	250	0	**400**
7	**Total Regeneration and Development Areas**	5550	6370	3800	**15720**
	Borough Total (sum of 1 to 7)	**11920**	**9610**	**6620**	**28150**

3.3.5 Development in Colindale is being delivered through many different sites, brought together through the Area Action Plan. This plan considers all the potential 10,000 new homes and all associated infrastructure to support these new homes. Approximately 2,500 of these anticipated units currently do not have planning permission. Re-development of both Dollis Valley Estate and Granville Road Estate is currently being planned through a process of competitive dialogue, but neither currently have an extant permission in place. All anticipated private sale units from these three regeneration areas are identified in Appendix 1 which details the anticipated chargeable floorspace expected to come forwards during 2011-16, a total of 34,602 sqm.

3.3.6 Appendix 1 further details the remaining anticipated development across the borough on a ward-by-ward basis. The information is taken from the council's 'Housing Trajectory', which is a living dataset identifying the anticipated completion dates of new units at each known development site in Barnet as well as the potential sites identified in Barnet's SHLAA, this identifies a further 52,163 sqm of chargeable floorspace.

3.3.7 Appendix 1 involves adjustments to ensure accuracy of expected floorspace: (i) expected development, identified through extant planning permissions, is deducted, (ii) the number of approved units is adjusted by the average number of permissions requiring renewal and (iii) the amount of affordable housing expected is removed from the total as social housing is exempted.

3.3.8 Paragraph 5 of the Guidance states that *"CIL will be levied on the gross internal floorspace of the net additional liable development".* The figures for delivery in units are therefore converted to 'floorspace' in m^2 using the London Plan minimum standards per unit. Based on the experience of our development management team, we have assumed the difference between

[1] Excluding Grahame Park, which is included in the Colindale AAP figures.

‘gross’ and ‘net’ additional floorspace is on average 2:1 for small major and minor development and 4:1 for regeneration areas / estate renewal, therefore Column J in Appendix 1 incorporates reductions of 50% and 25% to the estimated ‘gross’ floorspace. Anticipated *“gross internal floorspace of the net additional liable development”* for the 2011-16 period is therefore calculated in Appendix 1 to be 81,181m^2.

3.4 Anticipated levels of commercial growth

3.4.1 The same approach to residential change cannot be used for predicting the level of commercial floorspace likely to be delivered during the period in which CIL will operate; therefore the average historic level of delivery of commercial floorspace as identified through the London Development Database will be used as a prediction for likely future change.

3.4.2 The LDF Annual Monitoring Reports for 2004-10 incorporate information on the total retail, office and industrial floorspace completed in each year. Figure 3 shows the total amount of floorspace delivered through larger schemes (over 100sqm) as well as calculating an average across all these years.

3.4.3 The information does not capture commercial floorspace from developments of less than 100sqm, however this is not a problem as all this floorspace is exempt under Regulation 42, unless part of a mixed use scheme. Commercial floorspace that would be exempted for charitable reasons under Regulation 43 is noted from historic information to be negligible.

3.4.4 The gross anticipated commercial floorspace to be completed in 2011-16 is therefore estimated to be: 20,000m^2 of retail floorspace, 14,000m^2 of office floorspace and 500m^2 of industrial floorspace. This should then be halved to give a ‘net additional’ figure to account for existing floorspace.

3.4.5 Finally, of this anticipated net (non-exempted) commercial floorspace it is estimated that approximately a further 50% will have already received planning permission, a similar proportion as noted in relation to residential development, to give a total net anticipated chargeable floorspace as follows:

- 5,000m^2 retail floorspace
- 3,500m^2 office floorspace
- 175m^2 industrial floorspace

3.4.6 Lastly, given that generally both office and industrial floorspace was found to be ‘unviable’ in the analysis for the updated Viability Appraisal, delivery of either of these types of floorspace is unlikely in the period (unless as replacement for lost uses in mixed schemes and therefore these floorspace should be excluded from any estimation of likely CIL income.

Figure 3 – Historic delivery of commercial floorspace in Barnet

Year of Delivery	Planning application reference	Address of site	Retail A1 - A5	Office B1	Industrial B2 / B8
2004-05	**All completed development**		**15,420m^2**	**11,466m^2**	**Not measured**
2005-06	**All completed development**		**9,555m^2**	**3,509m^2**	**Not measured**
2006-07	N/02979AR/03	Summit House, Moon Lane		1,008m^2	
2006-07	**All completed development**		**0m^2**	**1,008m^2**	**0m^2**
2007-08	W/00198AK/05	Block A, Former RAF East Camp	2,255m^2		
2007-08	**All completed development**		**2,255m^2**	**0m^2**	**0m^2**
2008-09	C/00831AP/06	2 Lyttleton Road		1,056m^2	
2008-09	W/00198AG/05	Block B, Former RAF East Camp	1,696m^2		
2008-09	**All completed development**		**1,696m^2**	**1,056m^2**	**0m^2**
2009-10	N/13258B/05	Unit 9 Friern Bridge Retail Park			552m^2
2009-10	C/01209H/02	Tudor Court R/O Llanvanor Road		2,500m^2	
2009-10	C/02905AS/08	1117 Finchley Road, NW11 0QB	445m^2	901m^2	
2009-10	C/00502E/04	48a Hendon Lane	120m^2		
2009-10	**All completed development**		**565m^2**	**3,401m^2**	**552m^2**
2004-10	**Average of all completed developments**		**4,915m^2**	**3,407m^2**	**138m^2**

3.5 Anticipated levels of community use development

3.5.1 There is no information on community use completions to use as the historic level of delivery of non-residential, assembly and leisure and community floorspaces. However, given that the viability of community uses is questioned in the report by BNP Paribas, and furthermore that many of these projects are undertaken by registered charities, it will not be necessary to estimate the total amount of this floorspace likely to be delivered in 2011-16.

3.6 The Infrastructure Funding Gap

3.6.1 Paragraph 12 of the Guidance refers to the fact that *"the charging authority will want to consider what additional infrastructure is needed in its area to support development and what other funding sources are available"*. This in effect requires a calculation of the 'infrastructure funding gap', the total cost of infrastructure less the total available funding from sources other than CIL.

3.6.2 Paragraph 13 of the Guidance then indicates that *"information on a local authority's infrastructure needs should be drawn directly from the planning that underpins their Development Plan"*. Barnet's Infrastructure Delivery Plan (IDP), first adopted in October 2010 and updated and set out in more detail in November 2011, provides the evidence of infrastructure needed to underpin the Core Strategy; defined locally as 'required infrastructure'.

3.6.3 Appendix 1 of the IDP report details all critical and necessary infrastructure projects currently deemed as key to mitigating for the impacts of consolidated growth. The IDP report further sets out the level of preparedness and development of forward-plans for each type of required infrastructure.

3.6.4 Figure 4 of the Council's IDP identified the estimated cost of delivering all infrastructure projects required for the 2011-16 period to be £247m.

3.6.5 Figure 6 of the Council's IDP identified approximately £182.1m in funding towards delivery of the required infrastructure in Barnet leaving a total infrastructure funding gap of £88.5m excluding funding from CIL.

3.6.6 It is recognised in the IDP that a local CIL is likely to only be able to contribute towards addressing part of this infrastructure funding gap. Therefore other approaches to ensuring the IDP is fully deliverable will likely be required.

3.7 The viability of new development

3.7.1 As set out in section 3.2.1. of this document, Regulation 14 requires the authority to aim to strike an appropriate balance between funding infrastructure and the effect of the imposition of CIL on the economic viability of development across its area, Paragraphs 20-30 of the Guidance set out the framework for which the evidence base for testing economic viability must depend. It notes in paragraph 20 that it is likely that charging authorities will need to summarise evidence as to economic viability in a document separate to the charging schedule.

3.7.2 The relevant documents delivered in relation to economic viability of development in Barnet are the Affordable Housing Viability Assessment (AHVA), adopted March 2010 and the associated Update Report in August 2011 which updated and translated the findings of the original report to address the requirements in relation to evidencing area-wide viability for applying a CIL charge to different forms of development. Both documents were completed by BNP Paribas Real Estate; the author is a specialist in providing evidence on development viability.

3.7.3 The AHVA modelled the area-wide impact on development viability around the borough at different densities of development for a variety of scenarios. These included different policy requirements in terms of the percentage of affordable housing, total cost of planning obligations, whether affordable housing grant was provided and different splits between social rented and intermediate tenures. It was found that the imposition of different levels of planning obligations up to £15,000 per unit (equivalent to circa £20,000 CIL charge per private sale unit) had little impact on the viability of development.

3.7.4 The Core Strategy affordable housing policy has been revised to reflect the fact that evidence suggests a maximum of 40% affordable housing is possible in general across sites in Barnet. When the update report for CIL viability was commissioned, the Council had adopted a requirement for a maximum of only 30% affordable housing following a 60% social rented, 40% intermediate tenure split, and recognising no housing grant as available. For this reason the analysis of residential viability with CIL would need to be revised to account for this change if a rate near the limit of viability is proposed.

3.7.5 In terms of retail development, a borough wide assessment of the viability of retail development was undertaken which demonstrates that up to four different rates of significant variation in value could be applied to setting a suitable CIL rates for new development, namely:

New retail development is generally unviable	CIL rate of up to £136 could be applied	CIL rate up to £524 could be applied	CIL rate up to £925 could be applied
NW9 NW4 NW2 EN4 EN5 HA8	N11 N2 N14 N3	N10 N12 NW11	N20 NW7

3.7.6 In terms of office, industrial and community development, the update report identified that in the current period to 2016 it is unlikely that development will be sufficiently viable to come forwards unless part of a mixed-use scheme.

3.7.7 The Council's strategic aim to ensure the introduction of CIL:

(a) simplifies contributions for smaller development schemes, and
(b) aids the process of economic growth and delivery of development,

together mean that just a ***single low flat rate of CIL*** will be applied to all development, this to be set at the rate of the lowest viable form of development, namely retail development in N11, N2 and N14 at ***£135/sqm***.

3.7.8 Almost all the chargeable development is residential floorspace, therefore the viability modelling results for a 40% affordable housing were compared to those for 30% affordable housing and it was noted that a rate of £135/sqm should still not affect overall viability of development.

3.7.9 Together the evidence shows that the level of CIL proposed to be charged on all development is both appropriate and justified in terms of the economic viability of all future development. The rate proposed will not put at serious risk development across the area.

3.8 Administration costs

3.8.1 Regulation 61 and paragraphs 41-44 of the Guidance set out the context relating to the incorporation of a fee towards administration costs within the charging schedule, and how such a fee can also relate towards supporting the set up costs in producing the charging schedule and in developing operational systems for management and collection of CIL.

3.8.2 At the time of writing, the anticipated total start up costs for delivering CIL will be in the region of £179,000 including consultation, examination, IT, viability evidence and the project officer's salary for 22 months covering evidence gathering, charging schedule drafting, consultation, examination and adoption as well as technical implementation stages of the process. The anticipated 3-year revenue cost for the service is likely to be £231,000 allowing for 2x monitoring officers to support the CIL (and planning obligations) processes.

3.8.3 Until the current amendments to the Regulations associated with the Localism Act are adopted, a maximum administrative fee of 5% of CIL income is permissible in relation to payments from this charging schedule. A maximum fee of 4% will apply to the provision of a CIL collection service on behalf of the Mayoral CIL once his charging schedule is adopted.

3.9 Mayoral CIL

3.9.1 Paragraphs 31-33 specifically deal with the situation in London where the Mayor of London can set a rate of CIL. This sets out the obligation to work closely with the Mayor to ensure that the setting and running of a two-tier CIL charging system is arranged so as to set CIL requirements that retain viability across London and by accounting for any existing or proposed rates to be levied by the other party.

3.9.2 At the time of writing, the Mayoral CIL hearings are finished and some follow-up questions are seeking additional evidence from the Mayor. The process to date is expected to confirm a rate of £35 /sqm to be levied on all development in Barnet except education, healthcare and all development exempted by the regulations (social housing and charitable use). It is estimated this rate will bring in an income of £3m for Crossrail during 2011-16.

3.9.3 Once formally approved, the Charging Schedule will sit alongside the Mayor's Spatial Development Strategy (the London Plan), but it will not form part of it. Adoption is expected in early 2012 in sufficient time to begin levying the charge from 1st April 2012.

3.9.4 All evidence of viability to support the Barnet CIL rate-setting process has been calculated on the basis of an assumed £35 /sqm Mayoral rate having already been top-sliced from the total viability of development.

4 Impact Assessment of CIL

4.1 Calculation of the anticipated total CIL income

4.1.1 The potential CIL income from the proposed rates is just less than £13m towards the delivery of required infrastructure in Barnet. Of this total income, 95% will arise from anticipated residential development in 2011-16.

4.1.2 It is clear that CIL income will not fully address the Infrastructure Funding Gap identified in the Infrastructure Delivery Plan, but it provides a 15% contribution towards the identified gap. Charging the maximum CIL possible through differential rates could add as much as £5-8m to the total CIL income, but would result in charging a rate of CIL that would pose additional costs on all development greater than the sum imposed through current S106 tariffs.

4.1.3 It is hoped that in setting up an Infrastructure Reserve, the Council can pool funding for the delivery of required infrastructure in parallel with the merging of the Infrastructure Delivery Plan into the Capital Programme. It is hoped that the flexibility this delivers with funding will mean that the most critical infrastructure can still get underway whilst alternative solutions to a higher rate of CIL can be found to address the remaining infrastructure funding gap.

4.1.4 Sensitivity testing to adjustments in either the residential or retail rates has been undertaken to demonstrate the financial impact of a difference in the CIL rate applied to each type of development. 5%, 10% and 25% adjustments to the CIL rates would have the following financial impacts on the total income likely to be brought in by CIL:

- 5% adjustment to the rate = £650k change in income
- 10% adjustment to the rate = £1.3m change in income
- 25% adjustment to the rate = £3.2m change in income

4.1.5 The sensitivity testing reveals that a 10% adjustment to the rate would not have too significant an impact on the total income compared with the scale of the overall funding gap, however given the low flat level of the rate proposed it is not suggested that any adjustment to the rate is required.

4.1.6 An analysis of the comparative cost of the CIL charge versus the cost of current planning obligation tariffs on a development is provided in Appendix 2. This shows that the proposed rate of CIL will on the whole reduce the cost burden on almost all developments compared to the existing charge applied through ‘planning obligation tariffs’ for Education, Libraries, Healthcare + Monitoring; this is particularly the case for developments of 3+ bedroom properties. The Council views that this reduction will be a positive step to help ensure family homes are deliverable in the current economic situation.

4.2 Exemptions and relief

4.2.1 Regulation 42 sets out that chargeable development will only be liable to pay CIL if on completion of that development the gross internal area of new build or enlargements to an existing building on the relevant land will be less than 100 sqm; except where such development will comprise of one or more additional dwellings.

4.2.2 Regulation 43 sets out that where a charitable institution is the owner of the material interest and the chargeable development will be used wholly or mainly for charitable purposes, it is exempt from CIL liability (applies to only the share of a charge that relates to a charitable institution's sole material interest). Regulations 46-48 govern the operation and processes relating to this charitable relief.

4.2.3 Regulations 49-50 set out that a collecting authority must also give full relief from paying CIL on all portions of a chargeable development that are intended for the purposes of social housing. Regulations 51-54 govern the operation and processes relating to this social housing relief including how the material interest in the land is to be managed around issues of land disposal.

4.2.4 Regulation 55-56 set out the option for a collecting authority to provide discretionary relief in 'exceptional circumstances', specifically these are circumstances where the authority considers <u>all</u> the following requirements have been fully met:

- A planning obligation has been entered into and the total cost of complying with the planning obligation is greater than the total amount of CIL payable in respect of the chargeable development.
- To require payment of the CIL would have an unacceptable impact of the viability of the chargeable development
- It is satisfied that to grant relief would not constitute State aid which is required to be notified to and approved by the European Commission.

The Council will <u>not</u> be making this exceptional circumstances relief available, instead it will deal with specific matters of viability and the cost of delivering site specific planning obligations through the planning obligations process.

4.2.5 Regulation 44 sets out the option for a collecting authority to provide discretionary relief for 'charitable investments', whereby the whole or the greater part of a chargeable development will be held by the owner as an investment from which the profits will be applied for charitable purposes. The Council will not be making available this discretionary relief, and therefore all development for charitable investment purposes will be CIL liable in accordance with a rates set out in this document; this is because all such development will have an impact on the need for local infrastructure.

4.3 Differential rates

4.3.1 Regulation 13 permits the setting of differential rates for different zones in which development will be situated or by reference to different intended uses of development. Paragraphs 34-37 of the Guidance set out that differential rates are options to enable total flexibility of CIL to suit the viability of local development alone.

4.3.2 Despite the viability evidence analysing the possibility for differential rates according to both area and type of development, this is not proposed to be considered at the present time. This is because it is viewed that the current priorities are to create simplicity of CIL charging and to provide support for new development through current challenging economic times.

4.4 Indexation of the levy

4.4.1 Regulation 40 sets out that the calculation of the chargeable amount at the time of agreeing the chargeable rate for a development will incorporate an adjustment to account for the difference between the index figure for the year in which planning permission was granted and the index figure for the year in which the charging schedule took effect.

4.4.2 Regulation 40(7) sets out that the index referred to in 4.5.1 is the All in Tender Price Index produced by the Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors on the 1st November each year.

4.5 Instalments: delivering infrastructure and development

4.5.1 The AHVA has accounted for the ward-level and borough wide viability of development, as appropriate, to ensure that acceptable CIL rates were proposed whilst ensuring development remains deliverable and viable.

4.5.2 But, following on from the approach taken in the Council's 'responding to the recession - interim guidance note', the Council further intends to set in place an instalments policy that will recognise the impact of how the timing of CIL payments affects development viability.

4.5.3 Such an instalments policy is currently in consultation with the Mayor of London to see if there is a possibility of delivering a shared approach.

Appendix 1 – Anticipated regeneration / estate schemes and ward-by-ward total CIL chargeable floorspace 2011-16

a	*b*	*c*	*d*	*e*	*f*	*g*	*h*	*i*	*j*
Ward Name	**Area**	**Estimated total no. units from LDF trajectory**	**No. units with existing permission**	**No. permitted units needing renewal of permission**	**Estimated total units in CIL related schemes**	**Chargeable development (affordable exempted)**	**Average floorspace per unit in the ward**	**Estimated 'gross' chargeable floorspace**	**Estimated 'net' chargeable floorspace**
Source / Assumption used:		**Housing Trajectory (sale units only)**	**Planning App. Information**	**0%**	**(c - d + f)**	**100% or 70%**	**Mean of regen. permissions**	**(g x h)**	**75% of gross floorspace**
Granville Road	Child's Hill	67	0	0	67	67	42	2,830	2,123
Dollis Valley	Underhill	349	0	0	349	349	45	15,740	11,805
West Hendon (Phase 2)	*West Hendon*	*TBC*	*0*	*0*	*TBC*	*TBC*	*TBC*	*0*	*9,959*
Beaufort Park	*Colindale*	*1,706*	*1,706*	*0*	*0*	*0*	*43*	*0*	*0*
Colindale Hospital	*Colindale*	*780*	*726*	*0*	*54*	*38*	*43*	*1,607*	*1,205*
Brent Works	*Colindale*	*104*	*104*	*0*	*0*	*0*	*43*	*0*	*0*
Zenith House	*Colindale*	*309*	*309*	*0*	*0*	*0*	*43*	*0*	*0*
Barnet College	*Colindale*	*426*	*0*	*0*	*426*	*298*	*43*	*12,679*	*9,510*
Subtotal for Colindale:		3521	2845	0	676	473	43	14,286	10,715
								TOTAL:	**34,602**

a	b	c	d	e	f	g	h	i	j	k
Ward Name	**Type** *(Major/ Minor)*	**Estimated total no. units from LDF trajectory**	**No. units with existing permission**	**No. permitted units needing renewal of permission**	**Estimated total units in CIL related schemes**	**Chargeable development (affordable exempted)**	**Average floorspace per unit in the ward**	**Estimated 'gross' chargeable floorspace**	**Estimated 'net' chargeable floorspace**	**Total chargeable floorspace per ward**
Source / Assumption used:		**Housing Trajectory**	**No. of live permissions**	**9%**	**(c - d + f)**	**70%**	**Mean of live permissions**	**(g x h)**	**50% of gross floorspace**	**(minor+major)**
BRUNSWICK PARK	Major	186	36	3.24	153.24	107.268	43.28	4642.56	2321.28	
	Minor	55	39	3.51	19.51	19.51	43.28	844.39	422.20	2743.48
BURNT OAK	Major	86	86	7.74	7.74	5.418	36.47	197.59	98.80	
	Minor	18	15	1.35	4.35	4.35	36.47	158.64	79.32	178.12
CHILDS HILL	Major	43	31	2.79	14.79	10.353	42.88	443.94	221.97	
	Minor	370	231	20.79	159.79	159.79	42.88	6851.80	3425.90	3647.87
COLINDALE	Major	0	0	0	0	0	42.52	0.00	0.00	
	Minor	14	7	0.63	7.63	7.63	42.52	324.43	162.21	162.21
COPPETTS	Major	0	0	0	0	0	41.51	0.00	0.00	
	Minor	45	35	3.15	13.15	13.15	41.51	545.86	272.93	272.93
EAST BARNET	Major	190	12	1.08	179.08	125.356	48.28	6052.19	3026.09	
	Minor	65	38	3.42	30.42	30.42	48.28	1468.68	734.34	3760.43
EAST FINCHLEY	Major	82	0	55	137	95.9	36.93	3541.59	1770.79	
	Minor	59	45	4.05	18.05	18.05	36.93	666.59	333.29	2104.09
EDGWARE	Major	252	232	20.88	40.88	28.616	45.61	1305.18	652.59	
	Minor	133	62	5.58	76.58	76.58	45.61	3492.81	1746.41	2398.99
FINCHLEY CHURCH END	Major	41	41	3.69	3.69	2.583	48.25	124.63	62.31	
	Minor	225	106	9.54	128.54	128.54	48.25	6202.06	3101.03	3163.34
GARDEN SUBURB	Major	18	48	4.32	0	0	64.25	0.00	0.00	
	Minor	145	68	6.12	83.12	83.12	64.25	5340.46	2670.23	2670.23
GOLDERS GREEN	Major	675	76	6.84	605.84	424.088	48.03	20368.95	10184.47	
	Minor	125	67	6.03	64.03	64.03	48.03	3075.36	1537.68	11722.15

a	b	c	d	e	f	g	h	i	j	k
Ward Name	**Type** *(Major / Minor)*	**Estimated total no. units from LDF trajectory**	**No. units with existing permission**	**No. permitted units needing renewal of permission**	**Estimated total units in CIL related schemes**	**Chargeable development (affordable exempted)**	**Average floorspace per unit in the ward**	**Estimated 'gross' chargeable floorspace**	**Estimated 'net' chargeable floorspace**	**Total chargeable floorspace per ward**
Source / Assumption used:		**Housing Trajectory**	**No. of live permissions**	**9%**	**(c - d + f)**	**70%**	**Mean of live permissions**	**(g x h)**	**50% of gross floorspace**	**(minor+major)**
HALE	Major	9	0	0	9	6.3	45.65	287.60	143.80	
	Minor	85	55	4.95	34.95	34.95	45.65	1595.47	797.73	941.53
HENDON	Major	175	33	2.97	144.97	101.479	47.5	4820.25	2410.13	
	Minor	294	150	13.5	157.5	157.5	47.5	7481.25	3740.63	6150.75
HIGH BARNET	Major	166	51	4.59	119.59	83.713	47.12	3944.56	1972.28	
	Minor	88	111	9.99	0	0	47.12	0.00	0.00	1972.28
MILL HILL	Major	93	117	10.53	0	0	49.55	0.00	0.00	
	Minor	163	105	9.45	67.45	67.45	49.55	3342.15	1671.07	1671.07
OAKLEIGH	Major	0	0	0	0	0	45.53	0.00	0.00	
	Minor	63	57	5.13	11.13	11.13	45.53	506.75	253.37	253.37
TOTTERIDGE	Major	64	25	2.25	41.25	28.875	58.65	1693.52	846.76	
	Minor	86	50	4.5	40.5	40.5	58.65	2375.33	1187.66	2034.42
UNDERHILL	Major	43	0	0	43	30.1	45.1	1357.51	678.76	
	Minor	60	49	4.41	15.41	15.41	45.1	694.99	347.50	1026.25
WEST FINCHLEY	Major	11	20	1.8	0	0	38.93	0.00	0.00	
	Minor	174	126	11.34	59.34	59.34	38.93	2310.11	1155.05	1155.05
WEST HENDON	Major	0	0	0	0	0	38.74	0.00	0.00	
	Minor	210	104	9.36	115.36	115.36	38.74	4469.05	2234.52	2234.52
WOODHOUSE	Major	82	12	1.08	71.08	49.756	42.24	2101.69	1050.85	
	Minor	133	102	9.18	40.18	40.18	42.24	1697.20	848.60	1899.45
	TOTAL:	**4,826**	**2,442**	**275**	**2,718**	**2,247**	**1,914**	**104,325**	**52,163**	**52,163**

Assumptions:

- 9% of smaller major and minor units need renewal of permission based on statistics from cases in 2010-11. No largescale major sites have been assumed to need renewal of permission due to extant commencement in most cases.
- Small major schemes have been assumed to deliver 30% affordable units, the information on the regeneration schemes only list the private sale units as this specific information is available for each site instead of working on an assumed viable percentage.
- Average floorspace per unit was calculated by comparing existing permissions (either within a ward or across all regeneration schemes) and identifying the percentage of 1-, 2-, 3- and 4+- bed units. The floorspace standards from the London Plan for each sized unit were then applied to these percentages to give a mean floorspace for the 'average' unit within that ward / with regeneration schemes.
- 'Gross' to 'net' floorspace ratios were assumed based on the professional judgement of the Development Management team leaders, based on the average nature of the existing uses that are being converted or demolished as a result of development.

Total anticipated chargeable floorspace:

Anticipated CIL chargeable floorspace from small scale major and minor developments in 2011-16 is: 52,163m^2

Anticipated CIL chargeable floorspace from regeneration and priority estate developments in 2011-16 is: 29,018m^2

Therefore total anticipated chargeable floorspace in 2011-16 is: 81,181m^2

Appendix 2 – Comparison of proposed CIL rate vs. S106 tariffs

Existing S106 tariffs

	1 bed	2 bed	3 bed	4+ bed
Private units				
Education	£741	£2,659	£7,799	£11,949
Libraries	£139	£139	£244	£244
Health	£802	£1,184	£1,682	£2,016
Monitoring	£84	£199	£486	£710
Affordable units				
Education	£386	£3,062	£4,643	£7,987
Libraries	£174	£174	£174	£310
Health	£802	£1,184	£1,682	£2,016
Monitoring	£68	£221	£325	£516

Anticipated future CIL charge (excluding Mayoral CIL)

	1 bed	2 bed	3 bed	4+ bed
Greenfield site ***London plan unit size***	38 sqm	53 sqm	65 sqm	74 sqm
private unit CIL cost	£5,130	£7,155	£8,775	£9,990
Brownfield site ***'Net additional' (50%)***	19 sqm	27 sqm	33 sqm	37 sqm
Private unit CIL cost	£2,565	£3,645	£4,455	£4,995
Largescale site ***'Net additional' (75%)***	29 sqm	40 sqm	49 sqm	56 sqm
Private unit CIL cost	£3,848	£5,366	£6,581	£7,493

**Planning obligation and CIL rates in Scenerio 3 + 4 adjusted to reflect the 'average unit' charge inclusive of affordable housing*

Scenerio 1: (residential scheme <10 units, no affordable)

Greenfield	obligations	CIL rate	Change
1-bed	£1,766	£2,565	£799
2-bed	£4,181	£3,645	-£536
3-bed	£10,211	£4,455	-£5,756
4-bed	£14,919	£4,995	-£9,924

Scenerio 2: (residential scheme <10 units, no affordable)

Brownfield	obligations	CIL rate	Change
1-bed	£1,632	£2,309	£677
2-bed	£4,365	£3,220	-£1,145
3-bed	£8,856	£3,949	-£4,907
4-bed	£13,283	£4,496	-£8,788

Scenerio 3*: (residential scheme >10 units, 40% affordable)

Brownfield	obligations	CIL rate	Change
1-bed	£1,665	£3,591	£1,926
2-bed	£4,319	£5,009	£690
3-bed	£9,195	£6,143	-£3,052
4-bed	£13,692	£6,993	-£6,699

Scenerio 4*: (large / regeneration scheme, 30% affordable, planning obligations = + £5000 extra/unit)

Brownfield	obligations	CIL rate	Change
1-bed	£6,766	£5,130	-£1,636
2-bed	£9,181	£7,155	-£2,026
3-bed	£15,211	£8,775	-£6,436
4-bed	£19,919	£9,990	-£9,929

AGENDA ITEM: 17 Page nos. 112 - 116

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Regeneration Review – Action Plan and Next Steps**
Report of	Leader of the Council
Summary	This report sets out the background to and recommendations of the Regeneration Review which was undertaken during autumn 2011 and included an evaluation of existing and planned regeneration schemes to ensure current approaches are capable of delivering cross-cutting regeneration objectives.

Officer Contributors	Andrew Travers, Deputy Chief Executive Lucy Shomali, Assistant Director, Strategic Planning & Regeneration
Status (Public or Exempt)	Public
Wards affected	All
Enclosures	Appendix A – Regeneration Review and Action Plan
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Lucy Shomali, lucy.shomali@barnet.gov.uk, Tel: 020 8359 4749

1. RECOMMENDATIONS

It is recommended that Cabinet Resources Committee:

1.1 Agree the findings of the Regeneration Review and the proposed next steps (as set out in the detailed Action Plan attached as Appendix A) with the following actions delivered as a priority:

(i) A review of the structure and skill set of the Regeneration Service to be concluded by end of March 2012

(ii) A major review of programme management to include Member involvement in the Regeneration Board, and establishment of a new, internal Regeneration Programme Board and reconstituted Project Boards to be completed by end of March 2012

(iii) The development of a Corporate Property Strategy and asset register to be completed by May 2012

(iv) A Skills, Employment and Enterprise Strategy to be prepared with particular focus on 16-24 year olds and post riot actions for adoption by Cabinet April 2012

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet 22 November 2004 (item 8) approved the Three Strands Approach: Protect, Enhance and Grow as the basis for planning, development and regeneration of the borough.

2.2 Cabinet 6 September 2010 (item 6) approved the publication version of the Local Development Framework Core Strategy.

2.3 Cabinet 14 September 2011 (item 6) approved the draft Regeneration Strategy.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Council's Regeneration Strategy sits within the context of two other key documents, the Council's Sustainable Community Strategy and the Local Development Framework (LDF) - the Borough's spatial development strategy. It supports the 'successful London suburb' corporate priority and is a key part of delivering the 'enhance' and 'consolidated growth' elements of the Three Strands Approach outlined in the LDF. It also sits alongside the Council's Housing Strategy.

3.2 In attracting significant private sector investment, the regeneration in the borough supports the Council's corporate priority 'better services with less money'.

3.3 It also captures our ambition to ensure that residents and businesses in the borough can take responsibility for sharing in Barnet's success, which supports the Council's corporate priority of 'sharing opportunities, sharing responsibilities'.

4. RISK MANAGEMENT ISSUES

4.1 Although there is significant private sector investment planned for the borough, we recognise that our regeneration was planned in a different economic climate. Delays in our estate regeneration programme associated with the current economic downturn could result in additional financial demands on the Housing Revenue Account to manage and maintain housing stock on the regeneration estates over an extended period. The Regeneration

Strategy provides a coherent framework to respond to evolving government and Council objectives and the changing funding agenda. The scope of the Regeneration Review specifically covers analysis of this risk and how it should be mitigated.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Generally, Barnet is a diverse and successful place with residents able to achieve their aspirations. Within this overall picture there are areas where this may not always be the case and the regeneration strategy is targeted to address this.

5.2 The Regeneration Strategy will ensure that regeneration develops cohesive communities, meeting the needs of all that live within them. The regeneration schemes are working in partnership with key stakeholders and local residents to:

- create more homes - particularly family homes - with rebalanced housing tenure and more mixed communities
- create new school places to meet the needs of the growing younger population
- ensure services are available to support our increasing older population
- maximise employment and training opportunities for those furthest from the labour market to access new job opportunities resulting from regeneration
- provide new and accessible community facilities and open spaces for all residents to use

5.3 The Regeneration Review makes recommendations to ensure due regard to equality and diversity considerations for regeneration in the borough.

6. USE OF RESOURCES IMPLICATIONS

6.1 The Regeneration Strategy recognises that our regeneration schemes were planned in a different economic climate meaning that there are new challenges around delivery. The Regeneration Strategy asks key strategic questions about the delivery of successful regeneration schemes for Barnet and sets out what will enable us in delivering our strategic objectives ensuring that we respond to the changing financial context.

6.2 The Regeneration Review has examined the Council's and partners' delivery capacity in relation to regeneration and identified gaps in both capacity and technical skills. It also considers project and programme management arrangements including budget management and cost recovery, ensuring optimum use of resources.

6.3 The Regeneration Review is funded from existing Regeneration resources.

7. LEGAL ISSUES

7.1 The recommendations that have been set out in this report are aimed at achieving greater efficiencies around the Council's regeneration activities. The Council currently has 3 executed Principal Development Agreements and a co-operation agreement for its Regeneration or Regeneration type schemes. In implementing the recommendations in this report and the action plan the Council must have regard to its obligations under these long term agreements and should ensure that it continues to meet its obligations within the agreements and that any changes to the agreements accord with the change mechanisms within the respective Agreements.

8. CONSTITUTIONAL POWERS

8.1 Constitution (Part 3) – Responsibility for Functions – Section 3.8

9. BACKGROUND INFORMATION

9.1 Regeneration in Barnet is estimated to be bringing £6 billion of private sector investment into the Borough over the next 25 years. This investment will bring benefits to the Borough through attracting new businesses and promoting business growth and economic vibrancy; providing new and existing residents with new schools, community facilities,and improvements to open spaces. There will also be improvements to public transport and road networks to the benefit of all who live, work in or visit Barnet.

9.2 However, there are a number of challenges to managing change and maximising these opportunities. The external environment has significantly changed since Barnet's regeneration was originally planned with the economic downturn affecting commercial viability, and public expenditure being reduced. At the same time new models of funding have been proposed which give local areas more flexibility to generate revenue and provide a potential opportunity.

9.3 The demography of the Borough also continues to change rapidly including an influx of new communities and increasing birth rates in many communities leading to a growth in our young population with pressure on services, particularly primary school places.

9.4 Cabinet approved a new Regeneration Strategy for the borough in September 2011 which sets out a number of strategic objectives for the borough and its regeneration schemes. These are to:

- Enhance Barnet as a Successful London Suburb through delivery of quality new places and neighbourhoods in the areas of the borough in greatest need of investment and renewal
- Deliver sustainable housing growth and infrastructure, and improve the condition and sustainability of the existing housing stock
- Ensure residents in all areas of the borough can share in Barnet's success while taking responsibility for the well-being of their families and their communities
- Promote economic growth by encouraging new business growth while supporting local businesses and town centres
- Help residents to access the right skills to meet employer needs and take advantage of new job opportunities

9.5 At the same time the consultancy Regenfirst were commissioned to undertake a review of the council's regeneration activity with an assessment of existing and planned regeneration in the borough against the agreed strategic objectives in the Regeneration Strategy. The purpose of the review was to:

- Assess deliverability and viability of the major regeneration schemes
- Assist the Council in developing appropriate capacity for delivery
- Assist the Council in developing effective executive and political governance
- Assist the Council in identifying opportunities to sustain delivery through securing new funding opportunities

9.6 The review has identified that significant progress has been made on establishing a clear strategic framework for regeneration in Barnet and in progressing a number of the major regeneration schemes. However, the review identifies a number of key actions to be taken forward to ensure that the opportunities from regeneration are maximised for the borough.

9.7 In terms of the broader Strategic Framework the review has identified the need for a greater focus in Barnet on sustainable transport, education provision and infrastructure delivery. The review has also confirmed the need for a clear action plan on enterprise and skills to be developed through close working with partners. The need for an integrated Corporate Property Strategy and Asset Management Plan is also identified.

9.8 In terms of the approach to Strategic Funding the review highlights the need to expedite production of the HRA Business Plan and to review relationships with Registered Social Landlords and take a more collaborative, site based approach to delivery of affordable housing with key partners. In terms of specific funding sources to support delivery of infrastructure the review proposes a pragmatic approach to the setting of a Community Infrastructure Levy for Barnet to incentivise growth and the opportunity to pursue a TIF at Brent Cross Cricklewood.

9.9 In terms of the detailed review of the viability and deliverability of the individual regeneration schemes the report concludes that the Council has successfully turned around Stonegrove/Spur Road and Dollis Valley over the past two years and that Mill Hill East and Granville Road are at the point of deliverability. However the review concludes that Grahame Park and West Hendon need urgent remedial action and that the viability of Brent Cross Cricklewood is challenged by current market conditions.

9.10 The report concludes that there is a need for a renewed focus on delivery which allows for flexibility over the 10-20 year life of the major regeneration schemes. It also proposes a review of leadership within the Council to ensure responsiveness around delivery and a renewed approach to project and programme management to speed up implementation and a clearer approach to the communication and marketing of the regeneration opportunities in Barnet.

10. NEXT STEPS

10.1 A detailed action plan is attached as Appendix A which sets out the work streams required to address the issues raised by the review and ensure a fit for purpose approach to delivering regeneration in Barnet. The key next steps in relation to this are:

- A review of the structure and skill set of the Regeneration Service to be concluded by end March 2012
- A major review of programme management to include Member involvement in the Regeneration Board, and establishment of a new, internal Regeneration Programme Board and reconstituted Project Boards
- The development of a Corporate Property Strategy and development of an asset register to be expedited
- A Skills, Employment and Enterprise Strategy to be rolled out with particular focus on 16-24 year olds and post riot actions

11. LIST OF BACKGROUND PAPERS

11.1 None

Legal: TE
CFO: JH

Barnet Council

Review of Regeneration Functions

February 2012
Final Report

Appendix A

Contents

Executive summary and recommendations

Introduction and Methodology

Barnet Council has commissioned Regenfirst to undertake a rapid review of its regeneration function, to assess the deliverability of its major regeneration projects against its emerging revised Regeneration Strategy and to assist the Council in developing appropriate capacity for delivery and effective executive and political governance arrangements. The review includes an examination of the Council's strategic framework, its key projects and the current delivery arrangements. The review commenced in September 2011 and was completed in December 2011.

The review has been undertaken in two stages: the first stage was undertaken through a combination of desk top analysis, together with structured interviews and informal discussions with the Council's own officers from a number of departments, the lead member, and key external partners including delivery partners, key professional advisers and the HCA and GLA. The analysis and interviews undertaken informed the review of the linkages and issues between the Council's emerging strategy and its planning, skills/enterprise, housing, property and capital strategies; and informed the assessment the Council's capacity to deliver its own regeneration programme based on analysis of its staffing team, in-house skills and external support, governance and programme management arrangements.

The second phase was an assessment of the viability and deliverability of the key projects within the Council's regeneration programme. Drivers Jonas Deloitte were engaged to assist with the technical financial assessment. The second phase took the form of desktop analysis of information provided by the Council, and structured discussions/workshops with the Council's in house team.

The review has four sections: the Strategic Framework, the Strategic Funding Opportunities, the Viability of Schemes and Delivery Capacity.

Strategic Framework

The Council has relatively recently undertaken the process of formalising a strategy around its regeneration projects, most of which have been in development for some time. The Council's intention is that its strategic framework should be light touch, giving expression to borough's Sustainable Community Strategy, and specifically the priority of ensuring that the borough is "A Successful London Suburb".

The Council has clearly made significant progress in pulling together a strategic platform over the past eighteen months. There is still a lot more to do, as some fairly big gaps need to be filled and some strategic approaches need to be honed, but a clearer picture is beginning to emerge of the Council's priorities and aspirations. It is not always obvious who the audiences are for the different documents, and the lack of a clear house style makes it harder to appreciate that they are a suite of documents. These are primarily presentation points, but tackling them could help with overall direction of travel and would serve to strengthen strategic focus.

Recommendations

The Council should consider strengthening the presentation of the Regeneration Strategy so that it communicates greater vision for the whole borough, rather than being a collection of projects. This could be achieved by including a greater focus on the “Protect” and “Enhance” elements of the three strand approach, and providing illustrative material. As part of this, the Council needs to consider who the audience for the strategy should be.

The Council’s approach to sustainable transport needs to be reviewed, corporately. A workshop with key senior staff would be a starting point, to review (and to challenge) some of the assumptions in the LDF and the IDP, with a regard for deliverability and timescales in the current economic climate.

Work on the Council’s education estate needs to be expedited, and brought into the remit of the Regeneration Board. Education estate objectives should be made explicit in the Regeneration Strategy, to provide reassurance to local communities.

The Council should consider updating its Borough Investment Plan, reflecting new information in the LDF, IDP and the current understanding of scheme viability. The document should have a greater focus on marketing the borough to potential investment partners.

The Council should develop a clear action plan for enterprise and skills, which reflects sectoral aspirations and that works primarily through partner organisations such as JCP, Middlesex University and Barnet College.

The Council should develop an integrated Corporate Property Strategy, Asset Management Plan and digital asset register, as a matter of urgency.

The Council should prepare a Capital Strategy, setting out its key priorities for capital investment and clearly articulating the application to those priorities of its available resources through prudential borrowing, the HRA business plan, the use of CIL/s.106, the new homes bonus, potential use of Tax Increment Finance.

Internal and external communications require attention. Partners are not well informed about the Council’s strategic direction, and they are keen to be involved in events and activities which promote the borough.

Strategic Funding

The strategic funding context for regeneration has changed significantly over the course of the past year to eighteen months, as a result both of the Government’s policy on fiscal restraint, particularly with regard to public sector spending, and its policy changes for delivery and financing of local government generally and housing and associated infrastructure in particular.

The new regime seeks to incentivise growth. The principal aim of the Localism Act is to transfer powers and functions to local authorities, and to give them the formal powers and fiscal incentives to raise the profile of their areas, strengthen local democracy and boost growth.

The reform of council housing finance, removing the old subsidy system, introducing self financing to local authorities’ housing revenue account, together with the introduction of flexible tenancies, and changes to the provision of affordable housing grant through contracts with Registered Providers will give a greater degree of choice to the Council in funding affordable housing.

The streamlining of development benefits to fund infrastructure through the replacement of complex planning obligations with the community infrastructure levy will be a more flexible tool than the S1.06 regime, and will be potentially more lucrative in the long term.

The forthcoming reform of the business rates system seeks to ensure that the benefits of growth are felt locally. The opportunity to raise funding through Tax Increment Financing will be key to success for schemes such as Brent Cross Cricklewood.

As other forms of formula based grant and subsidy are gradually removed as the government rebalances the national ratio of debt to public spending, the local benefits from growth will become significantly more important, proportionately, to local areas' core financing strategy.

While the market conditions are currently challenging, the underlying demand for growth in Barnet gives the Council choices about the way to proceed. Properly managed, growth should provide new funding opportunities for the Council to direct into its investment needs, according to its own policy objectives, to benefit its residents and existing and future businesses.

The work currently being undertaken in different services within the Council (the Housing Revenue Account Business Plan, the Community Infrastructure Levy, the implications of Business Rate Reform and fiscal measures such as the New Homes Bonus, and the preparatory work for Tax Increment Financing) needs co-ordinating.

Each of these is potentially highly beneficial to the borough, but they only support each other if each is optimised as opposed to maximised, and the delicacy of the balance between them is maintained at a strategic level.

Recommendations

The Council should expedite the production of its HRA business plan, and link the use of any headroom for borrowing with the achievement of wider regeneration strategy objectives.

The Council should review its relationships with housing Registered Providers and develop a more overtly collaborative, site based approach with key partners to ensure that they invest maximum levels in the borough.

Community Infrastructure Funding provides a significant opportunity for funding infrastructure in the borough. However, the Council should take a pragmatic approach to CIL (and to the continued use of S.106, where appropriate) given market conditions. It can be reviewed in future if and when market conditions improve.

Further work on the total cost of the infrastructure requirement at Brent Cross is still being undertaken. This should be expedited: until it is completed, detailed modelling on how TIF could work for the borough is impossible to undertake. It is very clear that without some form of TIF or bond the Council's aspirations for Brent Cross/Cricklewood will be hard to realise.

A co-ordinated and well articulated capital investment strategy, building on all the opportunities set out above, has the potential to serve as an effective prospectus for the Borough that will give it an enviable position in London and in the country as a whole.

The Council should also look at the opportunities that its regeneration programme brings to give added value to other priorities – such as improving adult social care outcomes through provision of smaller premises and lifetime homes/neighbourhoods.

Viability

The Council has an ambitious regeneration agenda, with a number of large schemes which are at varying stages of delivery. Most of the Council's schemes are housing led most (although not all) seek to improve the condition and environment of council housing stock through replacement and refurbishment, funded in significant part by the introduction of homes for sale to the regeneration estates.

Most of the schemes were designed at a time when the market for homes for sale was extremely buoyant. That is no longer the case. All of the schemes have been the subject of considerable effort over the last few years to address problems with viability and deliverability. In a number of cases these efforts have been successful. However, on the more complex schemes, viability in the current market is still a major problem.

The review looked in particular at Grahame Park, West Hendon, Stonegrove/Spur Road, Dollis Valley and Granville Road.

As part of this review the Council, with Regenfirst's assistance, commissioned Drivers Jonas Deloitte (DJD) in early October 2011 to assist with assessing the viability and deliverability of each of the Council's regeneration schemes, and to provide technical support for the scheme viability element of the review.

The viability analysis looked at the following, on a scheme by scheme basis:

- Land value/receipt
- Site abnormals
- Planning status/risks
- Infrastructure costs
- Build costs
- Grant/grant security
- Housing decant issues
- Sales values
- Commercial yields (where relevant)
- Development returns (to partners)

DJD graded each of these aspects, per scheme, according to a traffic light system:

Green: No anticipated concern – this is within acceptable market levels/anticipated position

Amber: Potential concern – adjustments may have material impacts on viability / acceptable subject to formal agreement

Red: Point of concern – Potential for major impact on deliverability /viability.

Each scheme has been given an overall grading. In summary these ratings are:

Stonegrove/Spur Road	Green **Amber** Red
Dollis Valley	Green **Amber** Red
Granville Road	No rating (too early in scheme development)
Grahame Park	Green Amber **Red**
West Hendon	Green Amber **Red**
Mill Hill East	Green **Amber** Red

The Council has successfully "turned around" two of its principal regeneration schemes, Stonegrove/Spur Road and Dollis Valley over the past two years. The same robust commercial approach is now being taken with Granville Road and subject to the outcome of the current competitive dialogue process, the scheme has every chance of delivery.

Mill Hill is an innovative regeneration scheme, where the Council is using its assets and forward funding in a very commercial way to achieve significant long term benefits.

Grahame Park and West Hendon are not viable in their current form. However both remain very important to the overall achievement of the Council's long term regeneration objectives along the A5 corridor: aspirations for Colindale and, in the longer term, Brent Cross/Cricklewood will not happen if these two key regeneration sites do not fulfil their potential; moreover the Council will have to invest heavily in the fabric of fundamentally inadequate stock, which would not represent good value for money.

Brent Cross/Cricklewood is one of the most ambitious regeneration projects in London, but in the current economic climate, there is a need for a more detailed approach than this review can offer, looking at the liabilities, particularly in the early phases, assessing the role the Council should take, particularly as a major landowner, and reviewing options for effective project management for a scheme of this size and complexity.

What is clear is that the vision for Brent Cross/Cricklewood is a once in a century opportunity. The Council's commitment to facilitating the implementation of the vision commands enormous respect amongst partner agencies. The challenge, in the economic circumstances is enormous but it should undoubtedly remain a high order priority for the Council.

Recommendations

Genuine open book based monitoring and effective dialogue with delivery partners must be maintained on Stonegrove/Spur Road, Dollis Valley and Granville Road once the competitive dialogue process has completed.

At Mill Hill East, the early costs should be kept under careful review.

The Council must also ensure that the major scheme risks at Mill Hill East, the provision of the new school and the relocation of the depot – are delivered in a timely and cost effective way, as failure to do so will have significant scheme and reputational costs.

Grahame Park and West Hendon require root and branch review of the scheme objectives and a revised assessment of the best approach to regeneration. Work on the review of West Hendon is already underway; Grahame Park needs to follow as a matter of urgency.

All the schemes face a significant challenge in decanting existing secure and non secure tenants, and concluding satisfactory agreements with leaseholders. The challenge needs to be accurately mapped, for each scheme, and a strategy needs to be developed as a matter of urgency. This will require close co-operation with Barnet Homes – indeed, they should probably be tasked with leading on this project.

Delivery

The Council has significantly reorganised its regeneration service over the past year. Partly, this has been done to strengthen the links between strategy and delivery services; partly it has been done to reduce costs. This has resulted in the combining of the function of Regeneration with that of Strategic Planning.

While this approach has yielded benefits, the focus going forward is likely to be on delivery, and on getting optimum benefits for the borough from the new regeneration funding opportunities set out in section 3 above.

Given that the regeneration schemes can take a decade or more to implement, the strategies and frameworks will need to flex and change according to external conditions. This will need stronger leadership in future.

Project management, programme management and governance arrangements have been the focus of change over recent months, to introduce greater rigour. Given the size of Barnet's regeneration agenda, however, these areas are still in need of some attention and refinement, if they are to be fit for purpose in an environment where there is a very varied mix of advisers and providers.

Barnet has choices about how it effectively manages its development and renewal functions in the future. The majority of the delivery is in effect already outsourced. Going forward, a strategic client team will be required that pulls together a number of functions and provides both leadership and capacity within the Council to ensure its many partners deliver investment and regeneration in a cost effective and efficient way.

Recommendations

The Council's future need for regeneration is a focus on delivery, which should prompt a review of the organisational arrangements, and in particular a strengthening of the understanding and application of the financial mechanisms that the Council can bring to kick-start delivery.

Leadership within the regeneration service is a key area which needs addressing by the Council. The opportunity to develop a specialist client function is an opportunity to re-introduce a greater degree of delivery focused leadership.

The Council should urgently consider recommissioning key consultancy services, on the basis of a specific discipline, and for a meaningful period of time, with outcome rather than output based specifications. This would enable the Council to develop stable and trust based relationships, with a smaller number of longer term advisers.

The Council needs to change its internal project management capacity. It needs fewer, more technically skilled project managers.

Financial management needs to become more rigorous, with a business planning approach, careful budgeting and strict cost/time management against budgets.

A refresh of the standard gateway approach should be considered to inform the stages of programme management and cost control.

The remit of the Board needs redefining and should take on some decision making powers, in line with delegated authority.

Terms of reference for project boards should be refreshed, and should enable appropriate decision making on scheme progress.

The extent of delegation to officers is a cultural matter that varies from Council to Council, but it would be helpful if the scope for delegation to officers could be expanded, perhaps within a range of tolerance relating to cost or values or to variances within an initial set of approvals.

Linked to this, there is also an argument for reporting slightly differently on regeneration schemes, with an annual progress report to the Council. Overall, this would provide momentum and an opportunity to report success, rather than the minutiae of delivery.

A strategic client function should be designed, which is both "thin" and "intelligent", which strengthens links with Strategic Property functions and with the client function for the Barnet Group.

1 Introduction

1.1 Purpose of review

Barnet Council has commissioned Regenfirst to undertake a rapid review of its regeneration function, to assess the deliverability of its major regeneration projects against its emerging revised Regeneration Strategy and to assist the Council in developing appropriate capacity for delivery and effective executive and political governance arrangements. The review includes an examination of the Council's strategic framework, its key projects and the current delivery arrangements. The review commenced in September 2011 and was completed in November 2011.

Following the submission of the final report and its presentation to and discussion with the Chief Executive and the Council's Regeneration Board (in December 2011) an Action Plan has been developed to guide the implementation of the findings.

1.2 About Regenfirst

Regenfirst are regeneration specialists with a proven track record of delivering measurable and lasting improvements to deprived urban areas. We offer solutions that integrate fully the physical, environmental, economic and social dimensions of regeneration in practical ways. We succeed in creating real change by fully understanding the complex organisational and political context in which our clients operate and by using government initiatives and funding streams as a means to an end rather than allowing regeneration to be driven by them.

Our commitment to quality means that we are a small company in which the Directors deliver most of the work in person. We are proud of our flexibility in meeting client and partner requirements and our ability not only to deliver projects to agreed budget and timescale but to bring real added value to every piece of work.

1.3 Review methodology

The review has been undertaken in two stages: the first stage was undertaken through a combination of desk top analysis, together with structured interviews and informal discussions with the Council's own officers from a number of departments, the lead member, and key external partners including delivery partners, key professional advisers and the HCA and GLA. The analysis and interviews undertaken informed the review of the linkages and issues between the Council's emerging strategy and its planning, skills/enterprise, housing, property and capital strategies which was discussed in an interim report; and informed the assessment the Council's capacity to deliver its own regeneration programme based on analysis of its staffing team, in-house skills and external support, governance and programme management arrangements (the results of which are set out in section 5 of this report).

The second phase was an assessment of the viability and deliverability of the key projects within the Council's regeneration programme. Drivers Jonas Deloitte were engaged to assist with the technical financial assessment. The second phase took the form of desktop analysis of information provided by the Council, and structured discussions/workshops with the Council's in house team. Viability reports relating to

5 of the Council's principal schemes have been produced; an explanation of the approach and summary findings are set out in section 4 of this report.

1.4 Acknowledgements

Regenfirst would like to thank staff at the London Borough of Barnet who assisted in the preparation of the review: in addition to those who were formally interviewed and/or took part in workshops, we would like to extend our particular thanks staff in the project management team, especially Tony Westbrook, Abid Arai and Susan Botcherby, who were generous with their time and support during the conduct of the review. Lindsey Hyde and Helen Barbour gave invaluable assistance with organisational and administrative matters. Hayley Woollard assisted with financial information. We are grateful to the borough's external partners and advisers who agreed to be interviewed in the course of the review and who provided significant additional information and invaluable insights. While it was agreed that individual contributions would remain anonymous the participation of the following organisations is gratefully acknowledged: Barratts; Barnet College; BPP Regeneration; CBRE; Genesis; Greater London Authority; Hammerson; Homes and Communities Agency; Jobcentre Plus; Metropolitan Housing; Middlesex University (RedLoop); PriceWaterhouseCoopers; St George; Trowers and Hamlins; Turner and Townsend and 3Fox International. Finally, we would like to thank Steven Spicer and Neil Gammie of Drivers Jonas Deloitte, Jamie Ounan and Chris Twigg of CILKnowledge and Wayne Shand of EDP Ltd who contributed particular expertise to the review, all of it essential to the findings of the final report.

2 Strategic framework

2.1 Context

The Council has only relatively recently undertaken the process of formalising a strategy around its regeneration projects, most of which have been in development for some time. The Council's intention is that its strategic framework should be light touch, giving expression to borough's Sustainable Community Strategy, and specifically the priority of ensuring that the borough is "A Successful London Suburb".

The overarching Regeneration Strategy serving as a core document with the Housing Strategy and enterprise and skills strategy being subsidiary documents to the Regeneration Strategy. Key planning documents such as the LDF sit alongside these and together they build upon the Council's three strands approach, Protect, Enhance and Grow, which is the basis for the development and regeneration of the borough and which seeks to direct housing growth and significant new commercial activity to the A5 Corridor where most of the borough's regeneration sites are located.

A detailed analysis of the strategic approach has already been provided in the course of this review, in the form of an interim report. The detailed discussion will not be repeated, but the key conclusions and recommendations are set out below.

2.2 The Regeneration Strategy

The key strength of the Regeneration Strategy is its simplicity, although the intended audience for the strategy is not entirely clear

Perhaps the weakness of the Regeneration Strategy is that it remains a collection of projects and these relate more to the "Grow" elements of the three strand approach rather than Protect and Enhance, which misses the opportunity to celebrate the conservation status of the vast majority of the borough.

Therefore, it doesn't quite provide a borough wide vision. Some fairly minor changes in presentation could help it reassure visually the large sections of the borough's residents which expect to see their localities protected from growth. Moreover, in those areas where the aim is to both repair the fabric of the borough and improve the aspirations and life chances of its residents some rather more people oriented "whole life" illustrative tableaux would be helpful.

2.3 Local Development Framework (LDF)

The Core strategy, Development Management Policies and other key development plan documents are at an advanced stage, with final preparations underway for an imminent Examination in Public. The only detailed focus for this review has been on the Infrastructure Delivery Plan and related proposed Charging Schedule for the Community Infrastructure Levy. A discussion of CIL is included in section 3 of this report, which looks at strategic funding.

The only substantive comment on the LDF as a whole is that the current policy framework does not yet adequately reflect sustainable transport objectives, particularly in the key growth locations along the A5 corridor. Restraint based traffic management will not deter growth and investment where there are moderately good public transport alternatives, and their - strictly targeted - adoption will serve to protect surrounding areas.

2.4 Infrastructure Delivery Plan (IDP)

A significant amount of work has been done over the last few months to bring the Infrastructure Delivery Plan up to a standard whereby it captures most of the Council's strategic infrastructure needs to deliver the ambitious regeneration aspirations.

The biggest gap in the IDP is education estates planning and associated work on the Council's own asset base to identify land to address the shortfall in places, currently at primary school level and, within the plan period of the IDP, at secondary level. Clear articulation of plans for school places should probably be referenced in the overarching Regeneration Strategy to address this issue. Tracking of the education estate planning work should also be brought into the remit of the Regeneration Board, such is its importance.

Another gap relates to community facilities. This has recently been the focus of some corporate attention, and work is being undertaken to crystallize the Council's approach. Again, key conclusions should probably be added to the Strategy to provide greater relevance to communities outside the growth areas.

Transport works are one of the key priorities in the IDP, and it is very important that these elements are fully understood and there is corporate support for the approach being taken, including political support. Transport works are also adding significantly to the burden of costs on regeneration projects, as demonstrated in the consideration of the viability of individual schemes, and the impact of this burden needs to be understood. Housing growth will undoubtedly lead to increases in traffic demand but there are ways of managing traffic (including parking policies) that can dampen increases. Some roads improvements could also be undertaken as final phases of regeneration schemes rather than early phases, which would help cash flow but would also help to manage increased demand.

There is some evidence that the approach to traffic and transport planning is not yet as corporate in its approach as it needs to be, and this perhaps requires some attention, with some clear shared objectives established. A starting point would be a workshop, with senior staff fully engaged, to test the traffic and engineering assumptions of the IDP and to map these against financial planning assumptions and regeneration scheme phasing assumptions.

2.5 Housing Strategy

The housing strategy deals principally with plans for the Council's own stock management and investment and it has been revised to take account of the myriad of new central government policy changes and initiatives in housing. Given the fundamental policy directional changes it is required to convey, and the uncertainties that still surround the impact of those changes, it is a remarkably succinct and clear document which has been prepared with lay audiences in mind and sets out the key changes and their implications with simple, straightforward and dispassionate terminology.

Critical to the housing strategy will be the Council's plan for the use of additional borrowing it may choose to undertake following reform of the HRA subsidy system. The business plan for this is still in preparation, and is the focus of analysis and discussion in the latter stage of this review.

There is a further housing strategic document that is worth commenting upon. Barnet was the first London authority to produce, in March 2010, its Borough Implementation Plan (BIP) in response to the HCA's request for these to facilitate that organisation's short lived policy instrument, the Single Conversation. Although Barnet's BIP was probably overly optimistic about the Council's readiness to deliver its aspirations, the work that has been done since on the LDF, the IDP and the Housing Strategy, plus a better understanding of the viability of key projects, arguably puts the Council into a much stronger position

An updated version of the BIP, perhaps with more of a "marketing" title and feel, clearly targeted at investment and development partners and potential partners, could be timely, involving relatively little effort and expense.

2.6 Enterprise and Skills Strategy

Regenfirst has undertaken a detailed review of Barnet's economic development activities. This section summarises the key findings and recommendations from that review.

The Barnet Economic Insight (BEI)

The Barnet Economic Insight (BEI) is limited as a policy tool due to its reliance on national statistics which are very out of date. However, having produced the document Barnet has an opportunity to use its publication to embed partnership working around the task gathering and maintaining a core of economic intelligence - this could include the following:

- Working with Middlesex University to create a data and analytical repository of local information and intelligence
- Engaging public sector partners to improve the depth of local data
- Linking data collection to major regeneration projects, with developers as sponsors and partner users of the data, to inform the delivery and marketing of new schemes.

The document could usefully be succeeded by a regular (bi-annual) bulletin that provides a thematic analysis of key economic issues and offers a small set of core economic indicators. If provided electronically, this could provide links to other sources of data (in a directory format) for partners/developers in need of specific data.

Skills, Employment and Enterprise Issues Paper

The paper would benefit from being summarised with a narrower range of issues and options identified for discussion, following the simpler and more accessible format of the Regeneration and Housing Strategies. An outcome of this process must be a clear and deliverable action plan that tasks partners with responsibility for leadership on key actions.

There is a seeming reliance on the forecast growth of 22,500 jobs over the next 20 years. The achievement of this growth will take significant effort. This highlights a key task (not referenced in either document) of developing an inward investment strategy, linked to the planned development schemes – especially at Brent Cross/Cricklewood.

The Council needs be clearer on how the available evidence supports its proposed interventions, and needs to indicate what the intended outcomes are: *how* the success of any interventions will be measured. Some specific examples of thematic interventions and actions follow:

- **Promoting enterprise** – there is already a significant level of self-employment and given the relative affluence, skills level and dominance of professional occupations there should be capacity to expand this further. Activities could include building relationships with Middlesex University (i.e. for formal training in enterprise and innovation); engaging flexible business space operators in discussions about new developments / refurbish existing premises; encouraging the Chamber of Commerce to support business networking; and supporting Barnet College in the development of vocational and professional P/T training at level 4.

- **Employment** – while the borough has overall a good employment rate there are pockets of long term unemployment. The primary goal of this must be corralling mainstream services provided by JCP and its partners to intensively focus on areas of deprivation – setting benchmarks and targets to close the gap with the remainder of the borough. This could include job brokerage – public sector and retail.

- **Skills** –there would seem to be two strands, reflecting and supporting sectoral aspirations - upskilling unemployed people (through integrated employment and skills programmes) focusing on employability; and refining higher level skills offer looking at foundation degrees, higher level apprenticeships, and part-time CPD and professional accreditation..

There should also be strong strategic and operational links to the major regeneration schemes. This could include early agreement on the provision of funded apprenticeship places (at least one for each £1m of capital spend is standard practice in regeneration areas elsewhere in the capital).

2.7 Property

Barnet does not currently have a Property Strategy, an Asset Management Plan or a comprehensive property database. An ambitious regeneration agenda, such as Barnet's, suggests that it would be expedient for asset management information and planning to form part of the comprehensive and corporate strategic approach, so that current and future use of operational property and sites is planned in accordance with wider regeneration opportunities and aspirations.

Moreover, use of property instruments such compulsory purchase powers, disposal at less than best consideration for regeneration benefits, and/or deferred purchase disposal with a sales price reliant on overage or profit share clauses rather than up front capital sums for land are all powers that the Council holds that can unlock stalled schemes or new regeneration opportunities. Similarly, use of covenants can protect long term uses for specified community benefits. An asset strategy should set out the circumstances in which the Council might use such instruments.

National and regional government policy stresses the use of publicly owned land, including local authority land, to deliver regeneration benefits and particularly housing growth. The development of a clear asset strategy, linked to regeneration plans and underpinned by a comprehensive and annually updated asset management plan which demonstrates optimum use of the Council's own assets for regeneration may help to protect against national or regional government intervention to release land for development.

Given Barnet's aspirations for comprehensive outsourcing of services including property, urgent consideration should be given to the development of a digital database and an asset management plan before outsourcing takes place. An essential first step will be to ensure that property is understood to be a corporate function, with all property centrally owned and budgets relating to property centrally held.

2.8 Capital Strategy.

Another area that needs some attention is the Council's own capital strategy. Asset disposals, the HRA borrowing strategy, General Fund Prudential Borrowing, use of CIL/S.106/new homes bonus, potential use of Tax Increment Financing and the inter-relationship between these different mechanisms will also all need to be clearly articulated. Work on all these areas is underway, but a clear, co-ordinated and evidenced strategy will be important to the Council's credibility, both with central government and with potential investment partners. Given the scale of the investment that Barnet is seeking to make in the borough and the long term nature of the programme of renewal, it will be hard to keep track of priorities and delivery against those priorities unless there is a clear strategy.

2.9 Communications

The Council does not currently have a strategic approach to communications and marketing on its regeneration programme as a whole or on its individual schemes.

The problem with this is that lack of communication leaves a vacuum, and in the absence of information investors and residents may assume the worst or the best, either of which is difficult to correct.

In the past, Barnet has not had to communicate to investors. The borough has always been a relatively low risk choice for investors, and relative to the rest of the Country it still is so. But these are times of change and uncertainty, the Council has some difficult regeneration schemes still to get off the ground, where new investors are going to have to be convinced that they can succeed where others (in partnership with Barnet) have failed. The Council will need to signal its continued ambition, commitment, innovation, flexibility and confidence.

Elsewhere a London a very commercial approach is taken to regeneration communication, recognising that the development industry is a niche and not one within which many councils operate confidently. The Council has had previous discussions with one of the leading specialist commercial regeneration companies in London, 3Fox International, and a proposal has been put to the Council, based on existing arrangements with Bromley, Croydon, Ealing and the London Thames Gateway, which would require some modest investment from the Council but which draws primarily on sponsorship.

This model involves a tailor made approach with potential for a regeneration magazine, an e: newsletter and an event or a series of events to stimulate discussion on regeneration on terms that are recognisable and useful to the commercial and investment sector, where traditional local government mechanisms are not. A showcase event can be a particularly useful approach not just to marketing the borough to potential investors; but also to engaging existing partners, who are often reluctant to get involved in formal partnership structures such as an LSP. Several of the Council's partners interviewed for this review stated that they wished to be better informed, and would be keen to be involved in activities and events that promote the borough.

As Barnet refines the audience for its regeneration strategy, launches new regeneration partnerships at Dollis Valley, Granville Road and Mill Hill, and refreshes existing partnerships (possibly) at West Hendon and Grahame Park, this structured commercial approach to communications may be worth investigating.

A reworked proposal from 3Fox International, based on discussions that took place some months ago, has also been sent to the Council to assist progress.

2.10 Strategic framework - conclusions

The Council has clearly made significant progress in pulling together a strategic platform over the past eighteen months. There is still a lot more to do, as some fairly big gaps need to be filled and some strategic approaches need to be honed, but a clearer picture is beginning to emerge of the Council's priorities and aspirations. It is not always obvious who the audiences are for the different documents, and the lack of a clear house style makes it harder to appreciate that they are a suite of documents. These are primarily presentation points, but tackling them could help with overall direction of travel and would serve to strengthen strategic focus.

2.11 Recommendations

The Council should consider strengthening the presentation of the Regeneration Strategy so that it communicates greater vision for the whole borough, rather than being a collection of projects. This could be achieved by including a greater focus on the "Protect" and "Enhance" elements of the three strand approach, and providing illustrative material. As part of this, the Council needs to consider who the audience for the strategy should be.

The Council's approach to sustainable transport needs to be reviewed, corporately. A workshop with key senior staff would be a starting point, to review (and to challenge) some of the assumptions in the LDF and the IDP, with a regard for deliverability and timescales in the current economic climate.

Work on the Council's education estate needs to be expedited, and brought into the remit of the Regeneration Board. Education estate objectives should be made explicit in the Regeneration Strategy, to provide reassurance to local communities.

The Council should consider updating its Borough Investment Plan, reflecting new information in the LDF, IDP and the current understanding of scheme viability. The document should have a greater focus on marketing the borough to potential investment partners.

The Council should develop a clear action plan for enterprise and skills, which reflects sectoral aspirations and that works primarily through partner organisations such as JCP, Middlesex University and Barnet College.

The Council should develop an integrated Corporate Property Strategy, Asset Management Plan and digital asset register, as a matter of urgency.

The Council should prepare a Capital Strategy, setting out its key priorities for capital investment and clearly articulating the application to those priorities of its available resources through prudential borrowing, the HRA business plan, the use of CIL/s.106, the new homes bonus, potential use of Tax Increment Finance.

Internal and external communications require attention. Partners are not well informed about the Council's strategic direction, and they are keen to be involved in events and activities which promote the borough.

3 Strategic Funding

3.1 Context

The strategic funding context for regeneration has changed significantly over the course of the past year to eighteen months, as a result both of the Government's policy on fiscal restraint, particularly with regard to public sector spending, and its policy changes for delivery and financing of local government generally and housing and associated infrastructure in particular.

The previous approach (within the framework of which most of the Council's Regeneration Schemes were initially designed) sought to prescribe growth in specific areas and to direct various grant regimes (most of them complex and cumbersome) to support that growth, the new regime largely removes targets but seeks to incentivise growth. The principal aim of the Localism Act is to transfer powers and functions to local authorities, and to give them the formal powers and fiscal incentives to raise the profile of their areas, strengthen local democracy and boost growth. The reform of council housing finance, removing the old subsidy system, the streamlining of development benefits to fund infrastructure through the replacement of complex planning obligations with the streamlined community infrastructure levy, and the forthcoming reform of the business rates system all point to a serious intention to ensure that the benefits of growth are felt locally. As other forms of formula based grant and subsidy are gradually removed as the government rebalances the national ratio of debt to public spending, these local benefits will become significantly more important, proportionately, to local areas' core financing strategies.

The principal changes directly relevant to the Council's future approach to Regeneration are as follows:

3.2 Housing finance

There are three significant changes:

- Self financing
- Flexible tenancies
- Registered Provider contracts

Self financing

As far as council housing is concerned, the previous subsidy system (whereby rental income from council housing was in effective centralised and redistributed, along with borrowing credits, by central government) by is being replaced with "self financing". While prudential borrowing regulations will continue to ensure that any borrowing by an individual council is affordable locally, each individual council will in future have control over its own assets, the borrowing those assets can responsibly generate, and the retention of any surplus rental income from its stock. This will give local authorities direct benefits from cost controls and efficiencies and they will have the freedom to determine where and how they should direct investment in new or existing stock. Barnet is a net beneficiary from the removal of the subsidy system. The Council has estimated that approximately £35 million of additional funding can be generated over the next 22 years, depending on the approach taken locally to prudential borrowing and repayment. Taken with the £8 million already earmarked within the HRA capital programme for the regeneration schemes, this funding is likely to be all it can rely on as its own contribution for further decent homes type investment, the comprehensive regeneration of estates where stock is not worth investment, and any new build that the Council itself wishes to deliver. A business plan led programme of expenditure is in early stages of preparation in Barnet, and stock condition information is still being verified. However, it should be remembered that, as with any borrowing, protecting the long term health of the asset base will be essential. The more that an investment programme extends and improves (for the long term) the asset base, the more borrowing the Council will be able to sustain, and the more revenue income it will be able to draw on from that asset base. Short term or cosmetic improvements to stock which is scheduled to be demolished will not only eat into the capital available from the current borrowing headroom, they will proportionally damage long term income *and* investment opportunities.

Flexible tenancies

The second significant change in housing finance relates to the effect of (future) tenancies. In future, the Council will be able to offer more flexible tenancies rather than tenancies for life. The standard period of tenancy is expected to be five years, although Councils have the discretion to offer much longer tenancies and, in exceptional circumstances, shorter ones (although not less than two years). Coupled with the freedom to control additions to housing waiting lists and the duty to offer a permanent council home to those in need (although still retaining the obligation to house those in need) Councils will have more freedom to control burgeoning demand, and to incentivise people to move to non social housing options, thus releasing stock and enabling a greater proportion of HRA expenditure to be directed to longer term investment options rather than short term emergency provision. The redefinition of affordable rents, to reflect local housing markets (the aim is that affordable rents should be 80% of market rents, nationally – in London this is more likely to be between 60-80%) also helps this more flexible approach to managing tenancies. Barnet's revised housing strategy fully embraces the freedoms and flexibilities that these reforms confer.

Registered Provider contracts

The third significant change involves funding to Registered Providers (housing associations/registered social landlords). Previously, the grant regime for registered providers was a complex three year rolling programme of investment, where qualifying organisations bid for varying amounts of grant to fund new housing, with different regimes applied to the units arising via s.106 agreements with private house builders, units arising from land acquired by qualifying organisations, and units arising from land acquired from local authorities – and different ruled applied according to whether the units represented replacement or additional stock. Grant was paid at trigger points: completion of sale or transfer of land, receipt of planning consent, start on site and practical completion. The complexity made forward planning extremely difficult, both for the Homes and Communities Agency and for the individual Registered Providers. Delays at land acquisition and planning stages have long been cited as particular difficulties. Under the new regime, Registered

Providers are being given three year contracts, with substantial grant allocations up front, and a contractual obligation to deliver a given number of units (at affordable rents). They have discretion to apply the grant themselves to schemes, as long as they deliver against their contractual units, within an overall monitoring regime. This means that Registered Providers will be extremely careful about which local authority areas they operate in. They will want councils who can be relied upon to deliver land (still assumed to be at nil value, and this will be monitored) in a timely way; to grant planning permission in a timely way, and to allow them to deliver affordable rent compliant schemes. The assumption from central government and the HCA is that s.106 schemes will not receive grant – they will be self financing. This may well push down the proportion of units that can be delivered on private schemes as viability will become much harder to achieve. However, strategic alliances are developing between private developers and Registered Providers because, while the initial proportion of affordable homes do not attract grant, additional units transferred to Registered Providers can. This may well provide a viability solution to some of the borough’s struggling schemes. Barnet should be well placed to attract the investment available to Registered Providers, if it continues to be clear, consistent, effective and timely in its approach to land, housing policy and planning strategy and delivery.

3.3 Funding Infrastructure - the Community Infrastructure Levy

Although originally proposed by the previous government, the Localism Act has reaffirmed the importance of the Community Infrastructure Levy as a principal mechanism for funding infrastructure. The rates will apply to most development in a locality, whereas nationally only 14% of residential development is subject to a S.106 agreement, and only 7% of non residential development. It is intended to give greater transparency and certainty to the process of securing financial gain from development. It can be set locally, reflecting local infrastructure needs as set out in the Infrastructure Delivery Plan for a local area, and while the charging schedule will be subject to an independent examination by a planning inspector, the approach taken by each individual authority will be very much one of policy. In London, the Mayor is also setting a CIL rate against all development, payable as the “first” charge, weighted on an authority by authority basis (in Barnet, the Mayor’s rate will be £35 per square metre on all chargeable development. Effectively this is a top slice from the overall charge on a development, not an additional charge). Care will need to be taken by each authority to strike an appropriate balance in setting the rate(s) in a local authority area, to secure optimum funding without adding so heavy a financial burden that viability is threatened, or, even though viability is not totally undermined, profit levels become so unattractive that developers go elsewhere. An example of the CIL element of a scheme’s costs is shown in Figure 1.

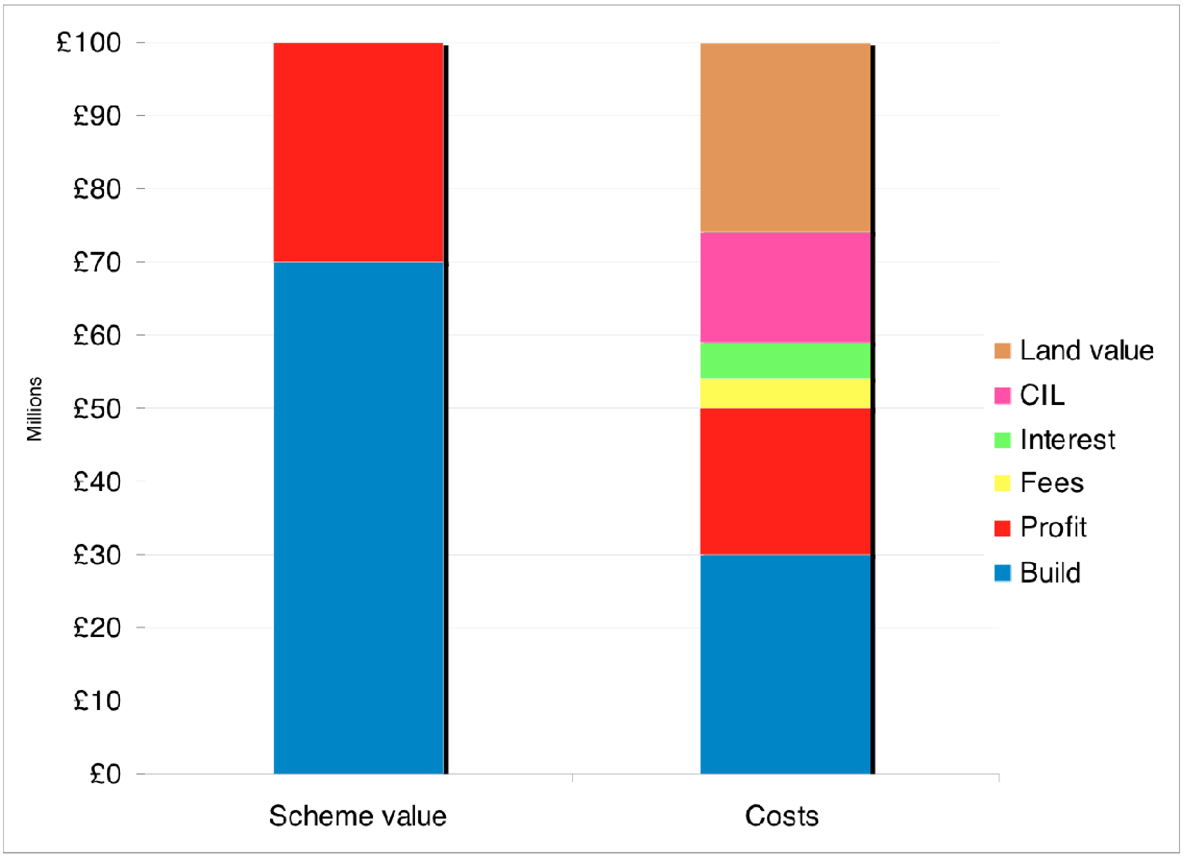
Other sources of funding (capital funding for schools growth is a good example) are being cut back, although small amounts of transitional funding have been made available so, as with housing capital, the freedoms and flexibilities that Councils are given are being balanced with a strong financial incentive to accept economic and housing growth. In Barnet, the work to establish locally appropriate CIL rate(s) is at an advanced stage, informed by the work on scheme viability of the current review (see Chapter 4).

A separate workshop on options for the CIL charging strategy was carried out with officers from a range of Council departments by specialist consultants CILKnowledge on 12 October as part of the overall review. A report setting out the options and their impacts has been submitted to the Council by CILKnowledge.

An early decision on CIL will be an important item of clarity and therefore incentive to developers seeking to invest in the borough. It will also be important for the Council to assess its approach to CIL charging in the context of other the application of other funding solutions available to it, and to take a long term approach.

As discussed in section 2.8 of this report, an overarching capital strategy related to the IDP and the Regeneration Strategy will be an important tool.

Figure 1. CIL as a percentage of scheme costs – indicative example



3.4 Business Rate Reform

The Localism Act signals the intention of the Government to ensure that business rates are retained within a local area, and become a more transparent part of the total funding available to that local authority, in place (or partly in place) of the current central government grant based funding allocation. While the Localism Act speak of giving more freedom to offer business rate discounts to help to attract firms, investment and growth, it also makes it clear that any such decision would have to be funded by the local authority. Again, greater freedoms are accompanied by strong incentives in this regard – if a local authority retains the long term benefit of new business growth, then shorter term incentives may be worth considering. Government Announcements on the future direction of Business Rates as a local rather than a central government fiscal measure are expected imminently. The future of Business Rates is of particular interest to Barnet because it has long been considering some form of Tax Increment Financing, whereby the future value of NRRI is captured to fund major infrastructure, particularly relating to Brent Cross and Cricklewood. The Barnet Bond proposal made to the last government was a form of TIF. Government policy on TIF is still emerging, but decisions will be easier for the borough and its delivery partners in Brent Cross when it can be assessed in the context of the whole direction of Business Rate Reform.

3.5 Other Relevant Funding Considerations

The New Homes Bonus is a further source of funding which is likely to be of interest to Barnet, given the scope for housing growth in the borough. The potential benefit to the borough of the New Homes Bonus between 2010-11 and 2016-17 is estimated to be £39 million, based on LDF housing growth projections, although this will depend on future government policy on discounting, for example for empty properties brought back into use. As with other sources of funding, this represents an incentive to the borough to plan and manage its growth effectively, and once market conditions ease, and the borough's approach to contributing positive uplift to local market conditions becomes clear (through its policy on CIL, HRA borrowing, investment from retained business rates etc) then expenditure of the new homes bonus can be factored in as a significant source of capital.

3.6 Strategic Funding - Conclusions

In conclusion, while the market conditions are currently challenging, the underlying demand for growth in Barnet gives the Council choices about the way to proceed. Properly managed, growth should provide new funding opportunities for the Council to direct into its investment needs, according to its own policy objectives, to benefit its residents and existing and future businesses. The work currently being undertaken in different services within the Council (the Housing Revenue Account Business Plan, the Community Infrastructure Levy, the implications of Business Rate Reform and fiscal measures such as the New Homes Bonus, and the preparatory work for Tax Increment Financing) needs co-ordinating. Each of these is potentially highly beneficial to the borough, but they support each other if each is optimised, and the delicacy of the balance between them is maintained at a strategic level.

3.7 Recommendations

The Council should expedite the production of its HRA business plan, and link the use of any headroom for borrowing with the achievement of wider regeneration strategy objectives.

The Council should review its relationships with housing Registered Providers and develop a more overtly collaborative, site based approach with key partners to ensure that they invest maximum levels in the borough.

Community Infrastructure Funding provides a significant opportunity for funding infrastructure in the borough. However, the Council should take a pragmatic approach to CIL (and to the continued use of S.106, where appropriate) given market conditions. It can be reviewed in future if and when market conditions improve.

Further work on the total cost of the infrastructure requirement at Brent Cross is still being undertaken. This should be expedited: until it is completed, detailed modelling on how TIF could work for the borough is impossible to undertake. It is very clear that without some form of TIF or bond the Council's aspirations for Brent Cross/Cricklewood will be hard to realise.

A co-ordinated and well articulated capital investment strategy, building on all the opportunities set out above, has the potential to serve as an effective prospectus for the Borough that will give it an enviable position in London and in the country as a whole.

The Council should also look at the opportunities that its regeneration programme brings to give added value to other priorities – such as improving adult social care outcomes through provision of smaller premises and lifetime homes/neighbourhoods.

4 Scheme viability

4.1 Context

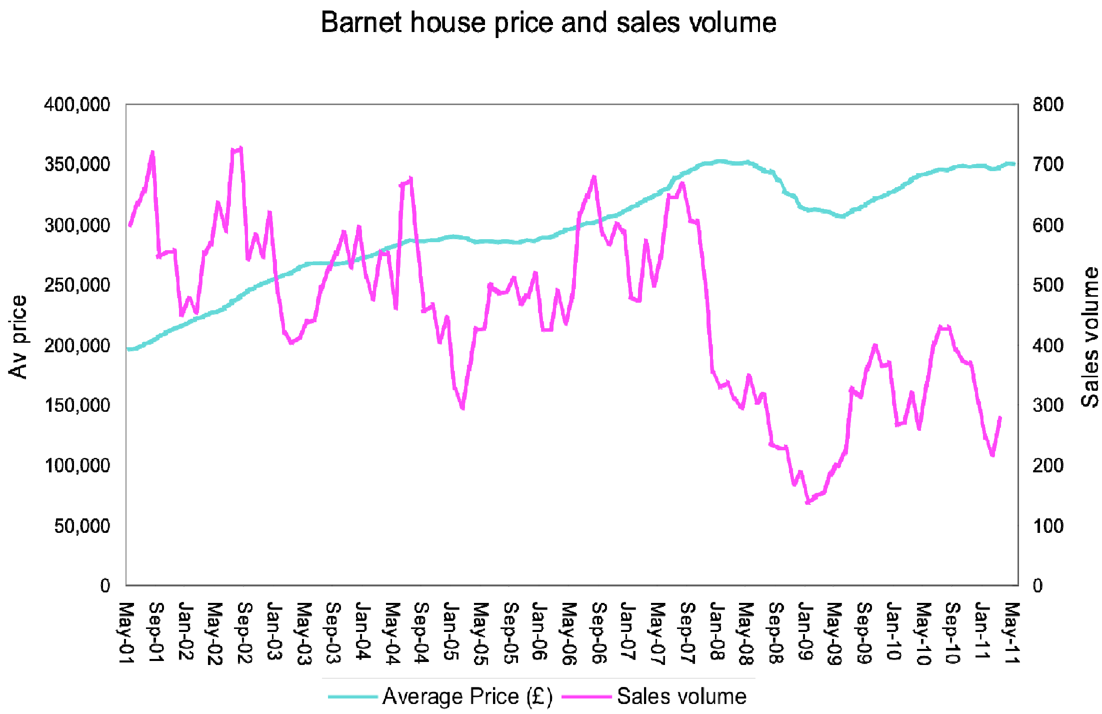
The Council has an ambitious regeneration agenda, with a number of large schemes which are at varying stages of delivery. Most of the Council's schemes are housing led most (although not all) seek to improve the condition and environment of council housing stock through replacement and refurbishment, funded in significant part by the introduction of homes for sale to the regeneration estates. Most of the schemes were designed at a time when the market for homes for sale was extremely buoyant. That is no longer the case. All of the schemes have been the subject of considerable effort over the last few years to address problems with viability and deliverability. In a number of cases these efforts have been successful. However, on the more complex schemes, viability in the current market is still a major problem. The review looked in particular at Grahame Park, West Hendon, Stonegrove/Spur Road, Dollis Valley and Granville Road.

4.2 Market conditions

The economic conditions within which Barnet, like other local authority areas, must now operate have changed significantly over the past 18-24 months. This is partly to do with the state of the global and national economy, and partly the result of significant changes in policy direction for local government funding generally, and regeneration/growth funding in particular. It should be stressed that Barnet's position is relatively favourable, compared with other local authority areas. London overall is coping with economic downturn better than the country as a whole; the local economy is relatively strong (see the discussion on Barnet's enterprise and skills approach at 2.6 above) and there is scope for managed growth in the locality. If the growth agenda is effectively managed, Barnet could be well placed to benefit from the new funding regimes, and to place the borough in a very good position to benefit further when the global and national economic position improves.

The negative conditions faced by the housing sector in particular have been well publicised. The Government has recently (21 November 2011) published a new strategy with a range of measures aimed at tackling some of the problems in the sector, including access to mortgage finance for first time buyers, access to development finance for house builders (particularly smaller firms), access to public land on a "build now, pay later" basis, tackling empty homes and restarting the right to buy programme for social housing tenants. The strategy also emphasises the importance of previously announced changes, including those to housing finance in the public sector, to tenancy provisions and to finance for infrastructure.

Figure 2.   House prices and sales 2001-2011



The market conditions that the strategy seeks to tackle have been very evident in Barnet, particularly on the regeneration schemes. While house prices have remained relatively steady, the volume of sales has not recovered from the position before the global downturn (see Figure 2). New build has been especially slow. The market sale (usually 1-2 bedroom) units in higher density flatted developments are principally aimed at first time buyers or small-scale investment/buy to let purchasers. These are exactly the people who will struggle to find a deposit, or a buy to let mortgage, the latter especially in developments that are considered higher risk by mortgage lenders. For the buy to let market, the return on investment in the locations represented by the regeneration estates will be more marginal than elsewhere in London. The reputation of some of the estates will also deter buyers, unless and until the regeneration programmes reach a greater momentum than is currently the case. Moreover, before the downturn, these types of properties were generally purchased off plan, and mortgage finance for off plan sales is now virtually impossible to find in the UK. This pushes the developers into a situation where they are building blocks at risks – and they will do this only very slowly, if at all, in high risk locations. The effect of this should not be underestimated.

The fiscal measures announced in the new housing strategy may go some way to alleviating the worst aspects of the downturn, but their effectiveness will be dependent on the public sector at the local level, as well as nationally, embracing their direction of travel and accepting some of the risks and challenges that will be required to harness growth locally. The range of public sector funding opportunities is rather different from those that existed previously, but their use is now very much a matter for local decision.

4.3 Viability assessments - approach

The Council commissioned Drivers Jonas Deloitte (DJD) in early October 2011 to assist with assessing the viability and deliverability of each of the Council's regeneration schemes, and to provide technical support for the scheme viability element of the review. This will inform the Council's approach going forward, both to inform the Council's own negotiations and decisions on individual schemes and the Council's future policy approach on regeneration generally and on matters such as CIL implementation and the use of grant and capital regimes.

The regeneration schemes assessed were:

- Stonegrove/Spur Road
- Dollis Valley
- Granville Road
- Grahame Park
- West Hendon
- Mill Hill East

The viability review took place in a series of intensive workshops with Council officers and the lead consultant (Regenfirst) during October and November. Detailed information on each scheme (development agreements, planning consents including s.106 agreements, information on funding agreements from HCA etc) was provided, where possible, to inform both the discussion and the subsequent analysis provided by DJD.

The analysis varied slightly according to each regeneration project: they are at different stages of implementation; the levels of detailed information available therefore vary from scheme. Moreover, they are different in terms of objectives and approach. However, the template for analysis covered the following:

Issue	Detailed Elements
Land Value/receipt	Level of Receipt Timing profile Conditions to receipt
Site abnormals	Known abnormals Anticipated abnormals Mitigation measures Cost estimates
Planning status/risk	Existing consents Conditional positions Barriers to implementation Compulsory Purchase (linked to decant and/or land assembly as appropriate)
Infrastructure Costs	Defined requirements Payment profiles Trigger dates

Build Costs	Total costs Work in Progress Cost to completion Development programme review
Grant/grant security	Grant payment profile Conditional positions Trigger dates Repayment mechanisms
Housing decant issues	Decant Plan Re-location / Decant options Leasehold/Freehold buy back progress
Sales values	Correct product placement Projected sales values (private and affordable) Sales revenue received Sales revenue to be received Incentives Sales strategy Sales programme
Commercial yields (where relevant)	Level/type of commercial accommodation Occupier potential
Development Returns (to partners)	Basis of profit (cost/value) Level of profit – split by development type Timing of return

DJD graded each of these aspects, per scheme, according to a traffic light system:

Green: No anticipated concern – this is within acceptable market levels/anticipated position

Amber: Potential concern – adjustments may have material impacts on viability / acceptable subject to formal agreement

Red: Point of concern – Potential for major impact on deliverability /viability.

Each grading is accompanied by a commentary setting out the basis for concern.

Each scheme is given an overall grading. In summary these ratings are:

Stonegrove/Spur Road	Green **Amber** Red
Dollis Valley	Green **Amber** Red
Granville Road	No rating (too early in scheme development)
Grahame Park	Green Amber **Red**
West Hendon	Green Amber **Red**
Mill Hill East	Green **Amber** Red

The detailed assessments are attached as appendices to this review. Currently, however, there is no detailed assessment for Grahame Park. This is very disappointing to Regenfirst and to DJD, and is due to significant change in circumstances at that project during the course of the review. There is an absence of detailed information on those circumstances and therefore a review is impossible to undertake. This is being followed up, and it is hoped that a similar assessment for Grahame Park can follow.

4.4 Stonegrove/Spur Road

Overall rating: AMBER

Scheme background and current position

Stonegrove and Spur Road Estates were built in the 1960s and 1970s, and comprise a mixture of 11 storey tower blocks and four storey maisonette blocks. The total site area is 11.5 hectares (28.4 acres). The proposed scheme seeks to demolish all 603 existing properties and to provide not more than 937 dwelling, with a minimum of 280 social rented dwellings and a minimum of 137 shared equity and shared ownership dwellings, and up to 520 private for sale dwellings. The Principal Development Agreement also provides for the provision of a community hall, a replacement church and for employment and training initiatives.

The variation of the Principal Development Agreement (PDA) in October 2009 and March 2011 along with the grant funding of £9.65m has enabled the scheme to proceed and coupled with the current level of private sale being achieved should secure the remainder of the total development of 656 units.

The next phase Academy Court which will provide a further 67 private units will be completed in Autumn 2012. However given the timeframe for the delivery of the scheme it would not be unreasonable to assume that their will be further movements with regards to sales values, both up and down which may impact on the proposed timeframe for delivery of the scheme.

A major condition of the HCA funding was that none of the HCA grant shall be used as land receipts payments by the Council. The effect of this is that £5m of land receipts will be deferred until 2017, the expected completion date, and will come from an overage agreement which relies on the project making a profit.

The CPO process has started and this, when granted, will provide the Council with greater comfort in respect of the delivery of vacant possession for the total scheme and with the benefit of £9.65m of grant this should secure delivery of the scheme. Should the CPO fail or become elongated for any reason this would be a concern for delivery of vacant possession.

Assessment

In overall terms the scheme is assessed as AMBER.

Taking all of the above into account and the progress on both the development build programme and sales the scheme is now gaining momentum and subject to no fundamental change in the current market conditions will continue in line with the proposed timetable.

Commentary

This scheme was in an extremely precarious position in 2009. Over the past two years, the combined efforts of the Council's regeneration efforts, the Homes and Communities Agency and the Lead Partner (Barratts) have turned it into a highly promising scheme that will regenerate the wider area as well as the immediate estate area. The Council's innovative and flexible approach to securing delivery in difficult market conditions is an exemplar, and subject to market conditions remaining stable, the Council should see a return on its financial investment within five years.

4.5 Dollis Valley

Overall rating: AMBER

Scheme background and current position

Dollis Valley comprises a 1960's / 1970's housing estate. The estate comprises 9.7 hectares of land. Development has not yet commenced. A development partner consortium (Countryside Homes and London and Quadrant) has just been selected via competitive dialogue selection process.

The objectives of the regeneration scheme, and the basis of the contract with the preferred development partner consortium, are as follows:

- Between 523 and 1,000 new homes are provided, of which a minimum of 230 are to be affordable rented to replace the existing Council owned homes
- Overall a minimum of 50% of the homes to be constructed are required to be private sale homes
- A minimum of 50% family housing is constructed including not less that 248 houses
- The provision of a community facility.

The competitive dialogue process has proved to be successful with the appointment of Countryside Properties (UK) Limited, London & Quadrant Housing Trust and Countryside Properties plc

Assessment

The overall rating for the scheme is AMBER.

This is a new partnership and the selection has been based upon a robust mechanism undertaken over a two year period. This has produced a development proposal that still needs to be worked up in full detail to include financial and cost considerations.

There is an agreed draft Principal Development Agreement (PDA) in place and the appointment letter to the developer will require them not to change what has been agreed. It is of paramount importance that the Council take a lead role in structuring a programme of events to address the areas noted above to ensure that progress can be made as effectively as is possible and that conditions to the proposed terms by the developer can be released / waived at the earliest of opportunities.

Commentary

This is another scheme that was seriously compromised two years ago, with a development partner who was unable to progress the scheme. The Council has taken a proactive and innovative approach, with markedly more commercial objectives. There are risks in the approach, in that challenge from the former partner remains a possibility, albeit a remote one in the current market. However, the re-specification of the project, and a carefully OJEU compliant approach to procurement is a credible piece of risk management, and demonstrates that the Council has developed an effective and credible approach to managing adverse market conditions.

4.6 Granville Road

No Rating

There is no Overall Rating for Granville Road as it is too early in the process to form a judgement.

Granville Road currently provides a Housing Estate of 3 tower blocks and three low rise blocks built in the 1960's / 1970's.

A planning brief was completed in 2008 but plans were stalled due to the decline in the residential market.

In July 2009 the Cabinet Resources Committee approved the formal acceptance of the award of funding of £7.011 million from the London Development Agency to improve the three tower blocks and upgrade 179 homes on the Estate and to undertake a parallel process for the wider estate regeneration and procurement process. These works are in progress.

In October 2009 the Cabinet approved officers to procure the production of a masterplan to guide the development and regeneration of the wider Estate on a commercial basis.

In June 2010 the Council approved the appointment of external consultants to seek a development partner through a competitive tender process to enter into a joint venture to take forward Phase 2 of the regeneration of the estate.

In June three parties were invited to participate in a dialogue process. During this period the bidders are invited to work up the proposal they submitted as their Outline Solutions in greater detail.

4.7 Grahame Park

Overall rating: RED

Scheme background and current position

Grahame Park is Barnet's largest housing estate with 1,777 homes built by the GLC in the 1970s. The regeneration proposals for Grahame Park form a central part of the Colindale Area Action Plan that aims to create a vibrant new community with major infrastructure improvements, improved transport links and community health facilities.

A rebuilding programme is planned to transform the estate over the next 15 years. This will entail the demolition of 1,314 homes, retention of 463 homes and construction of 3,440 new homes. The outline masterplan for the regeneration of the whole estate was approved by The Council's Planning and Environment Committee in September 2004.

A Principal Development Agreement for the regeneration was signed between the Council and Choices for Grahame Park (a subsidiary of Genesis Housing Group) in January 2007.

The regeneration is proposed to be implemented on a phase by phase basis, dependent on satisfactory re-housing of existing residents before their homes are demolished, with a significant programme of sales of new private homes.

A demonstration phase of 32 homes was completed in October 2007, 13 of which were for affordable rent, 3 for low cost home ownership and 16 for market sale.

Phase 0 received detailed planning consent in July 2008 for 39 units, all for outright sale. The programme has been heavily delayed with practical completion now expected in November 2012.

Phase 1a has 319 homes, of which 155 are for private sale, 134 affordable rent and 30 shared ownership. Project Satisfaction was achieved in July 2009 with construction starting the same month. In February 2011 the marketing of sales units commenced.

Phase 1b received committee approval for reserved matters in June 2011. The phase comprises of 446 mixed tenure homes, retail units, library, community centre and housing office. Practical completion is estimated at August 2017. The viability appraisal, dated July 2011, produced a positive return. However, there are now serious concerns with regard to the way forward for the regeneration of Grahame Park. In a series of meetings between the Council and Choices for Grahame Park and between Regenfirst and Genesis Housing Group, it became clear that there are now very serious viability issues for Phase1B and unless these can be resolved it is difficult to see how the scheme can progress further or beyond the current phase.

In a paper submitted to the Council by Choices for Grahame Park on 21 November 2011, the origin of the viability issues (which had been discussed at detailed planning stage) were attributed to:

- increased/higher standards than envisaged in the original masterplan

- unusually expensive infrastructure requirements
- the requirement to provide community infrastructure without income
- fewer but larger units
- lower sales values

The seriousness of the situation is now compounded by dropping sales values and a serious slowing down in sales rates; increases in building and a significant increase in the financing costs.

Assessment

The overall assessment of this scheme is RED.

This assessment is provided in the absence of detailed figures, which are still in preparation.

Commentary

The lack of information available to the Council in relation to the problems discussed above needs to be rectified quickly because (quite aside from the original brief for the Regeneration Review) there are clearly going to need to be major revisions to the Principal Development Agreement and these changes will require evidence. The partners therefore need to produce a full suite of information to inform the Council's actions going forward, and the Council should take careful professional and legal advice on the nature and extent of the information required, and give a reasonable deadline for its production.

However, the regeneration of Grahame Park remains very important to the Council – both for the residents that live on the estate and for the wider Colindale area, which is a major priority for the borough. If Grahame Park is not transformed into a viable mixed community, with an environment and a social mix that drives development values and social aspiration up, then Colindale as a whole will fail to regenerate in the way that the Council and the local community wish.

Radical solutions are clearly required if the Regeneration of Grahame Park is to be achieved. It is unlikely that small changes to the overall masterplan or short term fixes such as the provision by the Council of capital grants will resolve the underlying problems of viability.

There are, however, some new opportunities for Grahame Park. Changes in affordable housing policy, with the introduction of affordable rented products, new home ownership incentives and shorter tenancies mean that the mix of housing offered on the scheme can be radically reviewed. The Council has been in talks with Barnet College about the potential for a new college building, co-located with the proposed new library, which could bring further opportunities for a more vibrant and sustainable development mix and would also help with the overall scheme viability. Barnet Homes (The Barnet Group) has also expressed an interest in an office location on the scheme, which would again improve the mix, the footfall/customer base for commercial uses such as small shops and cafes, and provide a guaranteed future commercial income for the space that the Group would occupy, which would make financing easier.

A new masterplan is clearly required for the future phases on the regeneration scheme. The Council should consider undertaking this as an area action plan, rather than an outline planning application, as this gives much greater flexibility in future planning (and financing) terms. The Council needs to review its demands, in terms of social and physical infrastructure, with a view to driving costs of build down (not to mention future running costs).

It is probable that a new approach to partnership will be required for future phases. The total scheme is a very large one for a single registered provider to take forward, particularly in the current market. The potential for a number of different partners should be explored, with the risk spread between more organisations (potentially including the Council).

A clear decant programme and strategy needs to be developed, for secure and non secure tenants. This should be easier, given the new opportunities that changes in affordable housing policies allow, but it must be recognised by the Council that the lack of this has been a matter of anxiety for Choices, and for Barnet Homes. Either the Council, or Barnet Homes, should be tasked with undertaking this, to inform a new masterplan/area action plan and an approach to phasing development.

This needs to be done quickly. It would be a missed opportunity if the Council now took a defeatist approach and spent significant sums of money on the existing properties on the estate. This would signal that Grahame Park will never change. The homes on the estate, and their environment, are not fit for purpose. It would be better for the Council to buy some of the for sale homes and use them for decant purposes, to free up opportunities for early development by a new partnership. The Council (or Barnet Homes) would then have a long term stake, against which to raise finance for its own participation in a new partnership, or an asset that could be sold on when the economics of housing regeneration improves.

The Council has successfully rescued regeneration schemes at Stonegrove and at Dollis Valley over the past two years, and has shown by its approach to Mill Hill East that it is prepared to be innovative. Grahame Park now needs the same dedication and innovation. It remains, together with Brent Cross/Cricklewood, probably the most transformational and ambitious regeneration project that the Council is engaged in, and one of the biggest housing regeneration projects in London.

4.8 West Hendon

Overall rating: RED

Scheme background and current position

The West Hendon Estate was constructed in late 1960's and is located in the southern part of the London Borough of Barnet, between a section of the A5 Edgware Road known as The Broadway and the Welsh Harp Reservoir.

The West Hendon Regeneration Scheme received outline planning consent in July 2005 subject to an agreed Section 106.

In August 2006 the Council entered into a Principal Development Agreement (PDA) with Barratt Metropolitan LLP to provide for the regeneration of the estate.

In December 2007 the Planning and Environment Committee approved the demolishing of the former Lakeview Children's Centre and the redevelopment of the site with 8 affordable units subject to completion of a Section 106 Agreement.

The initial phase comprising the Pilot Phase and Phase 2A (Lakeside) is under construction. Completion of the Pilot Phase of 8 affordable units is expected late 2011 and Phase 2A, containing 151 private and 35 affordable homes, is due to complete in 2012.

The Masterplan originally developed is no longer seen as financially viable given the subsequent changes to the economic climate, and more specifically the housing market. A June 2010 assessment by Barratt Metropolitan LLP (consisting of Barratt Homes and Metropolitan Housing Trust and known as BMLLP) showed a very significant deficit, which has led to a comprehensive review of the scheme over the next six months.

At present BMLLP and the Council are reviewing the Masterplan, which, due to the changing economic position, is presently unviable.

Five major replacement options are being developed by CBRE and Allies & Morrison.

All the options follow the residential development quantum of the extant permission, requiring the construction of 1,977 residential units. 247 of these would be Affordable units, and 253 have been allocated to shared ownership and shared equity. The commercial element of the scheme varies among the five options, and in terms of space ranges from provision of 10,764 sq ft (Options 3,4,5) to 80,987 sq ft (Option 1).

Assessment

The overall rating for this scheme is RED.

This is a regeneration scheme, not a Greenfield development site. There are greater up-front risks on this scheme and the development needs pump priming to get it started. If this doesn't move forward, there will be a need to do decent homes works (for which it is understood there is no identified budget) at a significant cost.

DJD and Regenfirst are in agreement that the masterplan review was needed and that the Council should work with BMLLP to continue to review the masterplan options and progress with the scheme which offers optimum, key, development output relative to major costs, i.e. limit land assembly as required and seek a reduced level of commercial accommodation.

A timeline of key events is also important to consider, especially given various longstop dates for drawing down grant, potential call in by the GLA due to the reduced number of affordable units likely to be proposed etc.

We are of the opinion that the Council should seek to re-negotiate on various elements of the PDA if the development scheme is changing, i.e. slight adjustments to profit margins have a significant impact on viability.

It is fundamental that the Council receives copies of the full development cash flows and cost plans for the later phases to underpin the appraisal front sheets provided.

At present it is not possible to review the timing of the phases, or determine when profit it taken, how sales are programmed etc, all of which have a fundamental impact on the development viability.

We are also of the opinion that there is a need for a clear strategy for dealing with residents / leaseholders and a route to securing buy-backs.

A review of the proposed A5 works is also required to determine what is reasonable within the context of the proposed development rather than trying to over-burden a development which is already experiencing difficulties.

The report regarding the Master Plan review is due on the 14th December 2011 and we understand that report will address a number of issues raised in the viability assessment.

Commentary

West Hendon is a very important scheme for Barnet's overall programme of regeneration. It is an important transformational project for the A5 Corridor, setting the pace (or otherwise) for the longer term regeneration of Brent Cross/Cricklewood. It is a long standing aspiration of the Council to achieve comprehensive regeneration, including regenerating the district centre and improvements to the A5 itself. The residents on the estate have been waiting for many years for progress against the scheme's objectives. The partnership with Barratts and Metropolitan Housing Trust has become strained over the past two years due to lack of progress – there is frustration on all sides.

The initiative, prompted by the Council but funded by Barratts, to revisit the masterplan is a welcome example of a problem solving approach. It would be very disappointing if the Council were to reduce its overall vision for the transformation of the estate and revert to a refurbishment option. In the current market conditions, it will be challenging to find a redevelopment option, and the longer term ambitions and benefits from the scheme (e.g. to the district centre and to the A5 itself) may take longer to realise as a result – although all are still considered by all parties to be essential long term ingredients of/outcomes of the programme.

Over the next six to twelve months the scheme requires the attention and the commitment that the Council has demonstrated in bringing Dollis Valley and Stonegrove back to broadly viable and deliverable status. The opportunity at West Hendon is proportionately greater than either of those schemes, and has the potential to deliver long term financial and regeneration benefits. For the next few months, the Council should continue to look to the long term, and seek, with its partners, a solution that invests in West Hendon's transformation.

4.9 Mill Hill East

Overall rating: AMBER

Scheme background and current position

The land at Mill Hill East is located approximately 9 miles north west of central London. The nearest underground to the site is Mill Hill East (Northern Line), with

West Finchley, Woodside Park and Finchley Central al located within one mile of the site. The Inglis Consortium, comprising VSM Estates, Annington property and the London Borough of Barnet (LBB) are the owners of the landholdings.

The Council's land is situated in the south of the overall Mill Hill East AAP area, to the east of Mill Hill underground, station. The surrounding areas have a suburban character and are surrounded by Green Belt to the North and East.

The overall assumption in the Business Plan is that the landowners work together to provide serviced plots by preparing the site, developing key infrastructure and undertaking Section 106 works. Thereafter the objective is phased sales of the plots to prospective developers terminating in December 2020.

The site area is Approximately 34.35 hectares (84.63 acres)

The proposed development is anticipated to be built out over a period of approximately 10 years.

The site has been granted outline planning permission for 2,174 homes. Permission is also included for a primary school with community facilities, small-scale retail units and office and workshop employment space.

The first two serviced land parcels are currently being marketed by Knight Frank:

Lot 1
58 units, all houses
100% private housing (no affordable)
3.4 acres (1.38 hectares)

Lot 2
107 units, comprising 80 houses and 27 apartments
Conversion of the locally listed Officers Mess building to apartments and a GP surgery
100% private housing (no affordable)
9.6 acres (3.89 hectares)

Assessment

The overall scheme is assessed as AMBER

The proposed serviced land disposal scenario presents the Council with an opportunity to optimise its land holding through co-working with other land owners. This basis also means that the Council receives land receipts from land sales as opposed to potential returns through active involvement in the development of a development site. The ability to realise a capital receipt at given times in the land disposal programme is therefore more certain, the amount however is clearly subject to close monitoring of cost expenditure and active marketing.

There are and will remain a number of risks over the course of the development programme, i.e. the relocation of the Council's depot, significant infrastructure costs, market fluctuations etc.

Moving forward we would expect that the consortium work collectively to drive value from the development and address at an early stage any issues that may impact on viability and propose and action suitable measures to mitigate any risks to optimising the return.

There is also the opportunity if required for the Council to sell on their land holding as at today. This would be at a discount to the potential land receipt that may be secured over time, and at greater risk, but could provide the Council with a significant, early land receipt. By taking this route, any potential upside will be lost, but likewise, the noted development risks and potential market fluctuations may be avoided.

Commentary

Mill Hill East is a new approach for Barnet Council. It is unlike the other regeneration schemes; the intention is not to use market for sale housing to cross subsidise the reprovision of affordable homes that cannot economically be brought up to decent homes standard, and to regenerate the neighbourhoods within which they are located through introduction of a better mix of tenure. It is a more aggressively commercial approach, the Council is behaving as a developer, taking a long-term view and seeking long term returns on its (not insignificant) contribution to the cash flow position of the overall scheme.

This is a strategic property approach which inevitably carries risks but the return will be proportionately high. It is the kind of entrepreneurial approach which is lauded as good practice by central government, and which the forthcoming general power of competence for local government, enabled in the Localism Bill seeks to promote.

The Council must, however, watch its reputation with its partners in the consortium. Delays on matters such as planning or highways powers will be extremely damaging. The Council also needs to be sure that it is managing the risks associated with the relocation of the depot and the provision of the new school effectively and efficiently. There are, for example, currently discussions about the size of the school required, and how it is to be delivered. The Council needs to make this decision quickly and efficiently, and stick to that decision. The other members of the consortium will expect the Council, as an equity stakeholder, to deliver efficiently, or to share the costs of delay.

The Council also needs to watch its own costs against the scheme. Unlike the other regeneration schemes the costs the Council takes out to fund its own project management are not “hidden”, they will be top sliced from any profit the Council makes. This is a good commercial discipline – as long as the Council is disciplined.

If the Council can manage these challenges, then Mill Hill East potentially provides a blue print for other opportunities in the future – not least the potential of Brent Cross / Cricklewood, where the Council would do well to consider the longer term benefit that would come from an equity stakeholder approach, rather than a traditional sale of freehold/long leasehold for shorter term capital gain.

4.10 Brent Cross/Cricklewood

Brent Cross/Cricklewood is one of the most ambitious regeneration schemes in London. The Council and Hammersons have put a great deal of work into developing a comprehensive approach, with significant investment in infrastructure proposed to support the new development that is envisaged, and the whole will provided much needed transformation if the shopping centre is to retain its competitive position against newer centres, particularly Westfield. The scheme was developed in a more buoyant economy, and while the necessary investment in "secured" via a robust s.106 agreement, the changed economic circumstances mean that both the planning and the commercial agreements will need some degree of review. The scope for Tax Increment Financing will also need to be reviewed in the light of changes to Business Rate policy, as noted above, and again, the changed economic circumstances mean that the scope for tax base related income should be thoroughly re-assessed.

Hammersons have already started this process, working with the council, potential partners including Barratts, and advisers (Price Waterhouse Coopers and others). Because this work is ongoing, it has not been possible to do a detailed assessment of the viability of the scheme. There is a need for a more detailed approach than this review can offer, looking at the liabilities, particularly in the early phases, assessing the role the Council should take, particularly as a major landowner, and reviewing options for effective project management for a scheme of this size and complexity.

What is clear is that the vision for Brent Cross/Cricklewood is a once in a century opportunity. The Council's commitment to facilitating the implementation of the vision commands enormous respect amongst partner agencies. The challenge, in the economic circumstances is enormous but it should undoubtedly remain a high order priority for the Council.

4.11 Viability – conclusions

The Council has successfully "turned around" two of its principal regeneration schemes, Stonegrove/Spur Road and Dollis Valley over the past two years. It has taken a very commercial approach to these schemes, taken specialist advice, used robust competitive dialogue processes to appoint commercial partners and despite the market challenges it can be reasonably confident, going forward, of the viability of those schemes, if genuine open book based monitoring and effective dialogue with delivery partners is maintained.

The same robust commercial approach is now being taken with Granville Road and subject to the outcome of the current competitive dialogue process, the scheme has every chance of delivery.

Mill Hill is an innovative scheme, where the Council is using its assets and forward funding in a very commercial way to achieve significant long term benefits. This can and should inform future regeneration strategies, not least at Brent Cross/Cricklewood. The challenge will be to keep the early costs under careful review, and to ensure that the major risks for which the Council is responsible – the provision of the new school and the relocation of the depot – are delivered in a timely and cost effective way, as failure to do so will have significant scheme and reputational costs.

Grahame Park and West Hendon are not viable. Both need root and branch review of the aims, objectives and delivery mechanisms involved. Both remain very important to the overall achievement of the Council's long term regeneration objectives along the A5 corridor: aspirations for Colindale and, in the longer term, Brent Cross/Cricklewood will not happen if these two key regeneration sites do not fulfil their potential; moreover the Council will have to invest heavily in the fabric of fundamentally inadequate stock. Work on the review of West Hendon is already underway; Grahame Park needs to follow as a matter of urgency.

4.12 Recommendations

Genuine open book based monitoring and effective dialogue with delivery partners must be maintained on Stonegrove/Spur Road, Dollis Valley and Granville Road once the competitive dialogue process has completed.

At Mill Hill East, the early costs should be kept under careful review.

The Council must also ensure that the major scheme risks at Mill Hill East, the provision of the new school and the relocation of the depot – are delivered in a timely and cost effective way, as failure to do so will have significant scheme and reputational costs.

Grahame Park and West Hendon require root and branch review of the scheme objectives and a revised assessment of the best approach to regeneration. Work on the review of West Hendon is already underway; Grahame Park needs to follow as a matter of urgency.

All the schemes face a significant challenge in decanting existing secure and non secure tenants, and concluding satisfactory agreements with leaseholders. The challenge needs to be accurately mapped, for each scheme, and a strategy needs to be developed as a matter of urgency. This will require close co-operation with Barnet Homes – indeed, they should probably be tasked with leading on this project.

5 Delivery

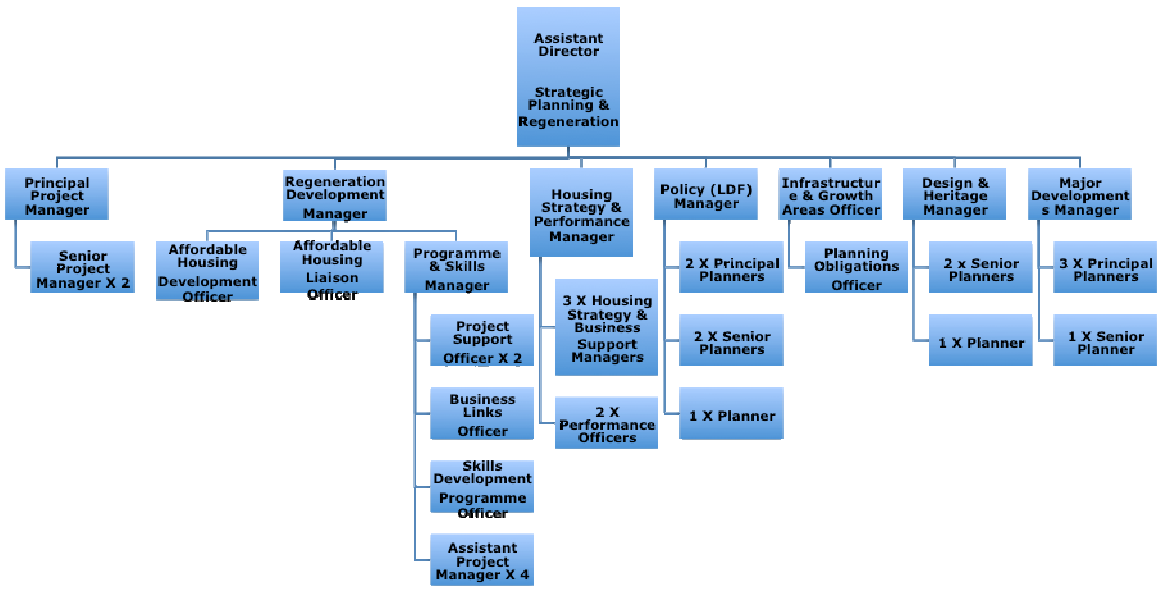
5.1 Context

The Council has significantly reorganised its regeneration service over the past year. Partly, this has been done to strengthen the links between strategy and delivery services, partly it has been done to reduce costs. This has resulted in the combining of the function of Regeneration with that of Strategic Planning.

Since regeneration is a non statutory service (unlike planning and housing) this approach has been common to many Councils facing the pressures of an urgent need to cut costs. Furthermore, in Barnet, there has been an extra incentive to remove costs, with most operational functions of the Council earmarked for transfer to an external partner. It makes sense for the Council to extract savings before this process takes place.

The revised structure of the service is set out in Figure 3 below.

Figure 3. Current structure of Strategic Planning & Regeneration



There have clearly been benefits from bringing key environmental services such as highways and transport under a common management structure. Furthermore, the combination of the function for strategic planning with that of regeneration has enabled the most senior officer with specialist responsibility for Regeneration (the Assistant Director, Planning and Regeneration) to develop the more clearly codified strategic approach as described in section 2 of this review. While this approach has yielded benefits, the focus going forward is likely to be on delivery, and on getting optimum benefits for the borough from the new regeneration funding opportunities set out in section 3 above.

5.2 Leadership

The question of professional (as opposed to political) leadership within the Regeneration service has been raised in the course of this review by a number of internal and external interviewees. Leadership in this context is perhaps best described as the “ringmaster”, on whom partners and stakeholders can rely to maintain an overall strategic focus and to maintain the pace of implementation, while also resolving issues that arise on delivery.

The intentions of the Council at a senior level with regard to regeneration are clear. Almost every partner interviewed was confident that senior managers are fully committed to the agenda, capable of delivering against promises. However, there are inconsistencies, which suggests that there may need to be a more effective strategic, decision making and problem solving approach below Chief/Deputy Chief Executive level.

Given that the regeneration schemes can take a decade or more to implement, some continuity in leadership is also quite important. While the corporate “memory” for the overall purpose of and need for regeneration schemes needs to be maintained, there also needs to be the confidence to take a more flexible approach to implementation, and this willingness to be flexible needs to occur as a preventative measure, before schemes get into difficulty. The Regeneration Service has amply demonstrated its ability to rethink delivery. A number of partners drew attention to the fact that strategies, masterplans, and even Principal Development Agreements, are the starting point or the framework for implementation, but when programmes are long term and complex those frameworks will need to flex and change according to external conditions, and they welcome the leadership approach that encourages this flexibility, and facilitates it through the partnership structures put in place to manage implementation.

“You have to start with a masterplan. But anyone who does regeneration knows that what is finally delivered will be different. A real partnership needs the structures in place to manage this.”

The most frequently cited area where partners would like a clearer demonstration of leadership was the “ringmaster” function with other Council service areas. Highways, planning and housing policy and property were all cited, where leadership was considered necessary to drive a more responsive culture. There were also some areas where there was a quite strongly perceived difference between the Council’s stated policy and the approach taken at a junior level by officers, which clearly needs some intervention. It was perhaps telling that one of those partners (when challenged) had not bothered to escalate this because the process of escalation was considered “too difficult” at Barnet. Partners need to know who they can go to with problems, to get both a hearing and, more importantly, resolution. They accept that they will not always get what they want, but they want to know who is “in charge”.

Another aspect of this frustration lies with perceived slow and bureaucratic decision making, which is also seen as symptomatic of weak leadership, although it is rather more complex than this. Decision making is considered further in the section on governance, below.

5.3 Project management

Project management capacity is spread between two teams in the Strategic Planning and Regeneration Service: The Principal Project Manager, who has two senior project managers working to him, and the Regeneration and Development Manager, who has a number of assistant project managers who work to an intermediary manager in her team (that intermediary manager is responsible primarily for employment and skills, and in this work effectively reports on these matters directly to the Assistant Director, so the management structure is somewhat haphazard in this area). There is a graduate trainee and some project support officers, also reporting to the intermediary manager, but the core project management team is thus seven people.

The small team is heavily reliant upon a range of advisers and professional consultancy support, covering project monitoring, cost consultancy, development finance and viability, valuation, land assembly and legal support for all the stages of planning, development and implementation.

This mix of internal and external project management resource makes for a complex suite of management relationships, the responsibility for management of which lies with the Principal Project Manager, whose deployment of them has provided a major impetus over the past eighteen months to kick start stalled schemes at Dollis Valley and Stonegrove, and to maintain momentum at Brent Cross / Cricklewood. The diversion of one of the senior project managers to Mill Hill East for a substantial proportion of his time has similarly enabled that project to progress to a position where implementation is a real prospect. However, the huge amount of effort that has gone into "rescuing" these projects cannot be underestimated.

The resources of the team will be severely stretched if Grahame Park and West Hendon are to be similarly rescued, while the others retain enough care and continued attention to ensure they remain on track. The current team structure and resource, even with significant external support, cannot, realistically, spread itself quite so thinly. Expanding the current team is unlikely to be an option, and in any case it would probably be the wrong solution. The team needs more senior, experienced capacity, not just more people. A revised approach to the use of external support, and a more rigorous approach to clienting is likely to be a more cost effective solution.

The Council could probably get more from its external support than it currently obtains. The specifications for the external support were prepared in different times, to service different purposes, and they need review. Indeed, the clarity (or otherwise) of briefs/specifications was raised (by the technical and professional advisers) as a particular barrier to the Council obtaining a flexible service, responsive to changing circumstances. A co-operative approach to respecifying a commission to sharpen its focus and improve upon deliverables would be the best solution, rather than adhering to what has become, over time, an inadequate brief.

The difficulties around monitoring progress are also clearly a frustration to all parties. The Council itself finds it very difficult to obtain information from partners (indeed, this difficulty has slowed the conduct of the current review) and it is clearly not (yet) in a position to command a meaningful open book relationship with its partners, despite the protestations of those partners that they wish to work in this way. Some specific work, with the existing partners, on the details of the open book approach the Council needs to take in future would help this. The Council's inability to obtain information in a timely way was cited by advisers as one of the most significant barriers to efficiency.

Going forward, greater clarity is required in defining the roles and responsibilities of the in house project managers/liaison officers (with the emphasis probably on more assertive liaison with other parts of the Council, picking up on some of the issues raised in section 5.2 on Leadership) and those of external advisers, who have the technical skills to undertake project management and review, but whose commissions need to be revised to more closely reflect this.

This should not be interpreted entirely as a demand to use more expensive consultancy time. It is a challenge to the Council to become a more intelligent client. The partner organisations are already paying for both the advisers and the in-house team; they accept this, but they want better, not more. There is also potentially the opportunity for some skills transfer, if external advisers are used more creatively. Some of the internal officers can undoubtedly rise to the challenge, with better leadership and support, some training and a more precise definition of their intelligent client-cum-liaison officer/problem solver role.

5.4 Programme management and governance

Programme Management

Programme Management regimes in Barnet have been the subject of some changes in the past few years. Capital programme management has been overhauled and new arrangements made for delivery and monitoring, although these have not been entirely consistently applied.

For most of the Council, major projects and capital delivery are managed through the Commercial Services Team, who maintain some effective partnering arrangements procured through a competitive dialogue team. This was established in particular to secure the delivery of a challenging primary school building programme, which has now delivered 17 schools in a timely and cost effective way.

In theory, the regeneration programmes are subject to the same programme management reporting as the major schemes – a stronger corporate regime was introduced a year ago after a significant overspend on the delivery (by the engineering team) of the Aerodrome Road Bridge. The regeneration project managers now submit project monitoring information, but it is seen as a tick box exercise that is not really relevant to their own programmes.

Indeed, the Regeneration schemes have historically been separate to the corporate procedures. They were subject to their own investment approvals processes. Until recently there was no Board; this has now been rectified but the Regeneration Board serves an information sharing purpose; and also provides for some policy development and refinement, with slightly lighter touch progress and financial monitoring.

It seems that part of the reason for the regeneration schemes being somewhat "outside" the Council's standard procedures is that expenditure incurred by the Council was funded either through the Housing Revenue Account (or more precisely by the capital funding raised against the HRA) or by recharges to the delivery partners, or by various grant regimes or discrete funding pots related to housing, regeneration and planning (including such sources as growth area funding, s.106 funding etc). These are both complex and largely separate from the rigorous pressures to keep costs down which are associated with the general fund account (including the borrowing supported by general fund account) and block grants for education capital. This is not to say that they are wasteful, but the process of budget management is less rigorous (indeed, in regeneration the various charges for fees and costs for salaries are all reconciled against the available budgets at the end of the year in a deft but less than transparent way) and there is currently no clear fee allocation and time-charging discipline, on a project by project basis, within the team. A more rigorous, business planning approach is needed.

Governance

Governance of Regeneration schemes is often complex, due to the range of stakeholders involved and the level of decision making required. There are three "layers" of governance: the first is the formal decision making, by the Council Members either in Cabinet or other constituted decision making structures of the Council, required to release funding and to adopt or change formal partnership agreements. There may be an informal precursor to the formal decision making, in the form of briefing sessions involving cabinet members, but these do not take formal decisions.

The second layer is the partly formal, partly informal governance of projects and programmes by the Council's management team to ensure that they are fully compliant with Council policy and procedures, including those on procurement and financial management. These are formal when senior officers are exercising formally delegated powers, and informal when they are formulating the recommendations to the Council's Cabinet, Cabinet members with delegated authority, and other constituted decision making structures.

The third layer is the governance of each project by the Council and its delivery partners. This level is informal, in that all but the most basic decisions will form recommendations to the layers of governance described above.

Each of these layers is distinct, and the arrangements for each needs to be effectively designed and proportionate.

There is another level of governance on the regeneration schemes, again informal, and this is the involvement of residents and tenants. This layer is absolutely essential, and each of the Regeneration Schemes (with the exception of Mill Hill East, which is different in nature) has its own residents' forum, or board. The degree to which the residents' boards exercise influence over decisions varies from scheme to scheme, and it is not within the remit of this review to analyse them. Changes can be very hard to negotiate. However, it is worth pointing out that the most successful schemes provide for resident engagement rather than control, particularly at the early stages, unless a ballot is required (and in Barnet, fortunately, only Grahame Park was set up in such a way as to require a ballot). Engagement is easier – and more successful – once there is a significant degree of certainty about progress. It is notoriously difficult to engage residents on a large scale in relatively abstract discussions, especially when momentum on a scheme has been lost. Arrangements for resident involvement should therefore be reviewed, on a scheme by scheme basis, to ensure that it is proportionate and will serve to assist progress not to delay it.

In the case of formal joint ventures such as that for Mill Hill East, which is a formally constituted company, a further layer has been introduced, which is effectively an advisory board for the Council's two representatives to the Mill Hill East Company Board. A good deal of care has gone into the design of this advisory board. Given the uniqueness of the Mill Hill East structure, it is probably worthwhile for the time being, but it does seem in some senses unwieldy. The advisory group has no decision making powers, nor do the two Council representatives to the Mill Hill Board. They attend to discuss and deliberate, purposes, but decisions are made by the Mayor and Burgesses of the borough through the constituted Cabinet/Lead member/committee structure. In a sense, the Mill Hill East advisory group forms an internal function that mirrors that of the Regeneration Board (and the membership of the two have considerable overlap). If the Regeneration Board itself were refined into more discrete functions, arguably the Mill Hill East advisory group would become redundant. It does rather beg the question as to why "special" arrangements are necessary, and if they are necessary, how many such advisory groups the Council will end up needing, given the range of different delivery mechanisms now being contemplated around the Council. Rationalisation will become necessary.

The formal decision making undertaken by Cabinet/Lead Member or other committee is defined by the constitution. Barnet has taken a decision to delegate a considerable amount to lead members. This ought to speed up the decision making on major schemes, but it does not appear to do so. There is a perception amongst partners that procedures for decision making are deliberately slow, to deter them from seeking changes in approach. "DPR's" (Delegated Procedure Reports) are referred to as a major problem:

"A*bsolutely everything appears to need a lengthy formal reporting mechanism, with every part of the organisation having to clear a report before it goes to the cabinet member for a decision – the whole thing can take weeks. This is for everything, even minor traffic orders. In other Councils senior officer seem to have a level of delegated responsibility for the individual decisions that drive a major policy decision forward - and that makes for greater speed and flexibility*".

From partners' perspective, the remoteness of elected Councillors from the day to day business while at the same time the reliance upon them to take detailed decisions on day to day business, is both cumbersome and damaging to their confidence.

The involvement of elected Councillors in day to day business is probably also affecting the Councillors' own confidence in schemes. At present, there is a strong atmosphere that progress is slow, that there are too many variances ("too much bad news") and too many delays, when actually variations within a range of tolerance are an absolutely normal part of complex project delivery and the delays are often caused by the decision making process rather than the substance of the change. It is also very expensive. Leaving aside the officer time from finance, legal, procurement and other team spent on report clearance, the Project Management officers themselves estimate that they spend about 20% of their time obtaining decisions, via Delegated Procedure Reports, on matters which, provided they are within a range of tolerance, could be taken in a far less cumbersome way, not least through the Regeneration Board (or successor boards as appropriate).

One further issue that should be considered is that of governance via wider partnership structures, through involvement in the Local Strategic Partnership. Asked whether they thought such structures could perform a useful function in the borough, the private sector partners were not supportive, although many of them participate already, to different degrees, in other formal and semi formal partnerships such as the board for Barnet Homes and the Colindale Steering Group. The Registered Providers are almost as lukewarm - unlike other key partners in any given borough area (the Police, the NHS, further and higher education partners) they are active across many boroughs and often delegate attendance at such partnership groups to a junior level making their involvement less useful. On balance, therefore, it is probably more fruitful to look at other ways of engagement, on partner organisations' terms, using models similar to that developed in Bromley, described in section 2.9 above. This approach is based on communication, marketing and one off events to engage businesses locally in a way that is relevant to them, but achieves place based discussion and engagement.

In conclusion, a greater degree of robustness is required at the scheme governance level, and a greater degree of precision and specificity is required in the arrangements set up by senior managers. If these can be achieved, not in isolation but as part of a set of corporate standards that will be required as the Council moves to a commissioner rather than a direct provider of a range of services, then the elected members should have the confidence to withdraw from everyday decision making, and the implications that this level of involvement has for effective delivery.

5.5 Developing an integrated client function

Barnet has choices about how it effectively manages its development and renewal functions in the future.

The majority of the delivery is in effect already outsourced. Each of the Regeneration schemes has its own delivery partners, but nonetheless each scheme will need nurturing and monitoring, at a sufficiently senior level to overcome the inevitable challenges that the peaks and troughs of the regeneration function involve – whether this is delivering traffic management orders in a timely way, securing co-operation from housing management providers, urgent revisions to planning consents or development agreements, negotiations with grant funding agencies over cash flow or managing a sudden "state visit" by VIPs. As the landscape for the provision of these day to day services becomes more complex, the effectiveness of the client role will become increasingly important to overall momentum and quality control. It will have to be more and more strategic, less and less of a "marking and monitoring" function.

Over the past year, the emphasis has been on re-invigorating the overall strategy, and on kick-starting stalled projects with a fresh approach at Stonegrove, Dollis Valley and (to a lesser extent) Granville Road. The new approach represented by Mill Hill East has required substantial negotiation and commitment. Over the next 12 months, a similar level of commitment will be required to get West Hendon and Grahame Park back on track, if that is the desired objective of the Council, and to establish a realistic delivery mechanism for implementing the Council's ambitions at Brent Cross.

However, strategic refresh is not an ongoing process. While the overall strategy needs to be kept under review, and maintained as a nimble and flexible framework, there comes a point when the Council has to draw a line under its strategic thinking, and turn its efforts in a more focused way to delivery.

The Council should now consider the best match or fit of competencies to equip itself to client a focussed delivery agenda with a range of partners, contractors and suppliers. Programme management and strategic financing opportunities are arguably more likely to provide a good match with project delivery, coupled with closer ties to the Strategic Property function, and with Council's principal housing services partner, Barnet Homes. Future competencies and synergies relating to each service area are discussed below.

Major Projects

A strategic function around both the existing major projects team in Commercial Services Directorate, and the Project Management Function in Strategic Planning and Regeneration is an obvious element for an integrated strategic client in the future. As with property above, this need not imply all the functions currently undertaken by those teams, some of which are due to be outsourced as one or other of the packages currently being considered under the One Barnet process. Overall direction and leadership would be provided, together with the essential liaison and problem solving approach described above. Relatively senior, highly skilled staff would client external providers, drawing on expert resource from support contracts. They would provide the overall drive and momentum for projects, together with quality control and the link back to the Council's Leader, Cabinet and elected members.

The major projects function will need to develop a more proactive approach to unblocking problems and barriers, particularly those where resolution is within the Council "family" of providers (for example, delays on signing off planning conditions or implementing traffic orders by an external provider of planning or highways services having expensive knock on effects on progress a delivery partner can make on site on one of the regeneration schemes; or delays with decanting of tenants or leaseholders preventing the release of land to another).

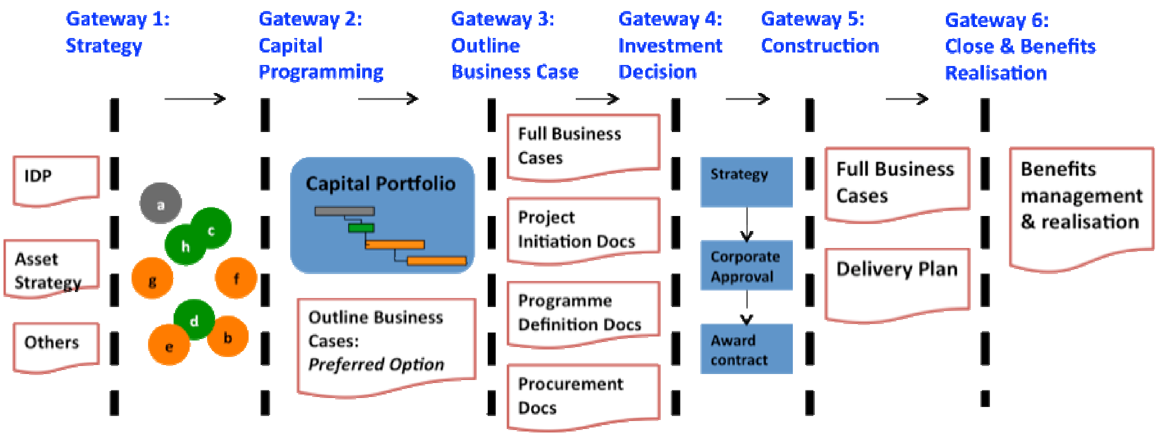
Risk management will also need to be fully owned by the strategic client; project monitoring (which may itself be procured externally) will need to secure success, not simply report on delays. One very important element of risk which this part of the client will need to manage is equalities impact assessment and effective approaches to managing that impact: EqIAs have not been done routinely on regeneration strategies and projects to date, and in future a proportionate approach will need to be adopted if projects are not to be subject to challenge.

Programme Management

A very effective and streamlined approach to programme management will be essential, and given the importance of effective programme management to the regeneration agenda and the Council's wider capital delivery responsibilities, it would seem sensible to locate this within a strategic client function.

However, given that most delivery will be externalised to a variety of different providers, the Council will need to review its approach and refresh its programme management systems, and especially its approach to gateway management and monitoring. These need to be robust and corporate, but at the same time proportionate and flexible. If the Council is to maintain control over the various delivery bodies, it will need to commission investment in a very deliberate way, in line with its adopted strategies, with very clearly defined outcomes at the point of commissioning and a robust approach to reviews. More emphasis will be needed on the earlier stages of gateways: strategic fit, feasibility, design etc – if the Council is to be comfortable with releasing substantial amounts of funding, from a variety of sources, to deliver against its objectives. An example of the gateway approach is set out in Figure 4. Clarity will be of the utmost importance given the number of partners likely to involved at every stage.

Figure 4. A Gateway Approach to Programme Management



Significant expertise will be required in the procurement of supporting services; specifications will need to be outcome oriented and flexible, capable of ongoing review if unforeseen barriers arise. There are already good examples of this within the Council, with the delivery of the primary capital programme through strategic partnerships being one example. Scaling such good practice up, while keeping it meaningful to the providers of very different types of service, will be a challenge. It is therefore essential that the strategic client retains access to a high level of expertise on procurement within the team. Given the complexity of the services to be provided and the investment to be commissioned, the team will also need access to a range of frameworks to assist with the rapid procurement that is often necessary to respond to sudden changes in workload; partnering approaches and scope to call upon additional services within major contracts will also be a useful approach to manage peaks and troughs in demand.

Policy & Strategy

The Council will continue to require a competency around regeneration strategy and policy, albeit with a different focus. Where previously the strategy has looked at land use planning, to ensure that new statutory plans reflect regeneration objectives, future policy work is more likely to focus on new and innovative approaches to funding (which, as set out in Section 3) will be as much about opportunities arising from sweating assets and the strategic use of borrowing), tracking and responding to changing market conditions and opportunities, ensuring that the Council and its partners are in a position to harness the benefits of central or London government initiatives on enterprise and skills development. It must be stressed that this is not a provider role: the actual work of policy and analysis itself may well be commissioned from strategic partners or one off providers.

Communication will be a significant part of this role: given the range of different providers that the Council will be relying upon. Again, there are some suggestions in the attached appendices, but there are different aspects to this role. One is ensuring effective two way communication with partners with up-to-date information about the local economy, the other is communicating a positive and progressive message about the Council's strategy and achievements to a wider audience of residents, locally businesses and potential investors. Again, the strategic client will not be actually undertaking the production and dissemination of the information, the task is to make sure it happens, and that it achieves the desired outcomes, in a cost effective and productive way.

These probably form the core functions of a strategic client for regeneration. However, there are two further synergies or adjacencies, which should in future work much more closely with the regeneration function, as follows:

Strategic Property

There is already a close theoretical fit between the function of strategic property and the function of regeneration. The regeneration schemes are based on the release of assets, for nil or for low consideration, to partner organisations in order to secure fit for purpose replacement affordable housing units within more mixed and therefore economically sustainable communities. In the wider context of regeneration, in response to a period of significant financial constraint, the Council is actively embracing innovative methods of service delivery and these will have an impact on the Council's assets.

The day to day management of the estate - both facilities management and commercial estate management - forms part of the Council's package of back office functions to be externalised, and there is a mature market for such functions. However, the proper performance of an externalised service will need to be cliented by a team which has good information about asset performance requirements and expectations. A strategy, supported by a robust asset management plan and a comprehensive asset register will be essential tools to manage the performance of external providers of asset related services.

Moreover, as described in Section 3 above, future financing options for securing regeneration are likely to be related to the strategic use of assets, whether as equity contributions to help with cash flow or, more traditionally, to support additional borrowing. The opportunities will need to inform the development of an asset strategy and supporting implementation plans. The innovative approach taken in the Joint Venture at Mill Hill East, where the Council's assets, alongside those of its partners, will be used to deliver new homes and a new school, is requiring some pump priming but is almost certain to deliver significant profit in the long term, is a good example of a more strategic asset lead approach. Variations on this approach should be explored on some of the Council's more challenging sites, as explored in the next section. Effective risk assessment and management will be required, and this in turn will need a higher level of strategic property expertise than currently exists in the Council. This strategic function is, by common consent around the Council, currently lacking.

It may now be appropriate to forge a closer link between the strategic use of assets and the delivery of regeneration and change. There is scope to refresh some of the Council's existing contracts with property advisory services to create some longer term partnering arrangements on valuation, property options for key sites, development agreements and open book appraisals and so on. Longer term partnering arrangements will undoubtedly deliver better value for money than some of the short term, project by project commissions upon which the regeneration project managers rely, in the absence of either an internal capacity or a corporate or strategic externally procured capacity.

Barnet Homes/Your Choice (The Barnet Group)

A close working relationship between the Regeneration client, and the client function for Barnet Homes and the proposed Local Government Trading Company "Your Choice" for the provision of some adult social services may not be as obvious as is perhaps the case with the other functions described above. However, it is suggested here for a number of reasons.

Firstly, and at a very basic level, there is already an element of duplication between the work of Barnet Homes and the work of both the Housing Strategy and Performance Team and the Regeneration Development Team in the current Strategic Planning and Regeneration Division. There is scope for rationalisation between these functions, providing cost savings and efficiencies. Close working between the respective client teams would be well placed to identify and avoid similar duplication in future.

Secondly, there are some key areas where the functions of Barnet Homes, and some of the strategic housing functions (homelessness, housing allocations, tenancy reviews etc) which are to be passed to The Barnet Group are absolutely essential to the delivery of regeneration schemes. Barnet Homes still has varying degrees of housing management responsibility on the estates. Crucially, it has responsibility for rehousing the very large numbers of short hold tenancies on the estates, the timely delivery of which will be essential to delivery timescales. There is no comprehensive strategy for this, which is generally acknowledged to be a problem. The existence of an integrated client might force the pace on the development of such a strategy, borough wide and on an estate by estate basis.

Thirdly, there may well be funding opportunities available to Barnet Homes/The Barnet Group which are either not available to the Council, or which could be done more cost effectively by The Barnet Group. They could, for example, set up a subsidiary company that could provide market rented property, which might help to cash flow some of the Regeneration Schemes. They could occupy, at a commercial rent, purpose built office accommodation on one of the schemes (Grahame Park has been identified as a good strategic fit), which again would help with cash flow.

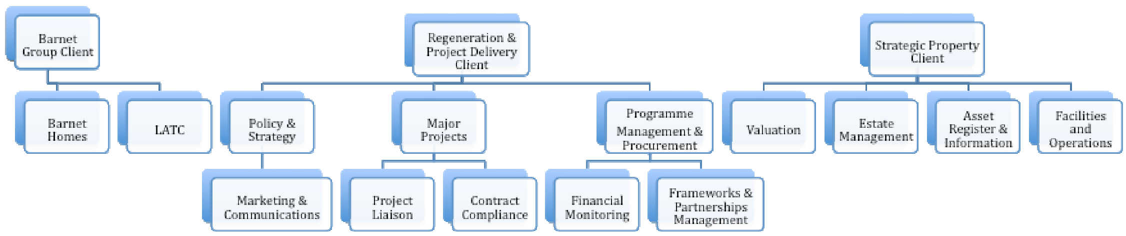
The Shape of an Integrated Strategic Client

Based on the opportunities and the challenges described above, it is possible to envisage a strategic client team that pulls together a number of functions and provides capacity to the Council to ensure its many partners deliver investment and regeneration in a cost effective and efficient way. A potential shape of that client is set out in Figure 5.

However, it is important to recognise that this shape is intended to prompt discussion. The structure is only indicative of functions, or a general capacity or skill that would be required within an integrated client. It does not, at this stage, suggest individual posts or job titles, nor should the descriptions in the functional boxes be assumed to refer to existing posts (or postholders) within the Council. The delivery of the functions identified are not all of the same scale or complexity, they might need to be undertaken by one or by several postholders, depending on that complexity, or they might be combined in different ways, or they might be procured via a partnership agreement (valuation is perhaps a good example of this).

There should perhaps be a recognition that, for a strategic client function to remain strategic, it should expect to employ a small number of relatively highly skilled professional staff, who manage variations of both quality and quantity of demands via access to frameworks and partners and who are therefore well trained, across the board, in contract management. The entire team will need to see themselves, and to be seen, as leaders who retain core responsibility for the delivery of quality outcomes for Barnet.

Figure 5. An integrated strategic client function



5.6 Delivery – conclusions

Project management, programme management and governance arrangements have been the focus of change over recent months, to introduce greater rigour. Given the size of Barnet's regeneration agenda, however, these areas are still in need of attention and refinement, if they are to be fit for purpose in an environment where there is a very varied mix of advisers and providers.

Barnet has choices about how it effectively manages its development and renewal functions in the future. The majority of the delivery is in effect already outsourced, and this will increase under the Council's future management structures. Going forward, a strategic client team will be required that pulls together the core functions of project management, programme management and strategic funding management. This team will need to provide both leadership and capacity within the Council to ensure its many partners deliver investment and regeneration in a cost effective and efficient way.

5.7 Recommendations

The Council's future need for regeneration is a focus on delivery, which should prompt a review of the organisational arrangements, and in particular a strengthening of the understanding and application of the financial mechanisms that the Council can bring to kick-start delivery.

Leadership within the regeneration service is a key area which needs addressing by the Council. The opportunity to develop a specialist client function is an opportunity to re-introduce a greater degree of delivery focused leadership.

The Council should urgently consider recommissioning key consultancy services, on the basis of a specific discipline, and for a meaningful period of time, with outcome rather than output based specifications. This would enable the Council to develop stable and trust based relationships, with a smaller number of longer term advisers.

The Council needs to change its internal project management capacity. It needs fewer, more technically skilled project managers.

Financial management needs to become more rigorous, with a business planning approach, careful budgeting and strict cost/time management against budgets.

A refresh of the standard gateway approach should be considered to inform the stages of programme management and cost control.

The remit of the Board needs redefining and should take on some decision making powers, in line with delegated authority.

Terms of reference for project boards should be refreshed, and should enable appropriate decision making on scheme progress.

The extent of delegation to officers is a cultural matter that varies from Council to Council, but it would be helpful if the scope for delegation to officers could be expanded, perhaps within a range of tolerance relating to cost or values or to variances within an initial set of approvals.

Linked to this, there is also an argument for reporting slightly differently on regeneration schemes, with an annual progress report to the Council. Overall, this would provide momentum and an opportunity to report success, rather than the minutiae of delivery.

A strategic client function should be designed, which is both "thin" and "intelligent", which strengthens links with Strategic Property functions and with the client function for the Barnet Group.

6 Action Plan

Theme	Recommendation	Priority	Strategic Lead	Target Completion	Estimated Cost
Strategic Framework	Strengthen Presentation of the Regeneration Strategy	Medium	AD Strategic Planning and Regeneration	March 2012	Internal resources
Strategic Framework	Review Sustainable Transport approach and infrastructure requirements	High	Interim Director Environment Planning and Regeneration	March 2012	Cross-cutting. internal resource and consultant required c£25k
Strategic Framework	Expedite work on Education Estate	High	AD Policy Performance and Planning (Childrens Services)/AD Corporate Property and Asset Management	September 2012	Internal resources
Strategic Framework	Update Borough Investment Plan	Medium	AD Strategic Planning and Regeneration	July 2012	Consultant required C £25k

Strategic Framework	Joint Action Plan for Enterprise & Skills	High	AD Strategic Planning and Regeneration/AD Strategy (CE Service)	April 2012	Internal resources – other costs to be determined
Strategic Framework	Develop Corporate Property Strategy	High	AD Corporate Property and Asset Management	May 2012	Internal resources
Strategic Framework	Develop a cross-cutting internally and externally facing Communication Strategy	Medium	AD Comms/AD Strategic Planning and Regeneration	May 2012	Internal resources
Strategic Framework	Review opportunity to deliver wider adult social care objectives through regeneration delivery	Medium	Deputy Director Adult Social Care and Health/AD Strategic Planning and Regeneration	May 2012	Internal resources

Theme	Recommendation	Priority	Lead officer(s)	Target Completion	Estimated Cost
Strategic Funding	Develop HRA Business Plan	High	Interim Director Environment Planning and Regeneration/ AD Financial Services	February 2012	Internal resources
Strategic Funding	Review Housing Provider Relationships	Medium	AD Strategic Planning and Regeneration	March 2012	Internal resources
Strategic Funding	Set competitive CIL tariff	High	AD Strategic Planning and Regeneration	February 2012 (draft charging schedule)	Consultants already appointed
Strategic Funding	Review Infrastructure requirements at Brent Cross / Cricklewood – to further TIF development	Medium	AD Strategic Planning and Regeneration	March 2012	Consultants already appointed
Strategic Funding	Develop a Co-ordinated Capital Strategy	High	DCE/AD Strategic Finance	Feb 2012	Internal resources

Theme	Recommendation	Priority	Lead officer	Target Completion	Estimated Cost
Scheme Viability	Maintain rigorous monitoring of Stonegrove, Dollis Valley and Granville Road on Open Book basis	Ongoing	DCE/AD Strategic Finance	Every Quarter	Consultants already appointed to provide support
Scheme Viability	Develop a detailed cost/spending plan for Mill Hill East project management	Medium	Director of Commercial Services	June 2012	Internal resources
Scheme Viability	Develop project plan for depot relocation at Mill Hill East	High	AD Corporate Property and Asset Management	March 2012	Internal resources
Scheme Viability	Develop project plan for development of primary school at Mill Hill East	Medium	AD Policy Performance and Planning (Childrens Services)/AD Corporate Property and Asset Management	March 2012	Internal resources
Scheme Viability	Fundamental Review of Grahame Park masterplan and delivery	High	AD Strategic Planning and Regeneration	March 2012	Property Consultancy advice may be required circa £25k

Scheme Viability	Complete Review of West Hendon masterplan	High	AD Strategic Planning and Regeneration	January 2012	£50k (legal plus property consultants)- to be repaid by the Development Partners
Scheme Viability	Undertake mapping of decant needs at each of the regeneration estates, to inform decant strategies	High	AD Strategic Planning and Regeneration/Barnet Homes	March 2012	Internal resources although consultancy support may be required.

Theme	Recommendation	Priority	Lead officer(s)	Target Completion	Estimated Cost
Delivery	Strengthen organisational arrangements	High	DCE/Interim Director Environment Planning and Regeneration	April 2012	Internal resources
Delivery	Review Leadership of delivery and future strategic client	High	DCE/Interim Director Environment Planning and Regeneration	April 2012	Internal resources
Delivery	Refresh commissions of key consultancy services	High	DCE/AD Strategic Planning and Regneration	March 2012	Internal resources including Procurement

Delivery	Improve Financial management (inc. chargeable time)	High	AD Strategic Planning and Regeneration	March 2012	Internal resources
Delivery	Refresh gateway approach to programme management	Medium	DCE/ AD Strategic Planning and Regeneration	March 2012	Consultant required c£20k
Delivery	Review terms of reference of Regeneration Board	High	DCE/AD Strategic Planning and Regeneration	March 2012	Internal resources
Delivery	Review delegation levels and authorities	High	DCE	March 2012	Internal resources
Delivery	Refresh terms of reference for project boards	High	AD Strategic Planning and Regneration	March 2012	Internal resources
Delivery	Review Progress Reporting to Cabinet	Medium/low	DCE	June/November 2012	Internal resources
Delivery	Develop Integrated Strategic Client function	High/Medium	DCE	June 2012	Internal resources

Regenfirst Ltd
5th Floor, Artillery House
35 Artillery Lane
London
E1 7LP

020 7375 0066
info@regenfirst.co.uk

www.regenfirst.co.uk

AGENDA ITEM: 18 Pages 117 – 125

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Regeneration Projects – Contract Arrangements**
Report of	Leader of the Council
Summary	This report seeks retrospective authority for the expenditure incurred with respect to independent resident advice for the Grahame Park, Stonegrove and Spur Road and Dollis Valley Regeneration Schemes and with respect to Compulsory Purchase Order advice on the Stonegrove & Spur Road Regeneration Scheme. In addition, the report seeks authority to waive the council's Contract Procedure Rules to allow the direct appointment of a) Independent Resident Advisors for the above schemes and the West Hendon Regeneration Scheme and b) a Compulsory Purchase Order consultant for the Stonegrove & Spur Road Regeneration Scheme

Officer Contributors	Tony Westbrook (Principal Project Manager, Strategic Planning and Regeneration Service), Abid Arai (Senior Project Manager, Grahame Park, West Hendon), Susan Botcherby (Senior Project Manager, Stonegrove & Spur Road, Dollis Valley) and Susan Lowe (Procurement Manager)
Status (public or exempt)	Public, with a separate exempt report
Wards affected	Colindale, Underhill and Edgware
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Noreen Twomey, Assistant Project Manager, Strategic Planning and Regeneration, 020 8359 7646.

1. RECOMMENDATION

1.1 That Committee grants retrospective authority for:

a) The expenditure incurred with respect to the Resident Independent Advisors for Grahame Park, Stonegrove and Spur Road and Dollis Valley regeneration schemes.
b) The expenditure on services provided by GVA in connection with the Stonegrove and Spur Road Compulsory Purchase Order.

1.2 That authority is given to waive the Contract Procedure Rules to allow the direct appointment of: a) Solon Community Network, b) Priority Estates Project, c) PPCR Associates Limited to provided continued Resident Independent Advisor services on the Grahame Park, West Hendon, Stonegrove & Spur Road and Dollis Valley Regeneration Schemes and d) GVA to provide continued consultancy services in connection with the Stonegrove and Spur Road Compulsory Purchase Order, for reasons set out in Section 9 of this report.

1.3 That officers be authorised to prepare letters of appointment and relevant Terms and Conditions for signature by the above organisations.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet, 30 August 2005 (Decision item 5) – authorised the entering into a Principal Development Agreement for the regeneration of the West Hendon area.

2.2 Cabinet, 24 July 2006 (Decision item 5) – authorised the entering into a Principal Development Agreement for the regeneration of the Grahame Park area.

2.3 Cabinet, 18 June 2007 (Decision Item 6) – approved the final terms of the Principal Development Agreement and legal arrangements for the regeneration of the Stonegrove and Spur Road estates and resolved to make a Compulsory Purchase Order.

2.4 Delegated Powers (number 563) – 10 June 2008 – approved the appointment of Solon Community Network as Resident Independent Advisor on the West Hendon estate.

2.5 Cabinet Resources Committee, 7 November 2011 (Decision 5) – authorised the entering into a Principal Development Agreement for the regeneration of Dollis Valley, subject to the Deputy Chief Executive being satisfied as to the terms of such agreements and the Assistant Director-Legal, or authorised delegate, being satisfied as to the form of such agreements.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The regeneration of the priority regeneration estates (Grahame Park, West Hendon, Stonegrove and Spur Road and Dollis Valley) supports the Corporate Plan 2011-2013 priority of ‘A successful London Suburb’ and the strategic objective under this priority to *sustain Barnet as a successful place through plans for regeneration and strategic growth*.

3.2 The regeneration of the priority regeneration estates also supports the ‘One Barnet - A Sustainable Community Strategy for Barnet 2010–2020’ through the following objectives:

1. A new relationship with citizens - the new developments will offer more choice and promote independence by providing a number of different housing options such as shared ownership to residents and those in the wider community.

2. A one-public-sector approach - the Council is working together with other public sector partners to ensure the delivery of the schemes.
3. A relentless drive for efficiency - the Council is working with development partners to ensure that the schemes are delivered in the most cost effective way.

3.3 The redevelopments also comply with strategic objectives in the Council's Housing Strategy 2010-2025 which include:
1. Increasing housing supply, including family sized homes, to improve the range of housing choices and opportunities available to residents; and
2. Promoting mixed communities and maximising opportunities available for those wishing to own their home.

4. RISK MANAGEMENT ISSUES

4.1 Independent advice for residents of regeneration estates

4.1.1 The risks associated with the current status quo of the Resident Independent Advisor contracting arrangements are predominantly two fold.

(i) Where no contract exists LBB are reliant upon an implied contract, clearly this arrangement is unacceptable given the numerous uncertainties that it creates between the parties. In the event that the contracting arrangements were homogenised then clarity would be regained and risk minimised assuming that the Resident Independent Advisors agreed the proposed contracts.

(ii) Secondly as officers are unsure of the initial origin of the contracts we cannot be sure of historic compliance with the Public Contract Regulations 2006 which requires the competitive tendering of opportunities which are above the European Public Contracts Regulations threshold (as in this instance when service requirement is aggregated) and which fall within the remit of the regulations. In the event that LBB is found to be in breach of the Public Contract Regulations 2006, then there is a risk of challenge whereby the challenger can seek to have the contract made ineffective and or have punitive damaged awarded accordingly.

4.1.2 In light of the above, the extent to which the Public Contract Regulations 2006 apply must be determined. On the facts, it appears that the Resident Independent Advisor service falls within Part B (Category 25 - Health and Social Services) of the Public Contract regulations. Under the Public Contracts Regulations, there are only a few specific obligations that apply to the award of a Part B services contract. Crucially the rules that relate to the obligation to hold a competition, criteria to be applied and the tender process itself do not apply to the same extent as a Part A service. Thus, there is no legal obligation on the local authority to comply with these requirements to the same extent. However, that being said the fundamental precepts of fairness and transparency will still apply. Whilst the risk of challenge can not be irradiated in its entirety it is likely to be limited assuming a low level of market sector appetite for litigation.

4.1.3 It is worthy of note that Regulation 14 of the rules may apply which states as follows:

__14.__—(1) A contracting authority may use the negotiated procedure without the prior publication of a contract notice in accordance with regulation 17(3) in the following circumstances—

(a)in the case of a public contract—

when, for technical or artistic reasons, or for reasons connected with the protection of exclusive rights, the public contract may be awarded only to a particular economic operator;

It is considered that the unique Resident Independent Advisor's involvement with local residents would fall within the remit of Regulation 14. Again this mitigates LBB's risk of challenge.

4.1.4 The Resident Independent Advisors act as a source of information and provide impartial advice and support for all residents of the Grahame Park, West Hendon, Stonegrove and Spur Road and Dollis Valley estates. Solon Community Network, the Resident Independent Advisor on Grahame Park and West Hendon, Priority Estates Projects, the Resident Independent Advisor on Stonegrove and Spur Road estates and PPCR Associates Limited, the Resident Independent Advisor on the Dollis Valley Estate have been in place for a number of years and have built up close working relationships with both residents and stakeholders. It is viewed that it would be against the interests of the residents living in the regeneration schemes for there to be a change in service providers at this critical period of delivery. Undertaking a tendering process could hinder the positive engagement with residents faced with the prospect of losing their homes. This may in turn impact on the ability of the council and its developer partners to assemble land for regeneration purposes, leading to a delay in scheme delivery.

4.1.5 The Council's standard purchase terms and conditions will be used to formalise the Council's appointment of the Resident Independent Advisors. The contracts for the Resident Independent Advisors on Grahame Park and West Hendon Regeneration Schemes will be for a 3-year period. Contracts for Stonegrove & Spur Road and Dollis Valley Regeneration Schemes will be for a 17-month and 6-month period. In acknowledgement that regeneration schemes can be delayed by market forces and other unforeseen events, an additional clause (where relevant) will be added to limit the notice period and payment should a long-term delay to the scheme occur. If further Resident Independent Advice services are required at the end of these contract periods, these will be procured in line with the Council's Contract Procedure Rules.

4.1.6 It is proposed that PPCR Associates Limited, the Resident Independent Advisor on Dollis Valley will continue to provide a service to residents for a 6-month period, during which time procurement of a new Resident Independent Advisor will be conducted in line with the London Borough of Barnet's Contract Procedure Rules. Procurement of a new Resident Independent Advisor on this regeneration scheme is considered appropriate at this juncture as the process to select a commercial developer and Registered Provider (or Housing Association) was completed in late 2011 and a new master plan is being taken forward with the new partners.

4.1.7 A formal monitoring framework has been agreed as part of the proposed contracts. Service providers will be required to submit a work plan on a quarterly/annual basis to be agreed by London Borough of Barnet in advance. Invoices are to be submitted monthly/quarterly accompanied by a breakdown of costs against elements of the service and a monthly/quarterly log of calls to the Resident Independent Advisor freephone number. Finally quarterly review meetings will be held to review service provider performance.

4.2 Consultancy advice in respect of the Stonegrove & Spur Road Compulsory Purchase Order

4.2.1 Risk of non compliance with the council's Contract Procedure Rules – costs (as set out in the accompanying exempt report) have been incurred by the council for GVA's preparation of the Statement of Reason for the Compulsory Purchase Order, a key non-statutory document that was served on all qualifying interest holders within the CPO context, with the Compulsory Purchase Order Notice in accordance with the Secretary of State's requirement in circular No 06/04. The use of GVA without the appropriate procurement process (the seeking of two competitive quotations in accordance with table 6.1 of the Contract Procedure Rules) arose due to the wish to minimise costs to the Scheme by using the same contractor as our Development Partners and to procure that contractor on a single supplier basis. However, it has now been established through discussions with LBB Corporate Procurement and Legal teams that the single supplier route is not appropriate in this situation, and therefore our current arrangement with GVA is non-compliant. This report seeks authorisation for expenditure of £15,000 (excluding VAT) to date and a further estimated cost £25,000 for GVA's advice on preparing for and providing evidence at a Compulsory Purchase Order public inquiry. At this stage, the need for a public inquiry has not been confirmed and therefore the seeking of authorisation for associated expenditure is for a worst case scenario.

4.2.2 Cost recovery – fees paid to GVA are recoverable from Barratt under the Compulsory Purchase Order Indemnity Agreement (June 2011). Provision for £35,255 (excluding VAT) costs has been made within the Compulsory Purchase Order Estimate of Part 2 Compulsory Purchase Order Costs for consultancy advice associated with the seeking of the Compulsory Purchase Order plus provision (of up to £100,000) for appearance of witnesses at a Compulsory Purchase Order Inquiry.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The regeneration schemes will cumulatively deliver a mix of approximately 6,800 new homes for private sale, social rented and low cost home ownership over the next 15 years. The developments will also provide new community facilities and commercial units for businesses to rent or lease. The Council will have 100% nomination rights to the new affordable housing and the existing secure tenants will be offered re-housing on the existing housing estates. The regeneration schemes and other new affordable housing developments will provide a new area of mixed tenure housing with a greater choice of homes that will make the borough a better and more prosperous place to live, leading to improved community cohesion in areas with diverse populations.

5.2 The Resident Independent Advisors for the priority regeneration estates provide a source of independent support and advice for tenants, leaseholders and freeholders who are due to be relocated as a direct result of regeneration plans. A key role of the Resident Independent Advisors is to work with the scheme's delivery partners to establish consultation frameworks which recognise the diversity of the estates in order to maximise inclusion of residents in the planning of their new homes. The Resident Independent Advisors help to ensure vulnerable residents, members of ethnic groups and non-English speakers all receive information and advice.

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

6.1 Grahame Park Resident Independent Advice

6.1.1 Historic costs

Solon Community Network has been providing a Resident Independent Advisor service to residents on the Grahame Park Estate since February 2002. The contract was originally let by LBB Housing. A review of the contract took place in 2011 when LBB and Choices for Grahame Park Limited agreed an updated work plan for the service. Expenditure to date is £223,813.

6.1.2 Future costs

The approximate cost of the Resident Independent Advisor service by Solon Community Network on the Grahame Park estate over the next three years is £36,000 (exclusive of VAT). This cost is recoverable under the Principal Development Agreement between the Council and its delivery partner, Choices for Grahame Park Limited, and costs will be recovered on a quarterly basis (in arrears). This added to expenditure to date will bring the total cost of the service to an estimated £259,813 which is in excess of the EU procurement threshold of £156,422.

6.2 Stonegrove and Spur Road Resident Independent Advice

6.2.1 Historic costs

Priority Estates Project has been providing a Resident Independent Advisor service to residents on the Stonegrove and Spur Road Estate since July 2004. The contract was originally let by LBB Housing. A review of the contract did not take place until November 2010 when LBB negotiated a reduction in Priority Estates Project's hourly rate and required the company to submit quarterly work plans to be agreed by LBB's senior project manager in advance of work taking place. Expenditure to date is £342,017.

6.2.2 Future costs

LBB has produced a revised specification and Priority Estates Project provided a lump sum price for Resident Independent Advisor services for a 17-month contract period. The price quoted is £46,455 (excluding VAT). The cost of providing the Resident Independent Advisor service is recoverable under the Stonegrove and Spur Road Principal Development Agreement (Schedule 4 – Council's Costs). Recovery of these costs is immediate. This added to expenditure to date will bring the total cost of the service to an estimated £388,472 which is in excess of the EU procurement threshold of £156,422.

6.3 Dollis Valley Resident Independent Advice

6.3.1 Historic costs

PPCR Associates Limited has been providing a Resident Independent Advisor Service to residents on the Dollis Valley Estate since May 2008 when Dearle and Henderson, the previous Resident Independent Advisor on the Dollis Valley Estate went into voluntary administration and withdrew their services from the estate. Expenditure to date is £22,662.

6.3.2 Future costs

The cost of the Resident Independent Advisor service by PPCR Associates Limited on Dollis Valley will be approximately £7,000 (exclusive of VAT) for the next six months (April – September 2012). This cost is recoverable under the draft Development agreement which the Council is about to enter into with its delivery partner, Countryside/London & Quadrant consortium, and costs will be recovered on a quarterly basis (in arrears).

6.4 West Hendon Resident Independent Advice

6.4.1 The cost of the Resident Independent Advisor service by Solon Community Network on the West Hendon estate will be £29,000 (exclusive of VAT) for 2012-13 and £25,000 (exclusive of VAT) for 2013-14 and 2014-15. The total cost of the 3-year contract is £79,000. As aforementioned, this Scheme cost is currently being covered by Barratt Metropolitan Limited Liability Partnership. In future, these costs might be covered by the Council, although the West Hendon Principal Development Agreement makes provision for the Council to recover these costs so the provision of the service is cost neutral to the Council.

6.5 Any unforeseen activity falling outside the core specification for Grahame Park, West Hendon, Stonegrove and Spur Road or Dollis Valley, for example, the need to hold a special training session or site visit, extra fees will be incurred and will be charged at Solon Community Network/Priority Estates Project's current hourly rates, as set out in the accompanying exempt report. However work falling outside the agreed core specification cannot take place without the express and advance authorisation of the council.

6.6 If authorised, the revised contracts for the Resident Independent Advisors on Grahame Park, West Hendon, Stonegrove and Spur Road and Dollis Valley will commence on 1 April 2012 subject to completion of contractual arrangements. In the interim period, it is proposed that Solon Community Network (Grahame Park and West Hendon), Priority Estates Project (Stonegrove and Spur Road) and PPCR Associates Limited (Dollis Valley) provide their services charged at the current hourly rate set out in the accompanying exempt report.

6.7 There are no issues to report around Staffing, IT, Property and Sustainability.

7. LEGAL ISSUES

7.1 Officers have obtained advice in connection with contract arrangements for Resident Independent Advice from LBB Legal which is set out in Section 4.1.1 to 4.1.3 (Risk Management Issues).

7.2 The statement of Reason is a non-statutory document that should be prepared at the same time as a Compulsory Purchase Order is being drafted, because the Secretary of State has requested order making authorities to serve on each person entitled to be served with personal notice of the making of the order, a copy of the statement of reason for the making of it. The content of the statement of reason is prescribed by the Secretary of State in Circular 06/2004 Crichel Down Rules. The Council had to procure a consultant to prepare the statement of reason on its behalf, for the reasons stated in the body of the report.

8. CONSTITUTIONAL POWERS

8.1 Constitution – Part 4 Council Procedure Rules – Section 5.8 - Urgent/Emergency Procedures & Waiver of Contract Procedure Rules - the Contract Procedure Rules may only be waived on the decision of a Cabinet Committee and only where that Committee is satisfied, after considering a written report by the appropriate officer, that the waiver is justified because: 5.8.1 the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procedure Rules is justifiable.

9. BACKGROUND INFORMATION

9.1 Grahame Park

9.1.1 The regeneration of the Grahame Park estate aims to transform it into a thriving, 3,440-home mixed tenure community, with improved transport links and enhanced community facilities. Grahame Park renewal forms a key part of the Colindale regeneration area, supported by the Area Action Plan adopted March 2010.

9.1.2 In order to formalise the contractual arrangements with Solon Community Network, a waiver from the Contract Procedure Rules (revised in September 2011) is being sought for the following reasons: a) the Grahame Park regeneration scheme has reached a critical point. Secure council tenants began moving into their new homes in the area known as Phase 1a of the regeneration in February 2011 and will continue to do so until July 2012. It is crucial for displaced residents to have access to independent and impartial advice during this time, b) it is a condition of funding from the Homes and Communities Agency that the affordable rented homes in the area known as Phase 1b of the scheme are completed by March 2014. The replacement of an established and trusted Resident Independent Advisor service at this stage in the scheme could seriously hamper the council's ability to decant residents for regeneration purposes leading to a delay in the scheme. A new provider would need time to familiarise itself with the scheme, residents and delivery partners and as a result would not be able to provide the level of service required on contract commencement.

9.2 Stonegrove & Spur Road

9.2.1 The vision for the regeneration of the Stonegrove and Spur Road Estates is to create a new revitalised, attractive, vibrant and sustainable new neighbourhood. On completion of the regeneration programme, all 603 properties will have been demolished and replaced by 999 new homes of mixed tenure (including 479 affordable homes).

9.2.2 <u>Resident Independent Advice</u>
In order to formalise the contractual arrangements with Priority Estates Project, a waiver from the Contract Procedure Rules (revised in September 2011) is being sought for the following reasons: a) it is a condition of Homes and Communities Agency funding that Phase 2 of the scheme is completed by March 2013 and all remaining affordable housing by 2016. The replacement of an established and trusted Resident Independent Advisor service at this stage in the scheme could seriously hamper the council's ability to decant residents for regeneration purposes leading to a delay in the scheme and loss of Homes and Communities Agency grant funding, b) the delivery of Phase 2 is key to providing new homes for the council's remaining secure tenants on the Estate. The phase is already on site and therefore the need for a 'top speed' service is immediate. A new provider would need time to familiarise itself with the scheme, residents and delivery partners and as a result would not be able to provide this level of service on contract commencement.

9.2.3 <u>Compulsory Purchase Order advice</u>
GVA have been commissioned by Barratt Evolution Ltd (Barratt) to act as the independent valuer in relation to acquisition of leasehold properties through private treaty (including the negotiation of compensation). In addition, GVA are responsible for negotiating the acquisition of properties (including the award of compensation) with leaseholders as part of the land assembly process. Barratt's role in the land assembly process through private treaty is inescapably linked to the council's Compulsory Purchase Order process. For example, the council will need to demonstrate that efforts have been made as part of the regeneration process, to purchase land interests without the use of Compulsory Purchase Order powers, the purchase through private treaty uses Compulsory Purchase Order principles for the valuation of property and award of compensation and Barratt have to contribute to the preparation of the Compulsory Purchase Order Schedule, Plan and Statement of Reason which accompany the Compulsory Purchase Order Notice served by the council.

9.2.4 The Council required consultancy advice for the preparation of the Statement of Reason (a document setting out the background of the Regeneration Scheme and the reason for seeking a Compulsory Purchase Order), which it is required to submit with the Compulsory Purchase Order Notice. In addition should, there be a public inquiry, the council will require assistance in the preparation of its case at that inquiry (including assistance in the assembling of witnesses and co-ordination of their evidence).

9.2.5 In order to formalise the contractual arrangements with GVA, a waiver from the council's Contract Procedure Rules (revised in September 2011) is being sought as commissioning of separate consultancy firms by Barratt and the Council is not considered to be cost effective since it would create duplication in advice and cost to the Regeneration Scheme (Barratt's and the council's costs are both chargeable to the Scheme).

9.3 Dollis Valley

9.3.1 The regeneration of the Dollis Valley estate is still at the planning stage. The vision for the regeneration of this estate is to provide between 523 and 1000 new homes, a community facility for use by local people and others, the creation of a neighbourhood with a high quality design, public realm and estate management and transport improvements amongst other benefits which will all result in the promotion and/ or of the social and environmental well being of the area.

9.3.2 As outlined in paragraph 4.1.6 above, it is proposed that PPCR Associates Limited continue to provide a service to residents for a 6-month period, during which time procurement of a new Resident Independent Advisor will be conducted in line with the council's Contract Procedure Rules (revised in September 2011).

9.4 West Hendon

9.4.1 The regeneration of the West Hendon estate aims to create a new integrated community by replacing the existing 680 homes on the estate with new mixed tenure housing development of up to 2,171 homes. The proposals also include the creation of a new town square and improved transport links.

9.4.2 In order to formalise the contractual arrangements with Solon Community Network, a waiver from the Contract Procedure Rules is being sought for the following reasons: a) the initial phase of the development has commenced and it is crucial for residents to have access to impartial and independent advice during this time, b) the council and Barratt Metropolitan Limited Liability Partnership are currently undertaking a comprehensive review of the masterplan for the rest of the scheme. The review will involve extensive consultation on the potential options for the scheme. Residents will need to be supported during the process. This review will be completed in 2012; c) the council will be creating a Partnership Board for the West Hendon scheme. The board will comprise resident representatives from the estate and officers from the council, Barnet Homes and Barratt Metropolitan Limited Liability Partnership. Solon Community Network has been tasked with recruiting resident board members. A new provider would need time to familiarise itself with the scheme, residents and delivery partners and as a result would not be able to provide this level of service on contract commencement.

9.5 A summary of the role of the Resident Independent Advisors is given in section 5.2 of this report.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal – TE
CFO – JH/MC

AGENDA ITEM: 19 Page nos. 126 - 142

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**West Hendon Regeneration Scheme**
Report of	Leader of the Council
Summary	This report seeks approval to progress the regeneration proposals at West Hendon.

Officer Contributors	Abid Arai, Senior Project Manger, Strategic Planning and Regeneration Tony Westbrook, Principal Project Manager, Strategic Planning and Regeneration Angela Latty, Assistant Project Manager, Strategic Planning and Regeneration
Status (public or exempt)	Public
Wards affected	West Hendon
Enclosures	1) West Hendon Masterplan Review Summary Report (circulated separately) 2) Drawing no 1 – West Hendon Regeneration Scheme 3) Community Engagement Strategy
For decision by	The Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Abid Arai, Regeneration Service (SPR) 0208 359 4980

1. RECOMMENDATIONS

1.1 That approval is given to the following:

1.2 That the Deputy Chief Executive be authorised to negotiate revised terms for the West Hendon Principal Development Agreement to enable the West Hendon regeneration scheme to progress with a new masterplan that guarantees scheme viability, consulting relevant stakeholders as necessary and to report back to the Committee later this year on the result of these negotiations and any proposed changes.

1.3 That the Deputy Chief Executive be authorised to appoint a financial and/or property consultant to provide financial and/or property advice as required during the negotiations referred to in 1.2.

1.4 That the Committee note the general progress on the West Hendon Regeneration scheme as set out in this report

2. RELEVANT PREVIOUS DECISIONS

2.1 Planning and Environment Committee 27 July 2005 (Decision 9); Outline planning consent for the West Hendon Regeneration Scheme (W13937/04), subject to an agreed Section 106.

2.2 Cabinet 30 August 2005 (Decision 5), West Hendon Regeneration Project – Approval of the Principal Development Agreement.

2.3 Cabinet 11 October 2005 (Decision 7), West Hendon Regeneration Project – approval of the Principal Development Agreement – Comments from Cabinet Overview and Scrutiny Committee.

2.4 Planning And Environment Committee 25 January 2006 (Decision 7); approved amendments to Outline Planning Consent (W13937/04), to vary with addition of S106 Heads of Terms relating to additional Planning Obligations relating to Energy Strategy and Accessibility and Inclusive Design.

2.5 Cabinet Decisions 3 April 2006; (Decision 8); West Hendon Regeneration Project – Approval to enter into the Principal Development Agreement (PDA).

2.6 Planning and Environment Committee 3 March 2008 (Decision 8); approved amendments to Outline Planning Consent (W13937/04) to vary phasing; reconfigure the central square; make general changes to the alignment of building blocks and vary the layout of block ‘L’ and surrounding road layout.

2.7 Planning and Environment Committee 22 December 2008 (Decision 8); approved Reserved Matters Application to develop Phase 2A of the development.

2.8 DPR 870 (7 August 2009); approved and agreed a Deed of Variation to extend the expiry date on the PDA, and make amendments to the provisions for the TUPE agreement and information on the Masterplan.

2.9 DPR 993 (15 February 2010); approved the extension of the PDA expiry date by four months to 15 June 2010, and to enter the Deed of Variation to the PDA for commencement of the Initial Phase (Pilot and Phase 2A).

2.10 DPR 1092 (16 June 2010); approved the extension of the PDA expiry date by six months to 15 December 2010

2.11 Cabinet Resources Committee 30 November 2010 (Decision 7); approved the extension of the PDA to 12 months to 15 December 2011 and authorised officers to grant a further extension of up to 12 months to 15 December 2012 (which has now been granted)

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The regeneration of the West Hendon estate contributes to the delivery of the ‘successful London suburb’ priority in both the Corporate Plan 2011-2013 and the One Barnet Sustainable Community Strategy – 2010-2020.

3.2 The regeneration of the West Hendon estate also supports the One Barnet Sustainable Community Strategy through the following objectives:

1. A new relationship with citizens - the new developments will offer more choice and promote independence by providing a number of different housing options such as shared ownership to residents and those in the wider community.
2. A one-public-sector approach - the Council is working together with other public sector partners to ensure the delivery of the schemes.
3. A relentless drive for efficiency - the Council is working with development partners to ensure that the schemes are delivered in the most cost effective way.

3.3 The proposed estate regeneration also complies with strategic objectives in the Council’s Housing Strategy 2010- 2025, which include:

- Increasing housing supply, including family sized homes, to improve the range of housing choices and opportunities available to residents; and
- Promoting mixed communities and maximising opportunities available for those wishing to own their home.

4. RISK MANAGEMENT ISSUES

4.1 If the regeneration of the estate fails to proceed, the Council still has an obligation to bring the current housing stock up to Decent Homes Standards. The properties in Council ownership will require major investment to ensure that these properties remain habitable in the medium and long term. There is currently no financial provision to upgrade these homes in the Decent Homes Programme so alternative funding sources would need to be identified. This could have significant financial implications for the Council due to the poor state of repair of much of the estate.

4.2 An alternative proposal would be for the Council to procure a new development partner. This process could take a minimum of 2 years and would have significant cost implications. Therefore, appointing an alternative development partner at this stage is not being considered due to the major time and cost implications and because a fresh procurement exercise may not necessarily guarantee viable delivery solutions for the scheme.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The Council is committed to improving the quality of life and wider participation for all in the economic, educational, cultural, social and community life of the Borough. The West Hendon Regeneration Scheme will provide a mix of affordable and private sale properties. The new mixed tenure housing will improve the community cohesion in an area with a highly diverse population. It will provide increased choice and opportunity for Barnet residents. This supports the overall aim of the council's Equalities Policy and supports the equality priorities outlined in Barnet's Equality Scheme.

5.2 It is not considered that the issues involved will give rise to any issues under the Council's Equalities policies and do not compromise the Council in meeting its statutory equalities duties.

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

Finance & Property

6.1 The proposed negotiations will not result in extra cost to the Council as officers will be leading on the negotiations with the development partner Barratt Metropolitan LLP (BMLLP). As referred to under paragraph 1.2 in this report, the council will appoint an external consultant to provide specialist advice during the next few months of the negotiations. Further details of this appointment will be covered in a separate report which will be written once the full scope of the work required is identified.

6.2 The current scheme is not economically viable and has been reworked. The viability gap has closed from £26m to approximately £7m. The revised scheme will be subject to financial due diligence before it is taken forward.

7. LEGAL ISSUES

7.1 The negotiations proposed by this report may result in the Council entering into a Deed of Variation which would capture any terms that may be agreed between the Council and the other parties to the PDA for West Hendon. The legal issues that may arise from the revision of the masterplan and the associated legal terms will only become apparent once the negotiations commence. The Council can vary the PDA as long as the variations do not result in a new contract which, due to the procurement legislation and rules, may open the entire exercise to legal challenge. The Council will take legal advice through the course of the negotiations in order to ensure that any new arrangement complies with relevant legislation.

8. CONSTITUTIONAL POWERS

8.1 Constitution – Part 3 Responsibility for Functions – Section 3.6 Functions delegated to the Cabinet Resources Committee – All matters relating to land buildings owned, rented or proposed to be acquired or disposed of by the Council.

9 BACKGROUND INFORMATION

9.1 In July 2002 following a detailed procurement process the Council selected Metropolitan Housing Trust, Bellhouse Joseph and Lovell Partnerships as the preferred development partner for the West Hendon regeneration scheme. However, Lovell Partnerships later withdrew from the scheme, and a new partnership was formed between Metropolitan Housing Trust and Barratt Homes in May 2005. This partnership is known as the Barratt Metropolitan Limited Liability Partnership (BMLLP).

9.2 The development partners submitted an outline planning application in December 2004 for the construction of 2171 new dwellings and up to 10,000m^2 of associated commercial, retail and community space; associated public and private open space, landscaping, car parking, access arrangements and highway improvements.

9.3 Resolution to approve the Outline application was given at the Planning and Environment Committee (P&E) of 27 July 2005. An application was brought back to P&E on 25 January 2006 for amendments to the Section 106 Heads of Terms and on 19 March 2008 for amendments to the phasing strategy in order to address viability issues. Following the completion of the S106 Agreement planning permission was formally granted on 1 July 2008.

9.4 The Council entered into a Principal Development Agreement (PDA) with Barratt Metropolitan Limited Liability Partnership (the “Developer”), Metropolitan Housing Trust, Metropolitan Living Limited, BDW Trading Limited and Barratt Development Plc on 11 August 2006, to provide for the regeneration of the West Hendon Estate.

9.5 A deed of variation to the PDA was entered into on 29 April 2010, to allow for delivery of an initial phase of 194 residential units (currently on site and due to complete 2012) without the PDA becoming unconditional.

9.6 A deed of variation to the S106 agreements for the main Outline (W13937/04) and Pilot (W13230A/07) applications was agreed at P&E on 29 July 2010. This variation sought to defer triggers for education payments and to spread a requirement of circa £1.6m, attached to the pilot scheme, over later phases of the Outline application. The Initial Phase was only able to start following the allocation of a proportion of the Council's Growth Area Funding pot, and Homes and Communities Agency gap funding.

Progress to date

9.7 An initial phase of 194 units (including 43 affordable units) started on site in March 2011. The Council and BMLLP have now undertaken a review of the Masterplan for the rest of the scheme.

Current Position – Review of the Masterplan

9.8 The current Masterplan for the West Hendon scheme was developed in a more economically vibrant time, and is no longer financially viable in today's climate. In June 2011 BMLLP undertook an appraisal of the scheme which showed that the costs were aggravated by the following features:

a. Requirement to provide car parking at basement level.
b. Acquisition of Ramsey Close housing and the adjacent petrol station through a Compulsory Purchase Order (CPO).
c. Acquisition of the A5 frontage properties in the early stages of the scheme relative to the values achievable through redevelopment before the existing estate is replaced.
d. Requirement to relocate the main sewer to accommodate new development.
e. Misalignment between the proposed construction phases and the required demolition phasing for the existing estate.

9.9 In 2011 BMLLP investigated the possibility of submitting a S73 variation to the existing planning consent that would retain the material characteristics of the extant Outline consent whilst closing the viability gap. This process demonstrated some savings, but did not achieve a viable scheme with the developers identifying a shortfall of circa £26million.

9.10 With the agreement of the Council, BMLLP have undertaken a Masterplan Review led by a new professional team appointed in September 2011. This team includes Allies and Morrison (Masterplanners), Quod (Planning) Turner and Townsend (Financial Assessment) and CBRE (Project Management). The team was appointed to produce a strategy that could be supported by the Council for the viable and complete regeneration of West Hendon

9.11 The Masterplan Review exercise (report attached as Appendix 1) considered five options. All the options proposed delivery of 1977 new units, in keeping with the existing proposals, as it was considered by BMLLP that any reduction in unit numbers would result in a corresponding drop in viability. Option 1 revisited a S73 approach to the existing Masterplan while Options 2-5 shared many features of the existing Masterplan including a regular street pattern; new pedestrian town square perpendicular to the A5; public open space leading from the square to the edge of the Welsh Harp and a revised layout to the A5 to achieve two free lanes of traffic in each direction. The options varied in the level of development proposed to the buildings fronting the south of the A5 on West Hendon Broadway and the inclusion or exclusion of Ramsey Close.

9.12 After careful consideration, Option ‘3’ (attached as Appendix 2) has been recommended as the favoured option to be taken forward. This option does not include Ramsey Close and would have the least impact on properties on the A5 frontage, as the A5 widening is replaced by a proposed rationalisation of the existing bus lanes. It is this Option that is recommended for further detailed study and consultation with residents and stakeholders.

9.13 A number of implications of the new Masterplan Option 3 will need to be carefully considered as part of its detailed development:

I. *Density*
Option 3 excludes Ramsey Close and areas of West Hendon Broadway and therefore the net density of the revised scheme is slightly greater than the approved outline application and exceeds the recommended London Plan density. The density proposed would only become acceptable if the standard of urban design of the built and open environment enables the creation of a high quality, safe and attractive environment for people who live, work and visit the area.

II. *Height Distribution*
The distribution of height across the site will need to be justified in terms of: amenity for future residents, impacts upon waterfowl from the Sites of Special Scientific Interest (SSSIs) and views of the site from key vantage points.

III. *Phasing*
Three sites have been identified which require little or no Compulsory Purchase Order or the use of other complex land assembly mechanisms for development to occur. It is proposed to erect the tallest buildings in these locations in initial phases to improve the viability of the scheme. This ‘cherry picking’ approach could lead to later phases being less viable and if allowed must include stringent controls within the PDA and S106 Agreement to ensure that these sites are not developed in isolation but enable accompanying development and infrastructure to result in a comprehensive development of the estate.

IV. *Improvements to the Wider Town Centre*
Demonstration of how Option 3 would result in improvements to the wider Town Centre will need to be provided.

V. *Public and Private Open Space*
The quality, quantity and usability of external amenity space and publicly accessible open spaces will be key in achieving a proposal

which can accommodate the proposed significant increase in the population of the estate.

VI. *Highways –A5 Improvements*
Proposals for the A5 Station Road include pedestrian access, junction, and capacity improvements. Council Highways Officers and Transport for London (TfL) will both need to be satisfied that acceptable traffic flows can be achieved with the proposals which include rationalisation of the existing bus lanes. In particular the following issues will need to be addressed through the submission of a robust Transport Assessment: maintenance/improvement of bus route timings; smoothing of the traffic flows and management of congestion, appropriate parking provision and the provision of a high quality pedestrian route to Hendon railway station.

9.14 Option 3 has been assessed as the most financially viable and will close the gap on viability to circa £7m. BMLLP have indicated that they consider that Option 3 could be progressed further to produce a viable scheme for the regeneration of West Hendon. They estimate that start on site could be achieved in 2013.

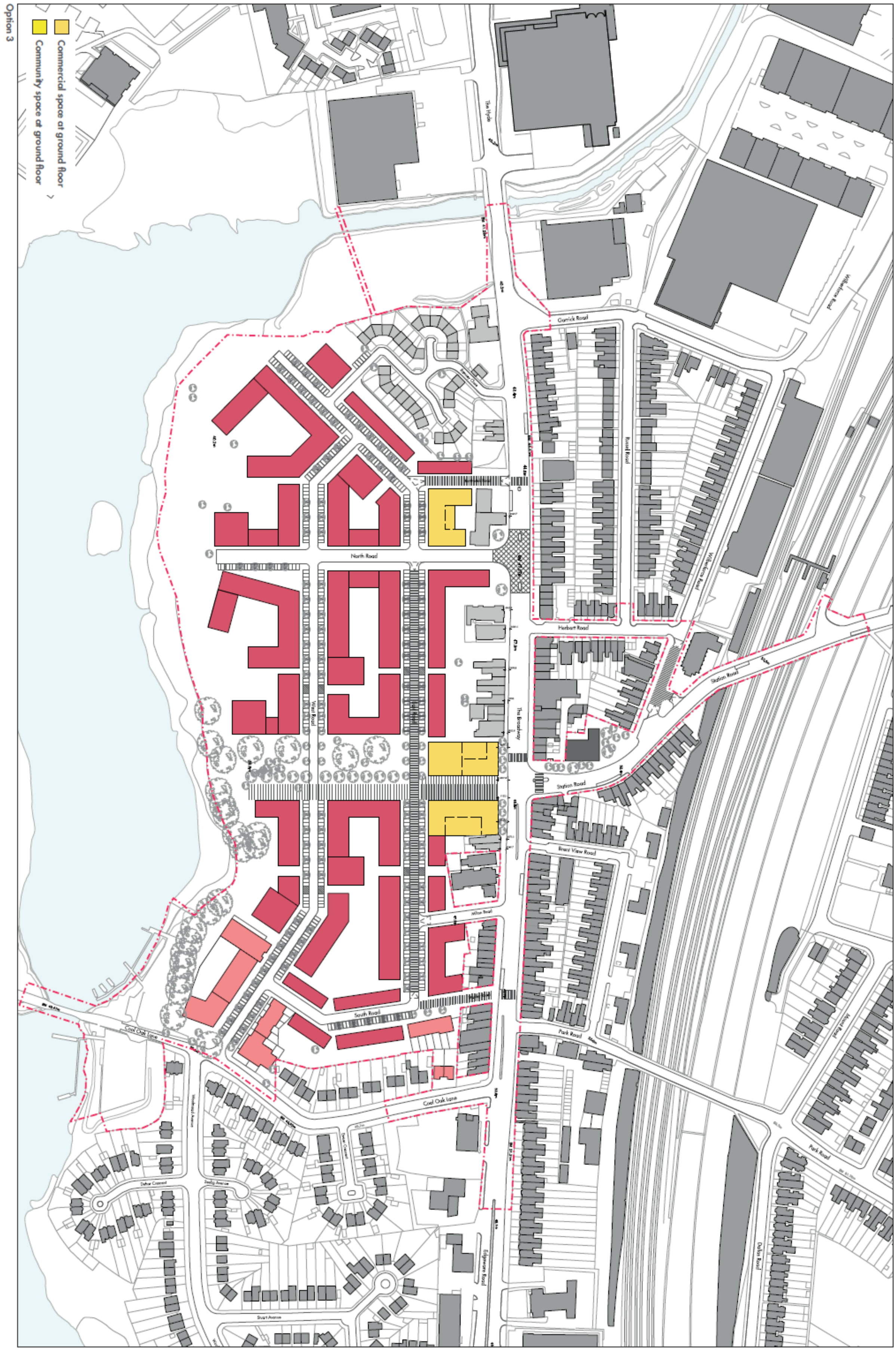
9.15 BMLLP's communications consultants Hardhat have proposed a comprehensive Community Engagement Strategy, which is attached to this report as Appendix 3. The Council will work closely with BMLLP to ensure that all relevant stakeholders are enabled to participate in the consultation.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal: MM/TE
CFO: MC/JH

Appendix 2



Option 3
Commercial space at ground floor
Community space at ground floor
North Road
South Road
Station Road
Herbert Road
Garrick Road
Park Road
Coal Oak Lane
The Broadway

WEST HENDON REGENERATION
COMMUNITY ENGAGEMENT STRATEGY
February 2012

1. Introduction

1.1 This documents sets out a comprehensive community engagement strategy to support the West Hendon regeneration project.

1.2 Barratt Metropolitan LLP recognises that effective consultation can improve development proposals and help create positive sustainable communities where residents feel a sense of ownership of the place where they live.

1.3 Consultation is fundamental to the planning and development process and Government Policy is clear in stressing the need to ‘front-load’ consultation - prior to formal submissions – allowing residents and other stakeholders to shape development proposals.

1.4 This approach has been formalised in the Localism Act of November 2011, which enshrines the principle of devolving decision making to local communities and placing community engagement at the forefront of the planning process.

1.5 The consultation to support the West Hendon regeneration will seek to apply consultation best practice by delivering an honest, open, visible and accessible programme, which will be fully recorded in a publicly accessible Statement of Community Involvement that will be submitted as part of any planning application.

1.6 Barratt Metropolitan LLP are committed long-term to the regeneration of West Hendon and community engagement will continue throughout the entire planning, development and construction phases – listening to the community, responding to the needs and aspirations of local residents and providing regular feedback on how their input has shaped the proposals.

2. Consultation Principles

2.1 Clause 29 of the existing PDA states that "*MWH and MHT shall consult with and use all reasonable endeavours to co-operate with the Council to encourage residents of the Existing Units to participate in the Development". Our Resident Involvement defines three levels of involvement:*

- *Information:* where the organisation delivers information and residents are not asked to comment.

- *Involvement:* the process of influencing change where the organisation actively seeks residents' views within clear parameters and considers them in making decisions.

- *Participation:* where the organisation and residents come to joint decisions.

3. Community Engagement Activities

3.1 <u>Phase 1: The Masterplan (February – April 2012)</u>

The initial phase of community engagement will primarily be focused on the emerging revised masterplan, raising the profile of the regeneration and setting out clear timescales and opportunities for involvement to local residents and the wider community. This initial stage will include, but not be limited to, the following:

3.1.1 Residents Regeneration Group (RRG) / Partnership Board

The RRG and Partnership Board will be fully involved in the consultation programme and the development team will attend meetings to update them on a regular basis. In addition, further groups like the Welsh Harp Joint Consultative Committee will be kept fully informed of the emerging proposals and asked for feedback at an early stage.

3.1.2 Project website

A dedicated project website will be launched, providing a constant resource and archive for information about the regeneration proposals. The website will be regularly updated and will include full details of consultation events and any project milestones. The website will also include contact details and an opportunity to ask questions or provide feedback. The website can be utilized throughout all phases of the development process, providing an easily accessible resource for those residents who have access to the internet.

We recognize that not all members of the community and the estate would traditionally use the internet to access information and we will provide varied activities and opportunities for them to engage with the development proposals, as set out in this document.

3.1.3 Newsletters

Regular newsletters delivered to the entire regeneration area and placed on the website will update residents on the emerging proposals, advertise consultation events and include community updates and stories of interest. It is proposed that the newsletters are delivered at three-monthly intervals or more frequently, depending on consultation activity.

3.1.4 Exhibition

In order to provide the community with a significant opportunity to view the draft masterplan and comment before submission, a public exhibition will be held on the estate (including week-day, evening, and weekend opening times). The exhibition will be staffed by the development partners and their consultant teams and will provide an opportunity for residents to comment on and question any aspect of the emerging new masterplan.

All the feedback received will be included in the Statement of Community Involvement and all residents who took part will be written to with a summary of the feedback and the next steps.

3.1.5 Hard-to-reach groups

Barratt Metropolitan LLP is committed to engaging beyond the traditional routes and will seek opportunities to discuss the proposals with hard to reach groups, who do not feel comfortable in exhibitions or workshops.

Where possible, we will 'piggy-back' on existing events or community organisations and groups to provide an opportunity for consultation for residents in a comfortable and familiar setting. This may include presenting to community groups, 'lunch and listen' events with more elderly residents and visits to local schools in the area to engage young children and teenagers in the development process.

3.2 Phase 2: Detailed Application and Feeding Back (April – August 2012)

The second phase of community engagement will begin to focus more on the emerging detailed plans for the first part of the development, alongside feeding back to residents on how the masterplan has been influenced by the Phase 1 consultation. This period will include:

3.2.1 Workshops

While public exhibitions provide opportunities for a wide range of interested parties to view and comment on proposals, it is thought that a more targeted approach may also residents effectively engaged with the detailed proposals as they come forward. At least two interactive workshops will be planned, led by experienced facilitators, which will allow those interested to offer views on more detailed elements of the scheme, such as access, security, landscaping, and public amenity areas.

These workshops will allow the development team to build on the feedback given in Phase 1 and further develop both the masterplan and the detailed plans for the first part of development.

3.2.2 Decanting and phasing workshops

Further workshops will be held with all estate residents on the proposed decanting and phasing process.

3.2.3 Feeding back

Many consultations ultimately fail because they do not embrace a two-way dialogue with residents. We recognise that feeding back the results of consultation to residents and how they have influenced the proposals is of crucial importance.

A further public exhibition will take place, most likely in June, to display the latest proposals for the masterplan and the detailed first phase. The exhibition will seek further feedback before the finalization of the planning application and allow residents to see how the plans have developed.

In addition to this, further newsletters will be distributed to all residents outlining the consultation to date and how it has influenced the plans.

3.2.4 Statement of Community Involvement

Following the Phase 2 community engagement, a full record of the consultation and the comments received will be incorporated into a Statement of Community Involvement to be submitted with the planning application.

3.3 Phase 3: Next Stages of Development (August 2012 and onwards)

It is important the community engagement continues beyond the submission of the revised outline masterplan and detailed Phase 1 application.

All the activities outlined in previous sections will continue through the development process and future Reserved Matters applications.

WEST HENDON REGENERATION
COMMUNITY ENGAGEMENT STRATEGY TIMELINE

February

- Presentation to ward councillors
- Development of project website
- Distribution of newsletter
- Presentation to Residents Regeneration Group (RRG)

March

- Presentation to Welsh Harp Joint Consultative Committee
- Public exhibition of emerging masterplan proposals
- Project website goes 'live'
- Meetings with key stakeholders

April

- Community workshops on key development issues
- Outreach activity – events with younger people and elderly residents

May

- Feedback presentation to RRG
- Decant and phasing workshops
- Distribution of newsletter containing feedback on consultation to date

June

- Public exhibition of emerging detailed proposals for Phase 1
- Continued outreach activity and meetings, as appropriate

July

- Preparation of Statement of Community Involvement
- Presentation to RRG on finalised plans
- Distribution of newsletter with final scheme plans

August onwards

- Continuation of all previous activites, as appropriate to support future planning and development stages.

BARNET
LONDON BOROUGH

AGENDA ITEM: 20 Page nos. 143 - 151

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Provision of Move-On Housing for People with Mental Ill-Health**
Report of	Cabinet Member for Adults
Summary	This report recommends (1) waiver of Contract Procedure Rules to enable: a) the variation and b) extension of a contract between the Council and One Housing Group for support services for people with mental illness; and (2) seeks authority to vary and extend the contract, with One Housing Group, accordingly.

Officer Contributors	Kate Kennally, Director of Adult Social Care and Health
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix 1 – Contract Schedule
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Heather Bates, Adult Social Care and Health
heather.bates@barnet.gov.uk 020 8359 4940

1. RECOMMENDATIONS

1.1 That the Committee:

1.1.1 waive the requirements of Contract Procedure Rule 5.6.1 to enable the variation and extension of the contract between the Council and One Housing Group for provision of the services identified in Appendix 1 to this report;

1.1.2 authorise the extension and variation of the relevant contract with One Housing Group for provision of the services, identified in Appendix 1, until 31 October 2013. The contract value is £710,801 with an annual spend of £473,868.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee, 30 March 2006 (Decision item 18) – noted the arrangements for the administration of the Supporting People programme and approved the extension of certain contracts for housing related support services for 12 months until 31 March 2007.

2.2 The Cabinet Resources Committee, 28 November 2006 (Decision item 21) – approved the extension of contracts for certain other housing related support services until 31 March 2008.

2.3 Cabinet Resources Committee, 25 March 2008 (Decision item 13) – approved the extension of certain contracts for housing related support services due to be tendered during 2009/10 until 31 March 2010 and the extension of contracts for certain other housing related support services until 31 March 2011.

2.4 Cabinet Resources Committee, 7 November 2011 (Decision item 10) – approved a limited extension of certain contracts for Adults' and Children's services until 31 May 2012.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The contract with One Housing Group for the services specified at Appendix 1 is delivered as part of Barnet's prevention programme to help vulnerable people to live independently and safely in the community. The grant of authority, in accordance with the recommendations of this report, will enable the use of an additional eight units of housing with support.

3.2 Provision of suitable housing with support as an alternative to residential care and other high-cost provision for people with substantial disabilities serves the three priorities of the Council's Corporate Plan:

- Better services with less money
- Sharing opportunities, sharing responsibilities
- A successful London suburb

3.3 Residential care services arranged by the Council for people with mental illness cost £2.3 million per year. Timely provision of suitable housing, with support, through the not for profit sector, as an alternative to more expensive provision, enables more people to live independently in settled accommodation and to take more responsibility for their lives as Barnet citizens. It also achieves significant cost savings for the Council.

3.4 The Council is responsible for ensuring that value for money is obtained from public expenditure and that better services are delivered with less money. The variation and extension of the contract with One Housing Group represents an opportunity to provide additional supported housing within the current contract value by adjusting the staffing levels of the two services provided under the current contract.

4. RISK MANAGEMENT ISSUES

4.1 The variation of the contract with One Housing Group is intended to enable the Council to provide an additional eight units of supported housing. This would prevent the risk of unnecessary expenditure by the Council on services for people able to move on from high-cost services to more independent living.

4.2 In the view of officers, the opportunity for One Housing Group to purchase the accommodation offered by Christian Housing Action Association without any cost to the Council, as explained in 9.6 below, will be lost if the contract is not extended. Christian Action Housing Association has made it clear that the accommodation will be advertised for sale on the open market within the financial year if the Council declines to make use of it.

4.3 A financial assessment of One Housing Group has identified risk in terms of the organisation's financial stability as summarised in Paragraph 6.3. However the potential impact of such risk is considered low for the following reasons:

4.3.1 Confirmation from the Council's Housing Development Team that there is little precedent for default of registered housing providers and of contracts being terminated in an unplanned way.
4.3.2 Known cases have transferred assets and obligations to other registered housing providers brokered or facilitated by national regulatory and support bodies concerned with the delivery of social and supported housing
4.3.3 The timescale for such transitions has been managed with due regard to tenant safety and participation of all strategic partners
4.3.4 As it is intended that the proposed service would deliver short-term move-on accommodation as part of a recovery pathway, the arrangement of alternate housing would already be in hand for each of the service users.

4.4 There is a risk that extension of the contract could result in challenge(s) being brought against the Council. The risk is assessed as being low in view of the specialist nature of the relevant services and the requirement for provision of suitable affordable housing. There is a severe shortage of good quality, affordable accommodation in Barnet suitable for use as supported housing and opportunities to deliver such are increasingly rare.

4.5 The risk that the recommended extension and variation of contract would not offer best value for money as compared with a new contract acquired through competitive procurement would be mitigated by the following intended actions:

4.4.1 The Council's requirements for the services will be re-specified to define the objectives and deliverables to be achieved over the period of the contract extension.
4.4.2 The contract is outcome focused with well-defined indicators of success and includes clear and enforceable accountabilities for performance and provision for unconditional early termination.
4.4.3 The extension would be for a maximum period until 31 October 2013, with competitive procurement in accordance with Contract Procedure Rules being undertaken during 2013.

4.6 Variation and expansion of the services within a single contract will result in better use of Council resources with reduced administrative demands.

5 EQUALITIES AND DIVERSITY ISSUES

5.1 Variation and extension of the contract will enable the Council, as part of its prevention programme, to commission housing and support for an increased number of people with mental illness as part of its prevention programme. This is intended to enable more vulnerable people to live as safely and independently as possible.

5.2 The Council's contracts for social care and support require providers to comply with quality standards that include best practice concerning equality of service access and delivery. Contract management arrangements are in place to ensure continuous improvement in standards of compliance and will directly support the Council's public duties to eliminate unlawful discrimination and harassment, promote equality of opportunity, and promote good relations between people.

5.3 The Council's Procurement Policy is followed in the specification of the provider's relevant duties including the requirement for the provider to have diversity policies concerning employment practice and service delivery.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

6.1 If the variation and extension are approved, the provision of additional supported housing for eight additional clients will be funded from the existing contract value with no additional financial requirement. This will be achieved through negotiation with the provider to reconfigure the services currently provided under the existing contract in order to release appropriate resources for the new provision.

6.2 The 18 month contract value is £710,801 with an annual spend of £473,868.

6.3 A recent project to provide additional units of supported housing to enable eight people to move on from residential care and similar high-cost accommodation for people with mental illness delivered savings of £348,449 per annum. It is expected that this project will deliver similar levels of savings to achieve the current Medium Term Financial Strategy target for this client group, which is a saving of £300,000 over two years.

6.4 A financial assessment of One Housing Group undertaken as part of this exercise focused on the organisation's solvency, debt gearing and debt to asset ratio management, raising a risk that the association might be unable to discharge its contract obligations. Nevertheless, the organisation is rated as a "Very Low Risk Company" by Experian, and as a Registered Provider, its activities are regulated by the Tenant Services Authority. The most recent TSA assessment confirms that the organisation meets the requirements set out in the Governance and Financial Viability standard of its Regulatory Framework. The organisation has responded that as an organisation with a significant commitment to developing affordable homes the balance sheet reflects both property based assets and loans. The Council is aware that its substantial development programme is supported by continued capital allocations from the national Homes and Community Agency.

6.5 The financial assessment states that 'the results of the evaluation should be considered as one of the selection criteria rather than the only criterion on which selection is based.' The potential impact of this risk is considered low as summarised in Section 4 of this report.

6.6 Expenditure will be contained within the Adult Social Care & Health purchasing budgets.

6.7 There are no implications for the Council's staffing, ICT or property.

7. LEGAL ISSUES

7.1 The contract, originally between the Council and Umbrella Housing and Care, was entered into on 1 April 2003 for a period of three years until 31 March 2006 and subsequently has been extended as follows:

7.1.1 From 1 April 2006 until 31 March 2007
7.1.2 From 1 April 2007 to 31 March 2008
7.1.3 From 1 April 2008 until 31 March 2011
7.1.4 From 1 April 2011 until 31 March 2012

7.3 Contract Procedure Rule 5.6 sets out the Acceptance Parameters for Contract Additions, Extensions and Variations and Authorisation Parameters for Contract Novations and Assignments. These provisions include the following:

5.6.1 In the case of an extension to a contract:

5.6.1.1 The initial contract was based on a competitive tender or quotations;
5.6.1.2 the initial contract has not been extended before;
and
5.6.1.3 the value of the extension is less than half the cost of the existing contract without the extension and has a budget allocation.

7.4 These criteria are not met as the relevant contract was not compliant with 5.6.1.1 and has been extended on a number of occasions. Hence this report seeks waiver of Contract Procedure Rule 5.6.1.

7.5 Contract Procedure Rule 5.6.2 provides that:

5.6.2 In the case of a contract variation and in accordance with the terms and conditions of that contract:

5.6.2.1 the variation is notified to and agreed in writing with the contractor;
5.6.2.2 any additional expenditure necessarily incurred does not exceed 10% of the initial contract.

It is intended that the proposed variation to contract will be subject to agreement in writing with One Housing Group. In addition it will not exceed 10% of the initial contract value, and therefore the requirements of Contract Procedure Rule 5.6.2 will be met.

7.6 In considering the recommendations to waive Contract Procedure Rule 5.6.1, the Committee must be satisfied that the waiver would fall within one or more of the four criteria specified in Paragraph 5.8 of the Contract Procedure Rules.

5.8.1 *the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procedure Rules is justifiable; or*
5.8.2 the contract is for works, supplies or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or

5.8.3 the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or English Law); or
5.8.4 there are other circumstances which are genuinely exceptional

7.7 A waiver is sought on the following bases:

7.7.1 Under 5.8.1 because very few units of suitable self-contained accommodation for people recovering from mental illness needs have become available from social housing landlords in recent years. There is consequently continuing dependency on expensive, private sector and often shared accommodation.
7.7.3 Under 5.8.4 because of the rarity of suitable self-contained affordable accommodation for the client group – since 2003 the Council has only managed to secure 19 new units of this type of accommodation for this care group.

7.8 Appropriate legal documentation will need to be drawn up and executed to vary and extend the existing contract.

7.9 Under the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

7.10 Social care services fall within Part B of Schedule 3 to the Public Contracts Regulations 2006 (as amended) and, as such, they are not subject to the full European procurement regime.

8. CONSTITUTIONAL POWERS

8.1 Constitution – Responsibility for Functions – Part 3 – Responsibility of the Executive – Paragraph 3.6 – Responsibility of the Cabinet Resources Committee

8.2 Contract Procedure Rule 5.8 empowers a Cabinet Committee to waive the Contract Procedure Rules where the Committee is satisfied, after considering a written report by the appropriate officer, that the waiver is justified because at least one or more of the criteria, set out in paragraph 7.6 above, is met.

9. BACKGROUND INFORMATION

9.1 This report concerns the extension and variation of a contract with One Housing Group for the sum of £473,867.61 for the provision of support services for people with mental illness, currently comprising two services:

9.1.1 a housing-related support service offering community-based support for up to 100 people with mental illness
9.1.2 a supported housing service for 16 people with mental illness, drug problems and with offending backgrounds, provided in independent flats over 4 locations in the borough

9.2 The contract was previously with Umbrella Housing and Care, which was taken over by One Housing Group with effect from 1 April 2011. The contract is in process of novation to One Housing Group.

9.3 The original contract with Umbrella Housing and Care was entered into on 1 April 2003 under the national Supporting People arrangements. The contract was subject to strategic review and has been substantially remodelled during its term to maximise strategic relevance and value for money.

9.4 The proposal is to further reconfigure the contract so that support can be delivered at an additional location to be funded through a reduction of the community-based support element of the contract. The provision of additional supported housing will provide a higher level of cost saving than the preventative support delivered through the community-based support.

9.5 The following criteria were used to inform development of the proposal with One Housing Group:

9.5.1 The organisation’s willingness to bring forward an asset for the Council’s use
9.5.2 The organisation’s willingness to reconfigure existing service contracts and deliver a new service for no additional money
9.5.3 Their track record as a provider based on the recently delivered Bevatone House project which delivered significant financial savings for the Council as laid out in Section 6.2
9.5.4 Their specialism in working with people with complex mental health needs
9.5.5 The approach of the provider, demonstrating flexiblility and efficiency in decision-making and support of our strategic objectives in terms of moving on and reduction of residential spend
9.5.6 Adduced external criteria that they are a viable and properly governed organisation, based on their most recent assessment by the Tenant Services Authority, as described in Section 6.4.

9.6 The additional supported housing location is Refuge 2, a property owned by Christian Action Housing Association, fully refurbished and reprovided into eight self-contained units in 2004. The property currently provides refuge accommodation for women at risk of domestic violence and their children.

9.7 Christian Action Housing Association, following a grant from the national Homes & Community Agency, has separately developed new refuge accommodation which completed in January 2012. As a result Christian Action Housing Association has approached Adult Social Care & Health regarding the use of the property currently known as Refuge 2.

9.8 One Housing Group has indicated a commitment in principle to acquire the property from Christian Action Housing Association subject to an appropriate commitment regarding its use by the Council. Christian Action Housing Association previously advised the Council that it intends to expose the property for sale on the open market within this financial year should the Council not be able to commit to its utilisation to enable the sale to One Housing Group to proceed.

9.9 Having inspected the property the department considers that it is highly suited to provide accommodation in terms of location, design and quality for people with mental illness as an alternative to residential care and as a pathway from hospital enabling prompt discharge.

9.10 There is a severe shortage of suitable self-contained supported housing available in Barnet at affordable rents from not-for-profit organisations for people with substantial disabilities, who require less intensive services than those provided in residential care settings but are not yet able to move safely to fully independent housing in the community.

9.11 Under the current contract, One Housing Group operate existing services for people with mental ill-health at locations in close proximity to the Refuge 2 property, and have in principle agreed to reconfigure their current services to deliver support at this new location, subject to One Housing Group gaining control of the property for this purpose.

9.12 As noted at 9.4, the intention is that the support provided at Refuge 2 will be resourced by adjusting staffing levels provided for the two current services. This is expected to require reductions in the capacity of the community-based support service. Officers are satisfied that these adjustments to enable implementation of the Refuge 2 service will enhance the value for money of the contract and provide a better deployment of resources to benefit this client group.

9.13 Support at the Refuge 2 property would be made available round the clock to ensure safe management of overnight support requirements. This would additionally enhance value for money for the overall contract by extending this support to the two services already in operation with the provider, benefiting other people with overnight needs on an on-call basis.

9.14 Delivering support on an overnight basis will represent a change in terms and conditions for One Housing Group's current staff. In order to commit to a consultation seeking to deliver this change, One Housing Group requires a commitment from the Council to extend the contract beyond the current expiry date of 31 March 2012 until October 2013.

9.15 One Housing Group operates a second contract to provide support to people with mental illness, which expires on 31 October 2013, with discretion to extend the term by a period of up to two years. It is not intended to vary this contract.

9.16 It is recommended that the contract expiring on 31 March 2012 be extended to a period coterminous with the second contract expiring on 31 October 2013, enabling a review of requirements for mental health support services and if appropriate a single competitive procurement of services to take place during 2013.

9.17 Future procurement plans for supported housing for people with mental illness and learning disability are linked to procurement of a Framework Agreement through competitive tender which is in preparation for implementation during 2012/13, subject to approval by the Commercial Director and the Cabinet Member.

10. LIST OF BACKGROUND PAPERS

10.1 none

Legal: SS
CFO: MC/JH

APPENDIX 1: Contract schedule

Current services

Provider Name	Service Name	Service ID	Annual contract value
One Housing Group	Extended Hours Scheme	452	£197,527.77
One Housing Group	Housing Support Service	453	£276,339.84
Total			**£473,867.61**

Proposed services

<table>
<tr><th>Provider Name</th><th>Service Name</th><th>Service ID</th><th>Annual contract value</th></tr>
<tr><td>One Housing Group</td><td>Extended Hours Scheme</td><td>452</td><td>£197,527.77</td></tr>
<tr><td>One Housing Group</td><td>Housing Support Service</td><td>453</td><td rowspan="2">Subject to current negotiation</td></tr>
<tr><td>One Housing Group</td><td>Refuge 2 Service</td><td>tba</td></tr>
<tr><td>Total</td><td></td><td></td><td>Will not exceed £473,867.61</td></tr>
</table>

AGENDA ITEM: 21 Pages 152 – 160

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Temporary Accommodation Fees and Charges 2012/13**
Report of	Cabinet Member for Housing
Summary	The report outlines proposed fees and charges for Temporary Accommodation to take effect from 2 April 2012.

Officer Contributors	Cathy Osborn, Interim Head of Housing, Environment, Planning and Re-generation Nick Lowther, Homelessness Reduction Co-ordinator
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix – Fees and charges review – 2012/2013 (Housing Needs & Resources)
For decision by	Cabinet
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Nick Lowther, Housing Needs & Resources, 020 8359 6002, nick.lowther@barnet.gov.uk.

1. RECOMMENDATIONS

1.1 That the fees and charges proposed for temporary accommodation from 2 April 2012 be approved.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee, 2 September 2009 (Decision item 11) – noted actions proposed to mitigate the reduction in income from Temporary Accommodation (TA) due to changes in Housing Benefit subsidy arrangements.

2.2 Cabinet Resources Committee, 23 September 2004 (Decision item 6) – That increases in fees and charges are in line with the Financial Forward Plan be approved by Heads of Service in consultation with the Cabinet Member for Resources, and that increases be implemented from 1 January each year, with only limited exceptions to those being increased from 1 April.

2.3 Cabinet Resources Committee, 23 February 2010 (Decision item 9) – agreed an increase in the number of chargeable weeks from 48 to 52.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Council's Corporate Plan 2011-2013 under the corporate priority 'Sharing opportunities, sharing responsibilities' has a top performance target, under the customer services basket, to make "fewer than 300 Homeless Acceptances".

3.2 The Council's Corporate Plan 2011-2013 under the corporate priority 'Sharing opportunities, sharing responsibilities' has a top performance target that "short-term nightly purchased temporary accommodation be kept below 250 units".

3.3 The charges detailed in the appendix to this report are in line with the Financial Forward Plan.

4. RISK MANAGEMENT ISSUES

4.1 Temporary Accommodation (TA) charges need to take account of any increases in costs of services to minimise the risk of financial losses to the Council in both the Housing Revenue Account and General Fund.

4.2 There is a risk to the Council's budgets in the form of either reduced rental income or housing benefit subsidy losses. The charges proposed in appendix 1 seek to minimise this risk by aligning rents with housing benefit subsidy levels.

4.3 Reforms of Local Housing Allowance from April 2011 have contributed to an increase in demand for homelessness services and temporary accommodation in the borough with 414 new households being admitted into TA in the first 3 quarters of 2011/12 (compared to 344 in the same period in 2010/11). It is important that the charges for temporary accommodation are set at a level that minimises the financial risks to the Council.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Analysis shows that almost 70%[1] of households in TA are from non-white households, compared to 20% of the Borough's population as a whole. This suggests that the black and ethnic minority households are at greater risk of the potential negative effects of living in TA.

5.2 The proposed charges will not impact on the Council's statutory equalities duties. The proposal to keep most rents at 2011/12 levels will be of benefit to some clients, particularly those who do not receive housing benefit.

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

6.1 The Council reclaims the Housing Benefit it pays to residents living in TA from the Government in the form of Housing Benefit subsidy (HBS).

6.2 Changes in HBS regulations from April 2010 saw tighter restrictions on the level of HBS payable on rents for leased and licensed TA. Further regulations from April 2011 fixed TA subsidy levels until April 2013.

6.3 Housing Benefit regulations state that HBS cannot be claimed where there are rent free weeks. As a result, this currently generates a subsidy loss for the Council. It is therefore proposed to implement the change from 48 to 52 week rent charges to maximise the HBS that can be recovered from General Fund (GF) TA and minimise HBS loss.

6.4 In 2011/12, leased and licensed TA rents were set at 48 week equivalents of the HBS caps. For 2012/13, it is proposed to keep annual rents the same, however to change the number of chargeable weeks from 48 to 52 to maximise HBS. This will not represent a rent increase for occupants in these forms of accommodation. Any rent increase will not financially benefit the Council's overall budget position as this money would not otherwise attract HBS.

6.5 For LA owned properties it is proposed to keep weekly rents at the same level, but also increase the number of chargeable weeks from 48 to 52 to maximise revenue from these units. This will represent an 8.3% increase in the annual rent chargeable (or an increase of £30.67 per week on the equivalent 48 week charge). Rents charged on these units will attract 100% HBS and therefore the Council will not bear any subsidy loss.

6.6 If the proposed rents are agreed, it is expected that there will be no subsidy losses derived from the provision of these forms of accommodation.

7. LEGAL ISSUES

7.1 S184 of the Housing Act 1996 imposes a duty on Local authorities to provide temporary accommodation to certain applicants while it is considered whether they are owed the homelessness duty under Part VII of that Act.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution, in Part 3, Responsibility for Functions, Paragraph 3.6 states the terms of reference of the Cabinet Resources Committee including looking at income sources and charging policies.

[1] Of the 2,107 households in temporary accommodation at the end of December 2011 where information was provided, 645 had indicated they were white households

9. BACKGROUND INFORMATION

9.1 The former subsidy system involved the setting of a cap for maximum rents (£303.80 per week regardless of property size) that TA achieved 100% subsidy for. Any rents charged over this cap received 0% subsidy. The new system introduced in April 2010 indexed the rent to the Local Housing Allowance, with further regulations setting caps for a period of 2 years from April 2011 to March 2013. Maximum rent is determined as 90% of the January 2011 Local Housing Allowance rate for the property in its location plus a £40 management fee per week. Again, any rents charged over this cap will receive 0% subsidy from the DWP.

9.2 Along with most other authorities, the Council has charged 48 week rents for many years, with tenants afforded 4 rent free weeks. However, the increased development of leased and licensed TA initiatives over recent years has required the Council to increase the number of chargeable weeks for these properties to maximise HBS and reduce HBS losses derived from these forms of accommodation. Many other Councils are now successfully charging 52 weeks and Barnet's systems have been tested to ensure a smooth transition. The Council will continue to charge 48 week rents for all HRA accommodation, including permanent stock.

9.3 **Private Sector Leasing (PSL)** – Where the Council leases properties from private landlords and manages them on their behalf, it is proposed to charge rents to the equivalent of the cap of 90% of Local Housing Allowance plus £40 in April 2012/13 on a 52 week basis, as stated in the appendix to this report.

9.4 **Barbara Langstone House (BLH)** – Barbara Langstone House is a self contained purpose built block used as temporary housing in North Finchley providing 80 bedsits. The block has 24 hour security and caretaking facilities. It is proposed to charge rents to the equivalent of the cap of 90% of Local Housing Allowance plus £40 in April 2012/13 on a 52 week basis, as stated in the appendix to this report.

9.5 **Hotel Owned Annexes (HOAs)** – Hotel Owned Annexes are privately rented accommodation managed by private landlords and charged for as emergency accommodation at a nightly rate. It is proposed to charge rents to the equivalent of the cap of 90% of Local Housing Allowance plus £40 in April 2012/13 on a 52 week basis, as stated in the appendix to this report.

9.6 **LA Owned Accommodation** – These are buildings owned by the Council, not covered by the Housing Revenue Account (HRA) and are mostly either subdivided houses let on a temporary basis to households in need of emergency accommodation or self-contained units acquired from leaseholders under the Council's hardship scheme. It is proposed that weekly rents remain at £368.04 per week from 2 April 2012 but move from a 48 to 52 week charging basis to maximise revenue from this form of accommodation. Rents charged on these units will attract 100% housing benefit subsidy and therefore the Council will not bear any subsidy loss.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal – BH
CFO – JH

Appendix – Fees and charges review – 2012/2013 (Housing Needs & Resources)

1. Private Sector Leased Accommodation

Charges Agreed 2011/12

Broad Rental Market Area 150*

Private Sector Leased (PSL) Properties – Weekly charges (48 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water[2]	**Total**
Studio	**£217.71**	**£0.00**	**£0.00**	**£217.71**
1-bedrooms	**£217.71**	**£0.00**	**£0.00**	**£217.71**
2-bedrooms	**£268.56**	**£0.00**	**£0.00**	**£268.56**
3-bedrooms	**£335.83**	**£0.00**	**£0.00**	**£335.83**
4-bedrooms	**£406.25**	**£0.00**	**£0.00**	**£406.25**
5-bedrooms	**£406.25**	**£0.00**	**£0.00**	**£406.25**

*charge determined by property size and location

Broad Rental Market Area 147*

Private Sector Leased (PSL) Properties – Weekly charges (48 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£212.09**	**£0.00**	**£0.00**	**£212.09**
1-bedrooms	**£212.09**	**£0.00**	**£0.00**	**£212.09**
2-bedrooms	**£257.08**	**£0.00**	**£0.00**	**£257.08**
3-bedrooms	**£324.58**	**£0.00**	**£0.00**	**£324.58**
4-bedrooms	**£392.08**	**£0.00**	**£0.00**	**£392.08**
5-bedrooms	**£406.25**	**£0.00**	**£0.00**	**£406.25**

*charge determined by property size and location

Broad Rental Market Area 161*

Private Sector Leased (PSL) Properties – Weekly charges (48 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£296.83**	**£0.00**	**£0.00**	**£296.83**
1-bedrooms	**£296.83**	**£0.00**	**£0.00**	**£296.83**
2-bedrooms	**£374.83**	**£0.00**	**£0.00**	**£374.83**
3-bedrooms	**£482.08**	**£0.00**	**£0.00**	**£482.08**
4-bedrooms	**£541.67**	**£0.00**	**£0.00**	**£541.67**
5-bedrooms	**£541.67**	**£0.00**	**£0.00**	**£541.67**

*charge determined by property size and location

[2] In Broad Rental Market Area 150/147/161 – Service charges on PSL properties on regeneration estates at Grahame Park and Stonegrove vary.

Charges Proposed 2012/13

Broad Rental Market Area 150*

Private Sector Leased (PSL) Properties – Weekly charges (52 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water[3]	**Total**
Studio	**£200.97**	**£0.00**	**£0.00**	**£200.97**
1-bedrooms	**£200.97**	**£0.00**	**£0.00**	**£200.97**
2-bedrooms	**£247.90**	**£0.00**	**£0.00**	**£247.90**
3-bedrooms	**£310.00**	**£0.00**	**£0.00**	**£310.00**
4-bedrooms	**£375.00**	**£0.00**	**£0.00**	**£375.00**
5-bedrooms	**£375.00**	**£0.00**	**£0.00**	**£375.00**

*charge determined by property size and location

Broad Rental Market Area 147

Private Sector Leased (PSL) Properties – Weekly charges (52 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£195.77**	**£0.00**	**£0.00**	**£195.77**
1-bedrooms	**£195.77**	**£0.00**	**£0.00**	**£195.77**
2-bedrooms	**£237.31**	**£0.00**	**£0.00**	**£237.31**
3-bedrooms	**£299.61**	**£0.00**	**£0.00**	**£299.61**
4-bedrooms	**£361.92**	**£0.00**	**£0.00**	**£361.92**
5-bedrooms	**£375.00**	**£0.00**	**£0.00**	**£375.00**

*charge determined by property size and location

Broad Rental Market Area 161

Private Sector Leased (PSL) Properties – Weekly charges (52 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£274.00**	**£0.00**	**£0.00**	**£274.00**
1-bedrooms	**£274.00**	**£0.00**	**£0.00**	**£274.00**
2-bedrooms	**£346.00**	**£0.00**	**£0.00**	**£346.00**
3-bedrooms	**£445.00**	**£0.00**	**£0.00**	**£445.00**
4-bedrooms	**£500.00**	**£0.00**	**£0.00**	**£500.00**
5-bedrooms	**£500.00**	**£0.00**	**£0.00**	**£500.00**

*charge determined by property size and location

2. LA Owned (Re-gen Buybacks)

Charges Agreed 2011/12

LA Owned (Re-gen Buybacks) – Weekly charges (48 week basis)*				
Property Size	Accommodation Charge	Heating & Hot Water[4]	Water[5]	**Total**

3 In Broad Rental Market Area 150/147/161 – Service charges on PSL properties on regeneration estates at Grahame Park and Stonegrove vary.

4 Service charges on PSL properties on regeneration estates at Grahame Park and Stonegrove vary.

5 Charge only applies to certain units on Stonegrove estate.

All	**£368.04**	**Min £0.00 Max £16.90**	**Min £0.00 Max £8.46**	**Min £368.04 Max £393.40**

Charges Proposed 2012/13

LA Owned (Re-gen Buybacks) – Weekly charges (52 week basis)* [6]				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
All	**£368.04**	**Min £0.00 Max £16.51**	**Min £0.00 Max £9.43**	**Min £368.04 Max £393.98**

3. General Fund Hostels

Charges Agreed 2011/12

Barbara Langstone House (BLH), Weekly charges (48 week basis)*				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£217.71**	**£11.76**	**£0.24**	**£229.71**

The Croft and Kelvedon – Weekly charges (48 week basis)*				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
All	**£368.04**	**£11.76**	**£0.24**	**£380.04**

Charges Proposed 2012/13

Barbara Langstone House (BLH), Weekly charges (52 week basis)*				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£200.97**	**£10.85**	**£0.22**	**£212.04**

The Croft and Kelvedon – Weekly charges (52 week basis)*				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
All	**£368.04**	**£10.85**	**£0.22**	**£379.11**

[6] Service charges as per 2012/13 HRA rents agreed. Service charges on PSL properties on regeneration estates at Grahame Park and Stonegrove vary

4. Emergency Nightly Purchased Accommodation

Charges Agreed 2011/12

Broad Rental Market Area 150 and all others not included in charge breakdown

Emergency Accommodation – Weekly charges (48 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£217.71**	**£0.00**	**£0.00**	**£217.71**
1-bedroom	**£217.71**	**£0.00**	**£0.00**	**£217.71**
2-bedrooms	**£268.56**	**£0.00**	**£0.00**	**£268.56**
3-bedrooms	**£335.83**	**£0.00**	**£0.00**	**£335.83**
4-bedrooms	**£406.25**	**£0.00**	**£0.00**	**£406.25**
5-bedrooms	**£406.25**	**£0.00**	**£0.00**	**£406.25**

Broad Rental Market Area 147

Emergency Accommodation – Weekly charges (48 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£212.09**	**£0.00**	**£0.00**	**£212.09**
1-bedroom	**£212.09**	**£0.00**	**£0.00**	**£212.09**
2-bedrooms	**£257.08**	**£0.00**	**£0.00**	**£257.08**
3-bedrooms	**£324.58**	**£0.00**	**£0.00**	**£324.58**
4-bedrooms	**£392.08**	**£0.00**	**£0.00**	**£392.08**
5-bedrooms	**£406.25**	**£0.00**	**£0.00**	**£406.25**

Broad Rental Market Area 161

Emergency Accommodation – Weekly charges (48 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£296.83**	**£0.00**	**£0.00**	**£296.83**
1-bedroom	**£296.83**	**£0.00**	**£0.00**	**£296.83**
2-bedrooms	**£374.83**	**£0.00**	**£0.00**	**£374.83**
3-bedrooms	**£482.08**	**£0.00**	**£0.00**	**£482.08**
4-bedrooms	**£541.67**	**£0.00**	**£0.00**	**£541.67**
5-bedrooms	**£541.67**	**£0.00**	**£0.00**	**£541.67**

Charges Proposed 2012/13

Broad Rental Market Area 150 and all others (except Inner London zones) not included in charge breakdown

Emergency Accommodation – Weekly charges (52 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£200.97**	**£0.00**	**£0.00**	**£200.97**
1-bedroom	**£200.97**	**£0.00**	**£0.00**	**£200.97**
2-bedrooms	**£247.90**	**£0.00**	**£0.00**	**£247.90**
3-bedrooms	**£310.00**	**£0.00**	**£0.00**	**£310.00**
4-bedrooms	**£375.00**	**£0.00**	**£0.00**	**£375.00**
5-bedrooms	**£375.00**	**£0.00**	**£0.00**	**£375.00**

Broad Rental Market Area 147

Emergency Accommodation – Weekly charges (52 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£195.77**	**£0.00**	**£0.00**	**£195.77**
1-bedroom	**£195.77**	**£0.00**	**£0.00**	**£195.77**
2-bedrooms	**£237.31**	**£0.00**	**£0.00**	**£237.31**
3-bedrooms	**£299.61**	**£0.00**	**£0.00**	**£299.61**
4-bedrooms	**£361.92**	**£0.00**	**£0.00**	**£361.92**
5-bedrooms	**£375.00**	**£0.00**	**£0.00**	**£375.00**

Broad Rental Market Area 161 (and all other Inner London Zones)

Emergency Accommodation – Weekly charges (52 week basis)				
Property Size	Accommodation Charge	Heating & Hot Water	Water	**Total**
Studio	**£274.00**	**£0.00**	**£0.00**	**£274.00**
1-bedroom	**£274.00**	**£0.00**	**£0.00**	**£274.00**
2-bedrooms	**£346.00**	**£0.00**	**£0.00**	**£346.00**
3-bedrooms	**£445.00**	**£0.00**	**£0.00**	**£445.00**
4-bedrooms	**£500.00**	**£0.00**	**£0.00**	**£500.00**
5-bedrooms	**£500.00**	**£0.00**	**£0.00**	**£500.00**

AGENDA ITEM: 22 Pages 161 – 168

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Children's Service – Contract Regularisation**
Report of	Cabinet Member for Education, Children and Families
Summary	The report highlights current contracting arrangements within the Children's Service with Providers which need to be regularised and seeks waivers from relevant Contract Procedure Rules to enable this.

Officer Contributors	Val White, Assistant Director of Policy, Performance and Planning - Children's Services Karina Umeh, Commissioner – Children's Service
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Val White, Assistant Director of Children's Services 020 8359 7036 Karina Umeh Commissioner 0208 359 7284

1. RECOMMENDATION

1.1 That the Committee agree to:

(i) waive the Contract Procedure Rules identified below to enable the contracts identified in Groups A to D, inclusive, of this report to be regularised and made compliant in accordance with the council's requirements:

a. Contract Procedure Rule 5.1 to 5.5, inclusive and Table 5-1 – Authorisation and Acceptance;
b. Contract Procedure Rule 6.4 to 6.6, inclusive and Table 6-1 – Selecting Contractors and Barnet Tendering and quotation thresholds for works, supplies and services;
c. Contract Procedure Rule 10.2.4; 10.2.5; and 10.2.6 – Contract Contents.

(ii) waive the requirements of Contract Procedure Rule 5.6 and authorise a limited extension of contracts with the Providers listed in Group B to allow time for a procurement exercise to be undertaken;

(iii) waive the requirements of Contract Procedure Rule 10.3.7.2 and 10.6 to remove the need for a bond, with respect to the social care contracts identified in Group C and to enable the Director, or an Assistant Director or a Head of Service for Children's Services to sign such contracts which would, otherwise, need to be sealed on behalf of the council; and

(iv) authorise the council to regularise contractual relationships with existing Providers, listed in Group C and Group D

2. RELEVANT PREVIOUS DECISIONS

2.1 Audit Committee, 16 June 2011 and 6 September 2011 – reviewed and agreed the Procurement Controls and Monitoring Plan produced following the comprehensive review of the Council's contract monitoring arrangements.

2.2 Cabinet Resources Committee, 7 November 2011 – waived certain, relevant, rules within the Contract Procedure Rules and authorised the regularisation of contractual arrangements with social care and Special Educational Needs ("SEN") Providers.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The regularisation of contracts and the efficient handling of placements, going forward, will progress the priorities of the Council's Corporate Plan. It will support the priority 'Better services with less money' through enabling efficient procurement and contract management. By providing a range of quality services which enhance the council's reputation with local communities and schools, it will contribute towards the priority 'A successful London suburb'.

4. RISK MANAGEMENT ISSUES

4.1 There is a significant reputational risk attached to failure to regularise existing contractual relationships within the timescales presented to the Audit Committee. Waivers of the CPRs are being sought in order to secure authority to expedite regularisation and thereby, mitigate this risk.

5. WAIVER OF CONTRACT PROCEDURE RULES

5.1 The contracts listed below require a waiver of the Contract Procedure Rules, set out in the Recommendations under section 1 (above) of this report, to, retrospectively, authorise the existing contractual relationships, enabling the arrangements to be regularised and made compliant in accordance with the council's requirements.

Contract Name	Contract Description	Name Contractor/Supplier	Duration and end date
Group A			
Aidhour	Provision of specialist chairs for safeguarding meetings	Aidhour Limited	31 March 2013
Play activities for children with learning disabilities	provide out of school play activities for 11- 19 year olds with learning disabilities	Mapledown School	1 year (31 March 2012)
Health and Safety training	Provision of Training Services in schools	Skills Training Centre Ltd	1 year (31 March 2012)
Staff Training	Training Programmes	The Hay Group Management Limit	2 years (31 March 2012)
Training programmes.	Training programmes.	Middlesex University	1 year (31 March 2012)
Group B			
Children's Right Service	Advocacy Service for Children in Care	Barnardos	3 years (31 March 2012)
Children in care healthcare	Provision of Health care needs for children in care	Barnet Community Services	3 years (31 March 2012)
Group C			
Provision of Semi independent accommodation	Provision of Semi independent accommodation	Housing Plus Ltd	3 years (31 March 2013)
Semi independent accommodation and support.	Provision of Semi independent accommodation	London Care Solutions	3 years (31 March 2013)
Semi independent accommodation and support.	Provision of Semi independent accommodation	One Step (Support) Ltd)	3 years (31 March 2013)
Semi independent accommodation and support.	Provision of Semi independent accommodation	Silver Birch Care	3 years (31 March 2013)
Semi independent accommodation and support.	Provision of Semi independent accommodation	Stonham Home	On-going
IT Management information System for Schools	IT Management information System for Schools	RM Education Plc	1 year (31 March 2012)

Hospital home tuition agency staff	Agency staff for hospital home tuition team	Capita Education Resourcing	On-going
Provision of teaching staff.	Supply of Teachers	CLASSROOM LIMITED	
Provision of Tutor's (Temp)	Provision of Tutors	Fleet Education Services Limit	
Provision of SEN agency staff	Agency staff for Complex Needs division	Care Visions Resourcing Ltd	
Food Packaging	Recycled food Service Packaging	London Bio Packaging	
Group D			
Kosher Meat for Catering Services	Jewish Kosher Butchers	Ecksteins	On-going
Kedassia Supervision.	Kedassion Kosher Supervision for various suppliers.	KEDASSIA PRODUCTS LTD.	

5.2 In addition to seeking a waiver to the rules referenced above in paragraph 5.1, an additional waiver to Contract Procedure Rule 5.6 (which sets out rules relating to acceptance parameters for contract additions, extensions and variations) is required to enable extension of the contract period for two of the contracts listed above which are due to end at the end of March 2012 (Children in Care Healthcare and Children's Right Service). This extension will enable the Corporate Procurement Team to undertake a procurement exercise on behalf of the Children's Service.

5.3. Within group C the Children's Service has needed to obtain temporary staff: educational supply teachers for the Pupil Referral Unit, Hospital tuition staff, tutors for looked after children, and specialist SEN practitioners. Also within this group are semi-independent providers for looked after children. A waiver is required to allow an interim written contract to be put in place prior to the Corporate Procurement Team undertaking a procurement exercise on behalf of the Children's Service.

5.4 Also within group C for the semi independent Providers, CPRs require all contracts with a value of £156,422 or above to be sealed unless the Assistant Director – Legal directs otherwise. The main 'framework' contract with each Provider will be executed by sealing. Authority is sought herein, for each Individual Placement Agreement/Individual Funding Agreement entered into with these providers pursuant to the main 'framework' contract (with respect to individual service users), to be signed (without being sealed) by the respective Director or Assistant Director or a Head of Service for Children's Services. In addition to the above, no requirement for a performance bond.

5.5 Within group D Providers are the Children's Service Kosher catering and supervision Providers, who provide specialist, services to Barnet's Jewish Orthodox schools. As this is a niche market the Council has had limited success in tendering for these services, as local providers will not compete for another provider's livelihood. Although the two providers are independent, the relationship between the catering provider and supervisory provider is co-dependant. It is not possible for the catering provider to operate without the supervisory service.

6. EQUALITIES AND DIVERSITY ISSUES

6.1 Pursuant to The Equalities Act 2010, public sector organisations have a responsibility to take into account equalities as part of every procurement/tendering exercise.

6.2 The Council is also under an obligation to have due regard to eliminating unlawful discrimination, advancing equality and fostering good relations in the contexts of age, disability, gender reassignment, pregnancy, and maternity, religion or belief and sexual orientation.

6.3 This duty, also, applies to a person, who is not a public authority but who exercises public functions and therefore must, in the exercise of those functions, have due regard to the general equality duty. This includes any organisation contracted by a local authority to provide services on its behalf.

6.4 Implementation of the Procurement Controls and Monitoring Plan will ensure that the Council addresses any non-compliant contracts, taking action to ensure that all contractors comply with the general equality duty set out above

6.5 Any contracts drafted will include explicit requirements fully covering the Council's duties under equalities legislation.

6.6 Two of the contracts for which regularisation is sought, Kosher food products for Catering Services and Kedassia Supervision, provide for the orthodox Jewish community. Barnet has a large Jewish population: in the 2001 Census, 15.7% of the under 16 population identified themselves as Jewish.

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

7.1 Procurement

7.1.1 For Providers in Group A, contracts already exist. Procurement will be undertaken where required prior to contract expiry. In relation to Group B Providers, contracts already exist. With respect to procurement, as these are social care services, they fall within Part B of Schedule 3 to the Public Contracts Regulations 2006 (as amended), and are not, therefore, subject to the full European procurement rules.

7.1.2 For Group C Providers, in order to procure appropriate recruitment Providers, the Corporate Procurement Team is working to secure the use of the M-STAR Framework provided by Eastern Shires Purchasing Organisation (ESPO). The framework is compliant with current EU Procurement legislation, so local authorities wishing to use it do not have to conduct a full OJEU Procurement. In relation to the Semi-Independent Providers, an eight borough semi-independent framework is near completion (expected May 2012). In addition to this framework, the Children's Service is in the process of establishing an approved list for a range of social care and SEN provision types of which Semi-Independent accommodation is one.

7.1.3 For Group D Providers, ESPO on behalf of the Council will again seek to procure providers of kosher food; providers who will work for the local supervisory provider, with a view to the procurement process being completed in July 2012.

7.2 Finance

The funding for these providers is met from existing budgetary provision, a breakdown of estimated expenditure from 2010/11 to date for each contract is provided below.

Contract Name	Name Contractor/Supplier	Estimated expenditure /annual value
Group A		
Aidhour	Aidhour Limited	£187,726/£120,000pa
Play activities for children with learning disabilities	Mapledown School	£100,000 pa
Health and Safety training	Skills Training Centre Ltd	£82,407pa
Staff Training Programme	The Hay Group Management Limit	£168,000/£84,000pa
Staff Training programmes.	Middlesex University	£89,735pa
Group B		
Children's Right Service	Barnardos	£156,000/ £52,000pa
Children in care healthcare	Barnet Community Services	£360,000/£120,000pa
Group C		
Provision of Semi independent accommodation and support.	Housing Plus Ltd,	£390,887/ £240,510pa
Provision of Semi independent accommodation and support.	London Care Solutions	£261,605/ £105,510pa
Provision of Semi independent accommodation and support.	One Step (Support) Ltd)	£489,195/ £69,067pa
Provision of Semi independent accommodation and support.	Silver Birch Care	£100,795/£33,390pa
Stonham Home	Stonham Home	£61,415/£30,000pa
IT Management information System for Schools	RM Education Plc	£134,976pa
Hospital home tuition agency staff	Capita Education Resourcing	£115,062 pa
Provision of teaching staff.	Classroom Ltd	£61,085/£35,000
Agency staff for Complex Needs division	Care Visions Resourcing Ltd	£35,385 pa
Provision of Tutor's (Temp)	Fleet Education Services Limit	£65,676/£28,451pa
Food Packaging	London Bio Packaging	£68,242/£35,497pa
Group D		

Kosher Meat for Catering Services	Ecksteins	£30,000pa
Kedassia Supervision.	Kedassia Products Ltd	£49,067/ £29,710pa

7.3 Staffing – within Group C there are four providers, which the Service has used to supply temporary staff for specialist areas, which currently cannot be sourced from the current corporate agency contract. It is proposed that a novation clause is inserted into the interim contract for each provider to transfer into the vendor neutral arrangement (MSTAR) should the provider wish to continue work with council for this service.

7.4 Expenditure will be contained within the Children's Service budgets.

7.5 There are no ICT, Property or Sustainability implications.

8. LEGAL ISSUES

8.1 Social care services fall within Part B of Schedule 3 of The Public Contracts Regulations 2006 (as amended) ("the Regulations"). These Regulations implement the, relevant, European Directive into domestic law.

8.2 Because social care services fall within Part B, they are not subject to the full European procurement regime. Where the contract value is at, or above, the, relevant, EU threshold (£156,442 up to January 2012; now £173,934), the council must comply with the relevant, less onerous, requirements of the Regulations.

8.3 In the circumstances addressed within this report, it is considered that the risk of challenge, with respect to regularisation of contractual arrangements and in terms of the Regulations, is low to medium.

9. CONSTITUTIONAL POWERS

9.1 The Constitution, Part 3, Section 3.6 sets out the functions of the Committee.

9.2 Section 5.8 of the Contract Procedure Rules enables a Cabinet Committee to waive the requirements of the Contract Procedure Rules if satisfied that the waiver is justified because:

9.2.1 the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procedure Rules is justifiable; or

9.2.2 the contract is for works, supplies or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or

9.2.3 the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or English Law); or

9.2.4 there are other circumstances which are genuinely exceptional

9.2 This report seeks waivers on the basis of 9.2.1 9.2.3 and 9.2.4, above. The timescale required to comply with the recommendations of the Audit Committee Procurement Controls and Monitoring Plan cannot be achieved without this waiver.

10. BACKGROUND INFORMATION

10.1 A comprehensive audit of the council's contracts and procurement processes was carried out earlier this year and identified a number of contractual relationships requiring regularisation. Over the years, not all purchasing and contracting activity which, on a day-to-day basis, secures services to schools and vulnerable young people and indirect services to the directorate's day to day operations has been subject to a formal procurement process.

10.2 In Groups A, B and C there are a range of providers for which contracts exist covering workforce development, out of school provision and Social Care and safeguarding services. Including, Semi Independent Providers offer Children looked after aged 16 - 18, to support the transition from care to full independence. The schools ICT support service provides 97 out of 98 Barnet nursery, primary and special schools, including two pupil referral units, with local support and discounted licensing for schools management information system & school finance software, enabling schools to benefit from reduced licensing costs through economy of scale.

10.3 In relation to Group D: Kosher Food Providers provide school meals to eight primary schools within the borough as well as staff and civic functions. The Kosher central production unit is required to have a Kedassia licence to comply with all the Jewish dietary requirements. This takes the form of a Shomer to supervise the production of all meals throughout the day and to ensure that all the food used in the production for the meals complies with the requirements of the Kashrus Committee of the Union of Orthodox Hebrew Congregations.

11. LIST OF BACKGROUND PAPERS

11.1 None

Legal – SS
CFO – MC

AGENDA ITEM: 23 Pages 169 – 176

Meeting	**Cabinet Resources Committee**
Date	**28 February 2012**
Subject	**Award of Domestic Violence Contracts**
Report of	Cabinet Member for Education Children and Families
Summary	This report seeks approval to award contracts to provider/s for the delivery of domestic violence services in particular an Advocacy and Support Service; Refuge provision and Perpetrator service. The contract/s for these services is for a two year period commencing 1 April 2012.

Officer Contributors	Stav Yiannou, Divisional Manager, Early Intervention & Prevention Team Zahid Parvez, Business Manager, Early Intervention & Prevention Team
Status (public or exempt)	Public, with a separate exempt report
Wards affected	All
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Zahid Parvez, Business Manager, 020 8359 7394, zahid.parvez@barnet.gov.uk

1. RECOMMENDATION

1.1 The Council award a contract to:

Solace Women's Aid for the Advocacy and Support service (final award £517,998.52)
Solace Women's Aid for the provision of Refuge (final award £564,074.68)
Solace Women's Aid the Perpetrator and Partner service (final award £220,950.60)

The contracts are to start on 1 April 2012 for a two year period with the option to extend for a further year, subject to funding availability and performance.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee, 13 January 2011 (Decision item 11) – Prevention Services for Vulnerable Adults – Extension of Contracts for 12 months until 31 March 2012.

2.2 Business Management Overview and Scrutiny Committee, 7 March 2011, Domestic Violence Task and Finish Group – the Committee received the report of the Domestic Violence Task and Finish Group and agreed that the findings should be referred to the Safer Communities Partnership Board (7 March 2011)

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 This service supports the Council's Corporate Plan 2011- 2013:

- Better services with less money, through the early identification of children and families, with the aim of preventing children's needs increasing, in order that families are less likely to require more intensive and expensive statutory intervention;
- Sharing opportunities, sharing responsibilities, by working as part of a multi-agency response to domestic violence in the borough;
- A successful London suburb, by providing a service which enhances the Council's reputation with local families and the community.

3.2 These domestic violence services will contribute to the priorities outlined in the Children and Young People's Plan 2010/11 – 2012/13:

- Embed a safeguarding culture across the partnership to improve the safety of all children at home, at school and in the community
- Invest in early intervention to reduce the number of children and families experiencing complex problems

3.3 The service will support the Safer Community Strategy 2011-2014

- Priority 3 – Violent crime with a specific focus on domestic violence
- Priority 7 – Tackle repeat victimisation

4. RISK MANAGEMENT ISSUES

4.1 The procurement process involved evaluations of the applicant organisation's experience, capacity and resources, capability, quality and financial viability. To mitigate any risk to the Council and in accordance with the Council's Contract Procedure Rules, organisations that were invited to tender verified that they would be able to provide a Parent Company Guarantee or a Performance Bond. In the event that the provider fails to deliver the required service, the bond will be called down and used to provide a replacement contractor at no additional expense to the Council.

4.2 Service continuity will need to be maintained for the transition process and in order to mitigate this risk, current providers had been requested to submit an exit strategy in January 2012 as part of the notification they received to terminate existing services.

4.3 To ensure monies are being spent effectively, all new contracts will be performance managed throughout the term of the contract using a robust monitoring system. This system is currently in place for contracts in the Children's Service

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Pursuant to the Equality Act 2010, public sector organisations have a responsibility to consider equality as part of every procurement. The council is also under an obligation to have due regard to eliminating unlawful discrimination, advancing equality and fostering good relations in the contexts of age, disability, gender reassignment, pregnancy, and maternity, religion or belief and sexual orientation.

5.2 This duty, also, applies to a person, who is not a public authority but who exercises public functions and therefore must, in the exercise of those functions, have due regard to the general equality duty. This includes any organisation contracted by a local authority to provide services on its behalf.

5.3 The role for this duty in this procurement, is to make sure that those who might bid for the contract are not discriminated against, which is largely consistent with the requirements of the EC Treaty referred to at paragraph 7 below. In addition, all tenderers were asked to complete and submit a Diversity Monitoring Form as well as answering a specific question about meeting the diverse needs of Barnet's population and supporting the Council's public sector duties in relation to the Equalities Act 2010 in the specification questionnaire.

5.4 Service users will be able to access services, irrespective of their ethnicity, religion or disability. This will be checked during the regular performance monitoring of the contract. An Equalities Impact Assessment was completed as part of the re-commissioning process. It concluded that 'The re-commissioning may have a positive impact on male victims as services will be commissioned to meet the needs of male as well as female victims. It should also have a positive impact on those in the older and younger age groups, as age ranges will be broadened so there is more family-focus and older victims are also considered a priority group. The new perpetrator service should have a positive impact on both perpetrators and victims, especially in its potential to help reduce repeat DV incidents. There is however, a possibility that the proposal will have a disproportionate impact on the Jewish community as the overall level of refuge provision will be reduced, much of which is currently Jewish-specific provision. Overall refuge provision is being reduced in order to direct more resources at early intervention and prevention services, which should have a positive impact by identifying and addressing domestic violence at an earlier stage.'

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

Finance

6.1 The total budget for Domestic Violence in Children's Service is £898,987 per annum. The total amount for tendering is £651,512 per annum.

6.2 The contract value for the life of all three services over two years is £1,303,024, with a breakdown as;

- Advocacy and Support Service is up to £540,000;
- Refuge provision is up to £600,000;
- Perpetrator and Partner service is up to £228,000.

The value of the total contracts will not exceed £1,303,024.

6.3 The commissioning process has been conducted in accordance with Corporate Contract Procedure Rules.

6.4 Contracts for this tender come under a framework agreement allowing Barnet Council and Harrow Council (joint commissioners) to call off services from Lot 3 (perpetrator and partner service) as and when required, thus resulting in potential savings to both Councils. Potentially the full allocation of funding may not be used and this could bring a cost saving for Barnet Council

6.5 Tendering organisations have submitted pricing schedules that reflect a 5% cost reduction in Year 2 resulting in better value for money.

6.6 The council procurement processes were followed and this is detailed in section 9. The tender process operated three stages of evaluation and is detailed in section 9.

6.7 The list of contracts to be approved is detailed in section 9.

Staffing

6.8 TUPE may apply, however the staff have never been Barnet Council employees and this would be a secondary workforce transfer from existing provider to Solace Women's Aid. There are currently 14 members of staff associated to the delivery of Advocacy and Support Service and Refuge provision working for three organisations.

7. LEGAL ISSUES

7.1 The Procurement Rules differentiate between Part A services and Part B services. Part A services are subject to the full European tendering process. Part B services require a similar tendering process but are slightly less stringent in terms of timelines and the requirement for European advertisment of tenders. Part B services still require that specifications for services are not discriminatory and that reporting and notifying obligations are met.

7.2 The proposed domestic violence contract falls within Part B services. However, contracting authorities are still required to comply with the Treaty on the Functioning of the European Union (formerly the EC Treaty principles) in the way they carry out procurements and also to obtain value for money. These principles apply to all procurements with a “cross-border interest”, whether or not the full European procurement regime applies.

7.3 A written contract, which complies with the provisions specified by the Council’s Contract Procedure Rules, will need to be drawn up and executed on behalf of the parties. The Provider/s will be required to provide a Parent Company Guarantee or Performance Bond which will mitigate any incidence of poor performance of the services or business failure.

8. CONSTITUTIONAL POWERS

8.1 The Council’s constitution in Part 3, Responsibility for Functions, states in paragraph 3.6 the functions of the Cabinet Resources Committee.

8.2 Section 5 of the Contract Procedure Rule designates Cabinet Resources Committee as the body to authorise contracts in excess of £500,000.

9. BACKGROUND INFORMATION

9.1 The Early Intervention and Prevention Team in Barnet Children’s Service has commissioned domestic violence services through contracts for £651,512 per annum 1 April 2012 – 31 March 2014. The commissioning process was competitive process for the award of £1,303,024 over a 2 year period.

The tender was divided into three lots;

- Lot 1 – Advocacy and Support Service - this service will work alongside refuge provision, and outside of refuge provision, to enable women to have support both during their stay at a refuge and afterwards in the community. This service will respond to both housing-related and very specific support needs, including advice on financial and welfare rights, advocacy, and support on a range of other issues. This service will also include Independent Domestic Violence Advisor services (IDVAS) and work with clients across all levels of risk to provide practical support.

- Lot 2 – Refuge - This service will offer confidential, good quality, safe accommodation to women who are fleeing domestic violence, and who require housing for themselves and their children. Refuge provision will offer both short term and (where required) mid-length stays for clients. Refuge provision will work with the floating support provision to ensure that the support to clients is maximised in both the short and the longer term.

- Lot 3 - Perpetrator and Partner Service - The service will work with perpetrators either who have been self-referred, or who have been referred in by another agency. The service will provide programmes that will address the issue of power and control within the home. A condition of the programme is that perpetrators attend all of the sessions. The service will also work in tandem with the partners of perpetrators to provide confidential support and advice.

9.2 Tenderers were permitted to either tender for all three lots or one lot only, as permitted under framework contract rules. Therefore contracts could only be awarded to one provider for all three lots or three separate providers for each of the three lots

9.3 The tender notice was advertised nationally on online portals including BIP solutions, Tender Match and Barnet Council website. In addition it was advertised in Against Violence and Abuse (AVA) website, Respect website. Newsletters were circulated to members of AVA and Respect.

9.4 Initially, the London Borough of Brent and the London Borough of Harrow had expressed their commitment to jointly tender with the London Borough of Barnet. Brent indicated as appropriate a requirement to purchase services delivered in Lot 1(Advocacy and Support Service). Harrow had indicated as appropriate a requirement to purchase services delivered in Lot 3 (Perpetrator and Partner Service). However Brent withdrew from the process mid way through the tender. The tender was subsequently suspended and tender pack revised. Interested providers were informed of the suspension and reissued the revised tender with an extended tender submission date of 6 January 2012 (tender had originally been due to close on Friday 25 November 2011)

9.5 Evaluation process

A fair and transparent due process was followed. The tender process operated 2 stages of evaluation:

9.6 Stage 1 - Financial evaluation

This involved checks on credit worthiness and the financial viability of each organisation. Any organisation that failed this analysis would not be progressed to the next stage. Using the submitted accounts and other financial information provided in the commercial questionnaire, a financial ratio analysis was undertaken. Please see table 1 for results.

Table 1 – Pass/Fail of organisations at Stage 1

RANKING	PASS/FAIL	LOT 1 (Advocacy and Support)	LOT 2 (Refuge)	LOT 3 (Perpetrator and Partner Service)
1	PASS	U	V	Y
2	PASS	V	T	V
3	PASS	T		T
4	PASS	W		
5	FAIL	X	X	X

Due to time pressures caused by a one month delay in the tendering process and current Council resources, it was not possible to complete the financial appraisals prior to the quality evaluation. The two had to be undertaken at the same in order to meet reporting deadlines. Following the desk top evaluations, the evaluation team were aware that Provider X did not pass the financial evaluation but were also aware of the fact that there is an obligation to provide all bidders with meaningful feedback. The inclusion of a post tender meeting enabled the evaluation team to clarify certain points of the Provider X submission thus enabling a full understanding of the services on offer. Procurement rules detail that following award of contract, tendering organisations are entitled to detailed feedback in order to understand relative strengths and weaknesses. The actions outlined support our objective of openness and transparency.

9.7 Stage 2- Quality/Price evaluation

The Commercial Questionnaire evaluated the capabilities of the organisation along with a method statement questionnaire.

70% of the weighted score was attributed to the tenderers' method statements and questionnaire responses and 30% of the weighted score was attributed to the price.

At this stage, there were 5 tender submissions for Lot 1, 3 tender submissions for Lot 2 and 4 tender submissions for Lot 3.

Quality evaluation (70% of the weighted score)
A team of officers made up of Senior Children's Service managers and senior officers from the Police, Voluntary Sector, Health, Probation and Magistrates evaluated the tender submissions individually. The 3 Lots were allocated to the officers, according to their expertise. Each of the tender submission lots were scored on:

- experience of providing similar work
- capacity and resource to support the contract
- technical expertise and quality aspects.

The panel of evaluators scored the tender submissions individually and then as a group met and agreed a final consensus score between 23-25 January 2012.

Price (30% of the weighted score)
The scoring methodology was to initially calculate the average price of the tenders. This average price was awarded 50 points out of 100. Each tenderer's price was subsequently compared with the average to determine the percentage above or below the average price. For each percentage point above the average, one point was deducted from 50 and for each percentage point below the average; one point was added to 50.

Following the quality and price evaluation, the scores were weighted and all tendering organisations progressed to the post tender clarifications interviews

Post tender clarifications Interviews
The final stage involved interviews and tender clarifications over the period 1 -7 February 2012. The interview stage consisted of a presentation followed by questions. The aspects tested for stage 2 were further examined through personal interviews with prospective providers. The interview panel was made up of senior managers within Children's Service.

Please see table 2 for final scores.

Table 2 – Price/Quality score

Advocacy and Support Service (Lot 1)	Weighted Price score	Weighted Quality score	Overall score	Final award

Solace Women's Aid	14.83	61.50	76.33	£517,998.52
Organisation T	15.55	58.00	73.55	0
Organisation W	15.25	58.00	73.25	0
Organisation U	14.57	56.00	70.57	0
Organisation X	14.80	40.50	55.30	0

Refuge (Lot 2)	Weighted Price score	Weighted Quality score	Overall score	Final award
Solace Women's Aid	13.91	57.50	71.41	£564,074.58
Organisation T	14.42	56.00	70.42	0
Organisation X	16.67	49.00	65.67	0

Perpetrator and Partner Service (Lot 3)	Weighted Price score	Weighted Quality score	Overall score	Final award
Solace Women's Aid	13.92	61.50	75.42	£220,950.60
Organisation Y	13.92	58.00	71.92	0
Organisation X	17.51	43.50	61.01	0
Organisation T	14.65	32.00	46.65	0

Following this process the following organisations have been successful:

Lot 1 – Advocacy and Support Service
Solace Women's Aid £517,998.52

Lot 2 - Refuge
Solace Women's Aid £564,074.68

Lot 3 – Perpetrator and Partner Service
Solace Women's Aid £220,950.60

The contracts will be agreed for the period 1 April 2012 – 31 March 2014

10. LIST OF BACKGROUND PAPERS

10.1 Equalities Impact Assessment on commissioning of domestic violence provision - can be provided on request by contacting Zahid Parvez, Business manager, early Intervention and Prevention Team.

Legal: PD
CFO: JH/MC

AGENDA ITEM: 24 Pages: 177 - 185

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Consultation on proposed changes to the funding formula of Children's Centres**
Report of	Cabinet Member for Education Children and Families
Summary	This report seeks approval to consult with relevant stakeholders on proposed changes to the formula for funding Children's Centres, which would redirect funding to areas of greatest need and remove subsidies for the childcare elements.
Officer Contributors	Jay Mercer, Deputy Director of Children's Services Stav Yiannou, Divisional Manager, Early Intervention & Prevention Team Zahid Parvez, Business Manager, Early Intervention & Prevention Team
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix 1- Children's Centres – Current and Proposed Funding Allocations 2011/12- 2014/15 (circulated separately) Appendix 2- Summary of Children's Centre Childcare provision -Financial year 2011/12 (circulated separately)
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Zahid Parvez, Business Manager, 020 8359 7394
zahid.parvez@barnet.gov.uk

1. RECOMMENDATIONS

1.1 That the Committee gives approval for consultation with relevant stakeholders, including the public, on proposed changes to the formula used for Children's Centre funding allocations from September 2012 in order to channel more funding into disadvantaged areas, take account of parents' ability to pay for childcare and reward successful centres through payment for results.

1.2 That the Committee note that a further report providing an analysis of the responses to the consultation as well as the equalities impact analysis will be brought back to Cabinet Resources Committee in June or July 2012.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet 14 February 2011, Decision item 5 C: **Proposed reduction and redesign of children's centres and related services in Barnet. This decision** reduced the number of Children's Centres from 21 to a network of 13 Children's Centres with outreach venues, following consultation.

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3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Children's Centres contribute to the priorities outlined in the Children and Young People Plan 2010/11-2012/13, especially the commitments to:

- intervene early to strengthen families, ensuring the early identification of children and families to enable appropriate preventative interventions through the Common Assessment Framework (CAF);
- ensure every child has a good start to life by providing access to high quality early years provision and support;
- promote access for all children and young people to positive activities;
- reduce economic disadvantage through tackling child poverty:
    a) Ensuring access to affordable and suitable childcare;
    b) Supporting parents to build confidence and skills;
    c) Addressing health, including mental health, both as a cause and consequence of poverty.

3.2 The early intervention work carried out in Children's Centres helps to reduce the need for more intensive support later on, thereby improving life chances for children. This also contributes towards the key Corporate Plan (2011/12 -2012/13) priorities 'better services with less money' and 'a successful London suburb'.

4. RISK MANAGEMENT ISSUES

4.1 If the council does not consult on this proposal there is a risk that the council may be challenged by way of judicial review on the grounds that it has failed to discharge the statutory duty to consult. There is also a risk that the local authority could be in breach of its statutory duty if the consultation process is not carried out in a fair and proper manner (see para 7.5 below).

4.2 The proposals, if implemented, would redistribute the Children's Centre budget, with consequent "winners" and "losers". The period for phased implementation is intended to minimise the need for redundancies. However, the timescales are tight as the first phase of the new proposed funding is intended (subject to consultation) to take effect from 1 September 2012. This could result in some staff working and being paid through their notice period. This applies in particular to teachers on one term's notice who would work through until December 2012. This presents a financial risk to the Council. To help mitigate this all staff affected would be redeployed accordingly, where possible and subject to selection criteria.

4.3 There is a potential reputational risk to the authority due to the high profile and sensitive nature of the project. Regular communication and engagement will take place with all stakeholders including : local families who use the centres, particularly parents who are members of disadvantaged groups, staff including managers, teachers and other staff that may be affected, advisory boards of children's centres that may be affected, the wider community, service providers that may be affected including voluntary organisations and private sector providers, the Cabinet Member for Education, Children and Families, and trade unions.

4.4 There is a potential risk that Children's Centres with onsite childcare may need to increase their childcare fees to achieve cost neutrality. This may have an adverse financial impact on some parents of younger children or who purchase additional hours. However, disadvantaged 2 Year Olds and all 3 and 4 Year Olds will continue to be entitled to up to 15 hours a week of free childcare and parents will continue to be entitled to Working Tax Credits subsidising childcare. Children's Centres that have onsite childcare may also take one of the following actions:

(a) Reduce service delivery of childcare;
(b) Close childcare;
(c) Review childcare and make changes in the future;
(d) Commission a childcare provider to deliver the childcare on site.

4.5 If Children's Centres close their childcare, this may impact on the local authority's legal obligation to assure there is a sufficiency of childcare. To minimise the financial impact for Children's Centres that have childcare, the local authority will support Children's Centres by working alongside them to develop their Business Plans. If current childcare were to close, alternative provision would be identified for parents.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Barnet Children's Service operates in line with Barnet's Equality Scheme and equalities legislation. The Barnet Children and Young People Plan 2010-2013 states that 'All partners in Barnet's Children's Trust are committed to ensuring that children and young people, regardless of ethnicity, religion, disability, economic status or other differences, are able to access opportunities and activities, and are enabled to achieve their potential.'

5.2 An initial Equalities Impact Assessment (EIA) will be carried out on the funding proposal regarding Children's Centres. To minimise the impact of the proposed changes we will analyse data and consult with relevant stakeholders in order to provide a service that is as comprehensive and cost-effective as possible within resource constraints. The Equalities Impact Assessment will be reviewed following the outcome of the consultation and the results will be made available to this Committee. The EIA will be used to identify whether there is likely to be a disproportionate impact on any protected group and what mitigating factors can be put in place. This analysis together with the responses to the consultation will be used to inform decision-making.

5.3 An initial Equalities Impact Assessment on the potential impact on staff in Children's Centres that could be affected will be completed.

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

6.1 The total budget for Children's Centres is contained within the early intervention and prevention budget in Children Services with some funding from the Dedicated Schools Grant.

Barnet Council is proposing a 2012/13 budget and spend for Children's Centres of £4.3m. There is no change from 2011/12 budget.

6.2 The proposal is to redistribute the £4.3m budget to Children's Centres activities based on local need/deprivation and remove the existing childcare subsidy in Children's Centres that provide childcare.

6.3 The proposed reallocation of funding would result in Children's Centres that will gain funding and those that will see a reduction. Children's Centres that have childcare on site would see a reduction in funding. This is largely driven by the funding formula removing the subsidy of childcare.

7. LEGAL ISSUES

7.1 The council has an overarching duty to secure sufficient childcare provision in its area to meet the requirements of working parents pursuant to section 6 of the Childcare Act 2006. Childcare provision is an important function of the council and this duty is partially met through provision of childcare in children's centres.

7.2 The proposed changes to the funding formula will result in the removal of the subsidy with regard to on-site childcare provision in children's centres and will require childcare provision to be cost neutral. This may require some children's centres to increase existing childcare fees to a market rate which in turn may have an impact on parents' ability to afford that existing provision. As stated in paragraph 4 there is a risk that these changes may lead to a reduction of service provision, closure of childcare provision in some centres or review and commissioning of childcare provision.

7.3 Legal advice has been taken on whether the statutory duty to consult arises with regard to the proposed change to the funding formula. The test as to whether the council has a duty to consult can be found in section 5D(1)(b) of the Childcare Act 2006 inserted by s198 of the Apprenticeship, Skills, Children and Learning Act 2009. Section 5D(1)(b) provides that consultation must take place "before any *significant change* is made in the services provided through a relevant children's centre. Interpretation of this provision has not been tested in the courts, however, the word "significant" in other contexts has been interpreted as meaning something more than de minimis. Section 5D(3) states for the purposes of this section a *change in the manner in which*, or the location at which, services are provided is to be treated as a *change in the services.* Section 5D(2) requires the council in discharging its duty under section 5 to have regard to any guidance given by the Secretary of State. Statutory guidance with regard to children's centres was issued in 2010 which provides that a "significant change" may include "a significant service no longer being provided at a children's centre (or particular site of the children's centre)" or "a greatly reduced level of service provided at a children's centre".

7.4 The legal opinion is that the statutory duty to consult does arise. The proposed funding formula would amount to a significant change in the services provided through a children's centre as it could at best lead to increases in childcare fees which will impact on affordability and access to the service and at worst childcare provision no longer being provided in some children's centres. The change in proposed funding could impact on sufficiency of provision by the council.

7.5 The requirements for fair and proper consultation are well established in caselaw. Consultation can only be considered as proper consultation if :

- comments are genuinely invited at the **formative** stage;
- the consultation documents include sufficient **reasons** for the proposal to allow consultees to be properly informed and allow them to give intelligent consideration and an informed intelligent response.
- there is adequate **time** given to the consultees to consider the proposals (6-8 weeks is deemed sufficient, however, must bear in mind holiday periods / school closures etc;
- there is a mechanism for feeding back the comments and those comments are conscientiously taken into account by the decision maker / decision making body when making a final decision.

7.6 The council must also be mindful of the statutory duties pursuant to the Equality Act 2010 and in particular the duty of the council or other public bodies acting on its behalf when exercising public functions to have due regard to the need to eliminate discrimination, advance equality of opportunity between persons who share a protected characteristic and those who do not, foster good relations between persons who share a relevant protected characteristic and persons who do not share it in order to tackle prejudice and promote understanding. The protected characteristics are age, gender reassignment, disability, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

7.7 In short, equality and diversity issues are a mandatory consideration in decision-making in the council. This requires officers and members to satisfy themselves that equality considerations are integrated into day to day business and that any proposal has properly taken into consideration what impact, if any, there is on any protected group and what mitigating factors can be put in place. The results of consultation together with the analysis of any potential impact on a protected characteristic (the equalities impact assessment referred to in paragraph 5.2 above) must be considered before reaching a final decision on this proposal.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution in Part 3, Responsibility for Functions, paragraph 3.6 states the terms of reference of the Cabinet Resources Committee.

9. BACKGROUND INFORMATION

9.1 In February 2011 Cabinet agreed to reduce the number of children's centres and to focus them on the 30% most deprived areas of the borough, in order to concentrate on meeting the needs of the most disadvantaged and vulnerable children and families. This reflected the Council's shift towards a more targeted and preventative approach to services for children and families . As a result there are now 13 full service Children's Centres located across the borough with eight venues (former Phase 3 Children's Centres) linked to them.

9.2 The Council decided to retain integrated education and childcare in seven Children's Centres (Wingfield Children's Centre, Newstead Children's Centre, Coppetts Wood Primary School and Children's Centre, The Fairway Primary School and Children's Centre, The Hyde Primary School and Children's Centre, Parkfield Primary School and Children's Centre and Underhill Infants School and Children's Centre). These centres provide onsite childcare between 8am – 6pm, (10 hours per day), 5 days a week over 48 weeks of the year. This was in spite of the Government no longer requiring Children's Centres to offer childcare as part of their core offer.

Review of funding formula

9.3 In 2011 the Council undertook a review of Children's Centres and related Commissioned Services, to explore and develop a business plan for alternative models that would meet the Council's objectives, reduce the need for acute and specialist provision and deliver a 30% budget saving in this area. It recommended that the funding formula be more closely aligned to the number of children, areas of highest deprivation and cost neutral childcare provision to reflect this shift in policy. Officers subsequently convened a working group, including representatives of Children's Centre Managers, Headteachers and School Governors to discuss proposals, test ideas, and develop a new proposed funding formula for Children's Centres that reflected these objectives..

9.4 Funding for Children's Centres is currently based on four components:

- Funding for essential staff (Centre Manager, receptionist);
- Family Support;
- Occupancy costs (utilities, premises, insurance, repair), adjusted for the size of the Children's Centre;
- Where childcare is offered, an additional budget is allocated

9.5 Wider discussions have also regularly taken place with Children's Centre stakeholders, including open discussion on the current funding formula and what factors to include in a revised funding formula. Currently, the Government is trialling payment by results in up to 30 other local authorities across the country. In Barnet, it was agreed with stakeholders that for the financial year 2011/12 Children's Centres would use a revised service level agreement during a transitional year which trialled the implementation of payment by results, based on increased usage. This can be linked to a very significant increase in the number of families using centres during this year.

9.6 It is proposed that, to meet the Council's revised objectives, future funding for Children's Centres is based on the following factors:

- The level of deprivation of the reach areas of the Children's Centres – as measured by the indices of multiple deprivation (IMD) 2010 scores;
- The number of under fives in the Children's Centre's reach area;
- Centre specific indicators, including utilities, headteacher allowance (where school based);
- Childcare to be separated from Children Centre based activities, with childcare costs assumed to be neutral.
- Children's Centres that have a former phase 3 Children's Centre site attached to them as an outreach venue to have the costs included as part of their allocation;
- Children Centres that have onsite childcare and are not directly managed by the local authority (Coppetts Wood, Fairway, The Hyde, Parkfield and Underhill) should be encouraged to charge childcare fees in line with the market;
- The local authority to recommend childcare fees to the centres that are managed by the local authority;
- A continued requirement to raise external income (in 2011/12 this was up to £1500 per centre);
- Payment by results, based on increased usage, to be introduced.

Possible Impact of the proposed new funding arrangements

9.7 Appendix 1 demonstrates how the application of a new funding formula would redistribute the allocations to individual centres. Appendix 2 shows the current pattern of provision of places. Both will be included in the consultation on proposed changes. The change that would have the greatest possible impact is the removal of the subsidy with regard to on-site childcare provision to make it cost neutral, While those Children's Centres without childcare and in areas of disadvantage will gain in relative terms, there are two possible risks, as stated in paragraph 4, resulting from the withdrawal of subsidy to those that offer childcare onsite:

9.8 They may increase existing childcare fees to a market rate, which in turn may have an impact on parents' ability to afford that existing provision. It is important though to note that these proposals do not affect the local authority's continued funding of childcare for 2 year olds (10 hours on a targeted basis), 3 and 4 year olds (15 hours on a universal basis) and those vulnerable children currently accessing childcare through the Early Years Panel. There are 279 children that generate fee income across the centres involved, although many of these will also be in receipt of the free childcare above or Working Tax Credit and be 'topping up' with additional hours.

9.9 Each of the parents of these children will be individually written to as part of the consultation exercise. The Council does not have all relevant information on their financial circumstances that would allow analysis of the effect on individuals. However Officers are working with Children's Centres to review their business plans and income generation activity, and by the time consultation begins this work will provide some models which show the range by which fees might have to increase to compensate for the withdrawal of subsidy.

9.10 There is a risk that these changes may lead to a review of childcare provision in some centres, leading to reduction or closure of service provision. The seven centres provide a total of 237 full-time equivalent childcare places, averaged over the school year, in 2011/12. The Council has a legal requirement to have sufficient childcare provision across the borough and would therefore want to minimise any closure impact. The Council's latest Childcare Sufficiency Assessment found that across the borough there is sufficient childcare provision. The only area of concern is around the western part of the borough, and any loss of places in Wingfield, The Hyde and Parkfield Children's Centres might cause particular concern but experience is that new private childcare provision is being opened.

9.11 For the next two financial years (2012/13 and 2013/14) Children's Centres that have childcare will receive transitional funding enabling them to plan for cost neutrality by 2014/15.

Proposed methods of consultation

9.12 The consultation on the proposed changes to the Children's Centre funding formula is due to start as soon as possible with a decision on implementation based on the responses to be taken by June 2012. Arrangements will need to take account of the period of purdah linked to the election of the Mayor of London. Consultation is to be carried out via a number of methods:

- Key stakeholders will be emailed a consultation paper containing information about the proposed funding formula for Children's Centres and how to respond to the consultation. The distribution will include schools with a Children's Centre onsite, staff working in a Children's Centre, trade unions and voluntary organisations working in a Children's Centre.
- Hard copies of the consultation paper on the Children's Centres funding formula will be distributed to all Children's Centres, all libraries in the borough and special schools with an accompanying cover letter.
- A series of meetings for stakeholders.
- A number of meetings for parents, publicised in the local press.
- An online questionnaire, also made available in hard copy.
- An email address to which people can send their comments or queries.

9.13 A series of consultation activities and events are planned throughout the consultation period. The consultation activities and events will be publicised in advance and Children's Centres (managers and staff/Heads/Governors/ parents), stakeholders and Barnet residents will be invited to attend. This should help to ensure that any concerns raised by those involved in Children's Centres can be discussed and, where possible, addressed at an early stage.

9.14 A report providing an analysis of the responses to the consultation as well as the equalities impact analysis will be brought back to Cabinet Resources Committee for further consideration of this proposal. In the event that a decision is made to approve the new funding formula the implementation date will be 1 September 2012..

10. LIST OF BACKGROUND PAPERS

10.1 **London Borough of Barnet Children's Centres and Related Commissioned Services, Review and business plan 2011/12- April 2011**

Legal- HP
Finance- JH

AGENDA ITEM: 25 Pages: 186 - 193

Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	**Extension of two highways contracts;The Highways Planned Maintenance & Improvements Contract 2007-12, and The Highways Term Maintenance Contract 2007-12.**
Report of	Cabinet Member for Environment
Summary	The report seeks approval to extend the two existing highways contracts, (the Highways Planned Maintenance and the Highways Term Maintenance).
Officer Contributors	Chris Chrysostomou, Asset Management, Project and Contracts Manager, Environment, Planning and Regeneration; E mail: chris.chrysostomou@barnet.gov.uk
Status (public or exempt)	Public (with a separate Exempt Report)
Wards affected	All
Enclosures	Appendix A: Schedule of Priced Items covering Alternative Treatments
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Chris Chrysostomou, Asset, Project and Contracts Manager, Environment, Planning and Regeneration, e mail: chris.chrysostomou@barnet.gov.uk; tel: 020 8359 7200

1. RECOMMENDATION

1.1 That, subject to inclusion of the additional schedule of rate items submitted by the two contractors covering highway maintenance treatments, approval be given to the extension of the Highways Planned Maintenance and Improvements Contract 2007-12 and The Highways Term Maintenance Contract 2007-12, each for a period of two years from the 1 April 2012 until 31 March 2014.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee, 19 February 2007, Decision Item 8 – the Committee resolved to award:

a) the Highways Planned Maintenance & Improvements Contract 2007-12, to Ringway Infrastructure Services Limited and to John Crowley (Maidstone) Limited (now VolkerHighways Limited); and

b) the Highways Term Maintenance Contract 2007-12 to John Crowley (Maidstone) Limited (now VolkerHighways Limited).

2.2 Cabinet Resources Committee, 29 June 2011, Decision Item 8 – the Committee resolved to novate the contract referred to in paragraph 2.1(a) from Ringway Infrastructure Services Limited to Eurovia Infrastructure Limited.

2.3 Cabinet Resources Committee, 29 June 2011, Decision Item 9 – the Committee resolved to novate the contracts referred to in paragraphs 2.1(a) and 2.1(b) from VolkerHighways Crowley Limited (formerly known as John Crowley (Maidstone) Limited) to VolkerHighways Limited.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The extension of the Planned Maintenance & Improvements Contract 2007-12 and the Highways Term Maintenance Contract 2007-12 would allow the continuous delivery of services, for a period of two years from 1 April 2012, that contribute to the following objectives of the Council’s 2011-2013 Corporate Plan:

- A Successful London Suburb.
- Better Services with Less Money,
- Sharing Opportunities and Sharing Responsibilities.

In particular, these contracts directly contribute to maintaining and improving transport infrastructure, improving traffic flows, reducing journey times and improving quality of life and the local environment and creating conditions for a vibrant economy.

4. RISK MANAGEMENT ISSUES

4.1 Both VolkerHighways Limited and Eurovia Infrastructure Limited have offered nominal reductions in their schedule of rates, as well as other savings, in an effort to secure an extension to their contracts. If the Council was to retender these contracts, the current economic conditions could result in lower contract rates than those of the proposed extension. However, bearing in mind the Development and Regulatory Services (DRS) project, the provision of new contracts could be of a short duration and therefore any accumulated savings would be small and unlikely to offset the additional procurement costs. Nevertheless, there is the risk that that the option to extend may not be the cheapest option for the Council.

4.2 We have considered whether the issues involved in the extension of the existing contracts is likely to raise significant levels of public concern or give rise to policy considerations and it has been concluded that this is unlikely to be the case.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Both the Highways Planned Maintenance & Improvements Contract and the Highways Term Maintenance Contract were procured using the Council's procurement process. As part of this procurement process, both contractors demonstrated that they will be able to support the Council in meeting its public obligations to eliminate unlawful discrimination and harassment, promote equality of opportunity, and promote good relations between people whilst undertaking work on the Council's behalf.

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

6.1 There are limited resource implications in terms of officer time for the recommendation to extend the existing contracts. The main source of funding for these contracts, which is mainly spent on carriageway resurfacing and footway repairs, comes from the Planned Highways Maintenance budget (Revenue as well as Capital) and the Responsive Highways Maintenance budget (also Revenue as well as Capital). For the current financial year 2011/12 the total amount spent is estimated at £4.8m. A similar amount of spent is estimated for the next two financial years.

6.2 In addition to the above, under their 2011/12 Local Implementation Plan (LIP) funding TfL allocated is £1.5m of carriageway resurfacing works, bridgeworks, other highway improvements in the vicinity of London underground stations and other transport corridors and other supporting measures in the borough. Any similar future LIP allocations will be spent on the services provided under the existing contracts.

6.3 There are no IT or sustainability implications.

7. LEGAL ISSUES

7.1 Contract Procedure Rule 5.6 sets out the Acceptance Parameters for Contract Additions, Extensions and Variations and Authorisation Parameters for Contract Novations and Assignments. These provisions include the following:

5.6.1 In the case of an extension to a contract:

5.6.1.1 The initial contract was based on a competitive tender or quotations;
5.6.1.2 the initial contract has not been extended before; and
5.6.1.3 the value of the extension is less than half the cost of the existing contract without the extension and has a budget allocation.

5.6.2 In the case of a contract variation and in accordance with the terms and conditions of that contract:

5.6.2.1 the variation is notified to and agreed in writing with the contractor;

5.6.2.2 any additional expenditure necessarily incurred does not exceed 10% of the initial contract.

7.2 The Contract Procedure Rule provisions having been met, appropriate legal documentation will need to be drawn up and executed to vary and extend the existing contracts.

7.3 Procurement processes must comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination as well as the Contract Procedure Rules (CPR's).

7.4 Under the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

8. CONSTITUTIONAL POWERS

8.1 Constitution, Part 3 – Responsibility for functions, section 3 – Responsibility of the Executive, paragraph 3.6 – terms of reference of the Cabinet Resources Committee

8.2 The Acceptance thresholds for contract additions, extensions and variations are as set out in Table 5-2 of the CPR's. Where the contract value is greater than £156,422 authority of the Cabinet Committee must be sought.

9. BACKGROUND INFORMATION

9.1 Both the Planned Maintenance & Improvements Contract 2007-12 and the Highways Term Maintenance Contract 2007-12 were completed on the basis of a five year contract period with an option to extend for a further period of two years. This provision was made in order to create both procurement efficiencies for the Council as well as make it attractive for the prospective contractors to invest in these contracts. The contracts also include the option for the Council to terminate by giving the contractors not less than two months notice.

9.2 Officers have had a series of separate meetings with both contractors to discuss the possibilty of contract extension. These discussions were aimed at identifying areas of improvements and efficiencies for both the contractors as well as the Council. These discussions culminated with a letter from each of the two contractors offering a reduction in their contract rates and other savings for the two year contract extension. The savings and reductions offered by the two contractors are shown in the accompanying exempt report.

9.3 The option to extend the contracts has been compared with the option to retender. Currently the market conditions are such that lower contract rates are likely to be achieved if a long term contract were offered. However, this option is associated with extensive procurement costs. Additionally, there is transformation that is taking place in Barnet with the DRS project effectively about to outsource all the technical services. With this transformation it is accepted that retendering at this stage and committing the

Council to a new long term contractual commitment is inappropriate as it would not allow the new DRS Partner to influence the service provision and introduce innovations. Therefore, the option to extend the contracts is considered to be the most appropriate at the current time.

9.4 When the original contracts were prepared in 2007 maintenance treatments were mainly traditional resurfacing, carriageway patching or carriageway reconstruction. Council officers have recently reviewed highway maintenance treatments to take into account

a) The lower available highway maintenance budgets and

b) the principles of highway asset maintenance programme (HAMP) which is currently in early stages of development.

This review has concluded that alternative maintenance treatments should be introduced to provide better value for money for Council investment. A schedule of items of work for these treatments has been prepared together with the appropriate specification and warrantees and both contractors were asked to price. The prices have been checked and compared with other suppliers and included in appendix A of the accompanying exempt report. The prices represent good value for money and both schedule of rate items from the two contractors are recommended for acceptance and inclusion in the planned highways maintenance contract extension.

9.5 In previous years the Council, like all highway authorities, adopted a “worst first” approach to maintenance, allowing roads to deteriorate to a poor condition, rather than focus on a preventative approach to maintenance. The treatments covered by the new items are cheaper than the traditional resurfacing but will preserve and extend the life of carriageway for a number of years, thereby optimising the use of available resources and minimising the whole life costs of the highways. These preventative treatments are expected to help achieve a long term planning of highways maintenance.

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10 LIST OF BACKGROUND PAPERS

10.1 Highways Contracts extension file.

Legal – SWS
CFO – JH

Appendix A: Schedule of Priced Items covering Alternative Treatments

Item	Description	Thickness	Quantity	unit	Eurovia Rate	VolkerHighways Rate
700	**Pavements**					
700.156	Supply and lay Hot Rolled Asphalt surface course (HRA 55/14 F surf 40/60 des WTR) to BS EN 13108-4 2006 and PD6691. **65PSV**	50mm	<1000 1000-5000 >5000	M^2	18.07 12.04 11.74	18.16 14.51 14.26
700.157	Supply and lay Hot Rolled Asphalt surface course (HRA 55/14 F surf 40/60 des WTR) to BS EN 13108-4 2006 and PD6691.**60PSV**	50mm	<1000 1000-5000 >5000	M^2	15.44 11.60 11.30	17.52 13.88 13.62
700.158	Supply and lay Hot Rolled Asphalt surface course (HRA 55/10 F surf 40/60 rec) to BS EN 13108-4 2006 and PD6691. **65PSV**	40mm	<1000 1000-5000 >5000	M^2	14.62 9.86 9.20	15.94 11.93 11.73
700.159	Supply and lay Hot Rolled Asphalt surface course (HRA 55/10 F surf 40/60 rec) to BS EN 13108-4 2006 and PD6691. **60PSV**	40mm	<1000 1000-5000 >5000	M^2	14.52 9.69 9.10	15.69 11.68 11.47
700.160	Supply and lay Hot Rolled Asphalt surface course (HRA 55/10 F surf 40/60 rec) to BS EN 13108-4 2006 and PD6691. **55PSV**	40mm	<1000 1000-5000 >5000	M^2	14.52 9.69 9.10	15.30 11.29 11.08
700.161	Supply and lay Flexiplast or similar HAPAS approved Micro Asphalt (anti-reflective cracking system)	15-20mm	<1000 1000-5000 >5000	M^2	14.82 10.31 10.31	5.29 4.99 4.70
700.162	Supply and lay Asphalt reinforcement (100kn) in accordance with Clause 971AR for direct application to concrete substrate	n/a	<1000 1000-5000 >5000	M^2	7.62 7.08 7.01	9.99 7.76 7.29
700.163	Supply and lay Asphalt reinforcement (100kn) in accordance with Clause 971AR for application to concrete substrate with use	n/a	<1000 1000-5000 >5000	M^2	34.12 21.66 17.60	18.23 13.34 12.33

	of pad-coat/regulating layer laid 20mm thick (regulating layer to clause 937, 0/6mm SMA)					
700.164	Slurry Sealing as per Clause 918 and Appendix 7/5	n/a	<1000 1000-5000 >5000	M^2	2.93 2.93 2.93	5.29 4.99 4.70
700.165	Micro-surfacing as per Clause 918 and Appendix 7/5	n/a	<1000 1000-5000 >5000	M^2	3.77 3.77 3.77	5.29 4.99 4.70
700.166	Micro-Asphalt as per Clause 918 and Appendix 7/5	n/a	<1000 1000-5000 >5000	M^2	5.28 5.28 5.28	5.29 4.99 4.70
700.167	Preparation for Slurry Surfacing/Micro-Surfacing/Micro-Asphalt by scabbling.	n/a	<1000 1000-5000 >5000	M^2	1.95 1.75 1.25	3.53 2.94 2.35
700.168	Preparation for Slurry Surfacing/Micro-Surfacing/Micro-Asphalt by application of scratch coat.	n/a	<1000 1000-5000 >5000	M^2	0.55 0.47 0.45	0.35 0.33 0.29
700.169	Preparation for Slurry Surfacing/Micro-Surfacing/Micro-Asphalt by pressure washing and drying.	n/a	<1000 1000-5000 >5000	M^2	0.30 0.30 0.30	0.35 0.33 0.29

Item	Description	Thickness	Quantity	unit	**Eurovia**	**VolkerHighways**
700	**Joint/ Crack Sealing**				**Rate**	**Rate**
Supply and lay crack and joint sealing materials/techniques in accordance with Appendix 7/2 (all products to have HAPAS approval)						
700.170	Clause 3. Bitumen sealing of cracks. (polymer modified bitumen)		<100 100-500 >500	Lin M	11.22 2.76 1.36	32.14 5.79 2.96
700.171	Clause 4. Recess/Over-banding of cracks (Permatrac H or similar approved)		<100 100-500 >500	Lin M	30.42 16.20 13.80	49.17 15.44 12.28
700.172	Clause 5. V Notch routing		<100 100-500 >500	Lin M	32.70 16.50 14.40	17.64 16.90 16.90
700.173	Clause 6. Trenching of Bituminous layers		<100 100-500 >500	Lin M		59.54 45.36 45.36
700.174	Clause 7. Trenching of cement bound layers		<100 100-500 >500	Lin M		65.61 54.81 54.81