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

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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

regenfirst

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.

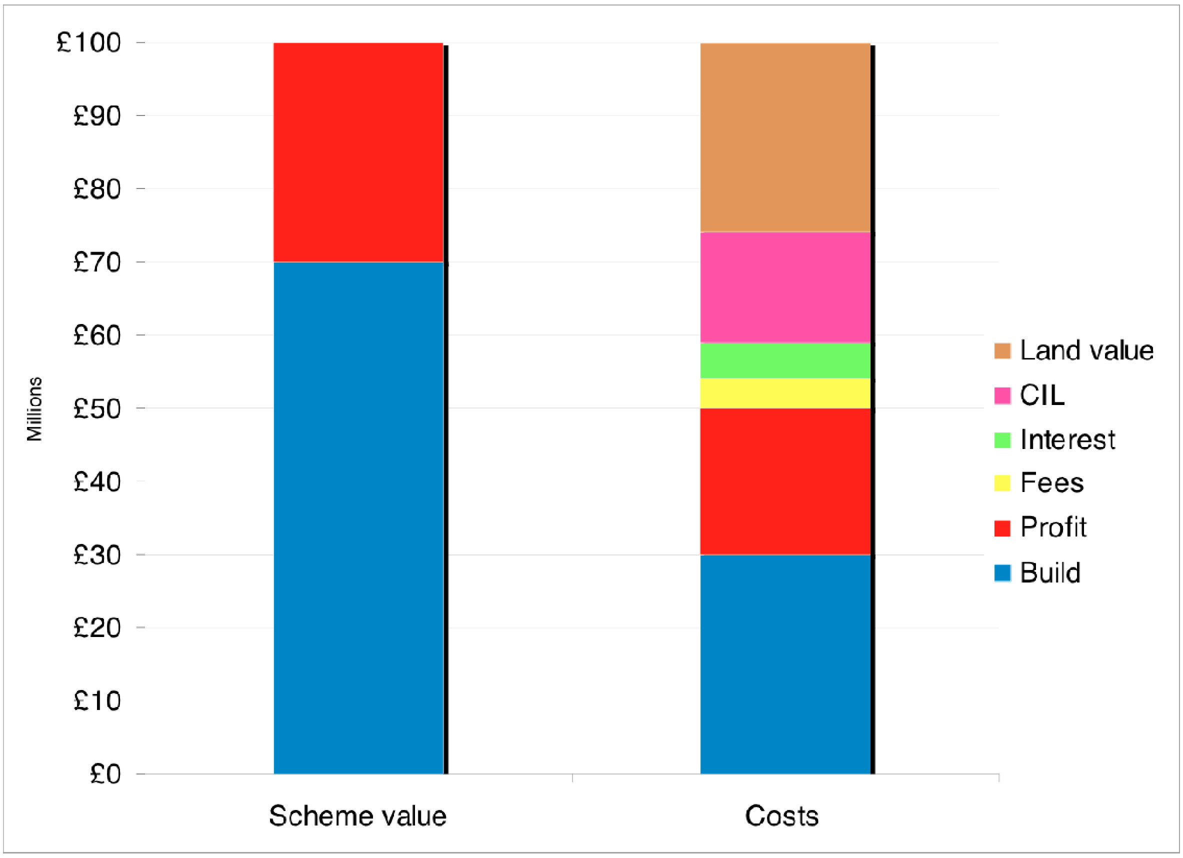
Other sources of funding (capital funding for schools growth is a good example) are being cut back, although small amounts of transitional funding have been made available so, as with housing capital, the freedoms and flexibilities that Councils are given are being balanced with a strong financial incentive 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

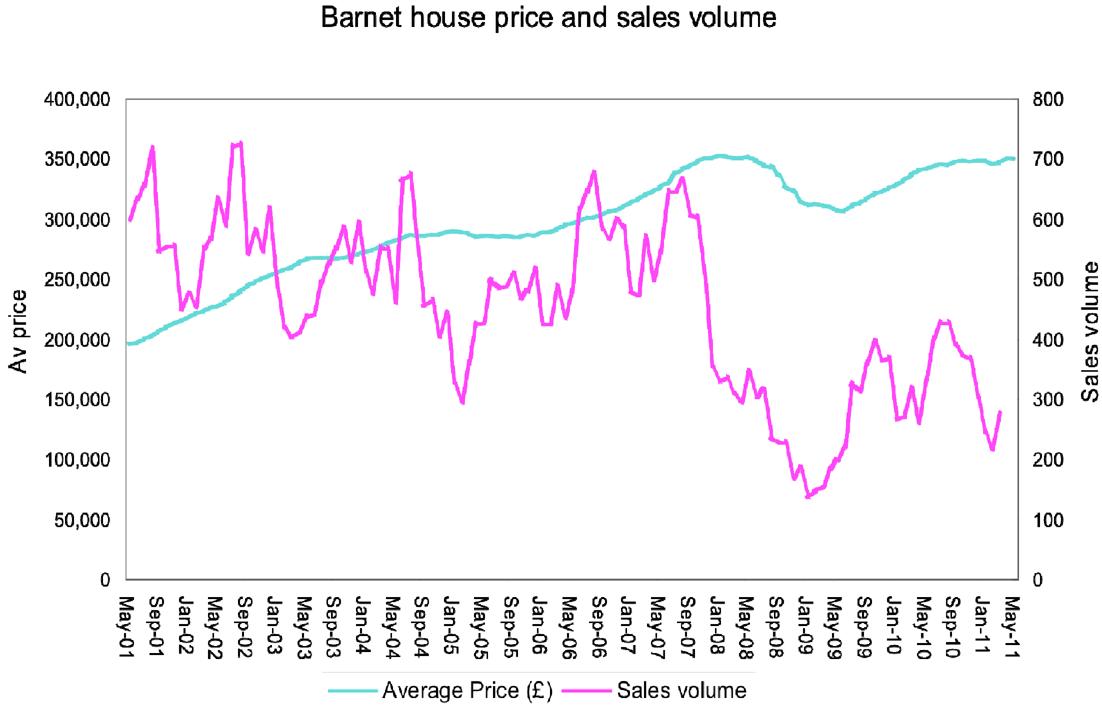
The Council has an ambitious regeneration agenda, with a number of large schemes which are at varying stages of delivery. Most of the Council's schemes are housing led most (although not all) seek to improve the condition and environment of council housing stock through replacement and refurbishment, 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

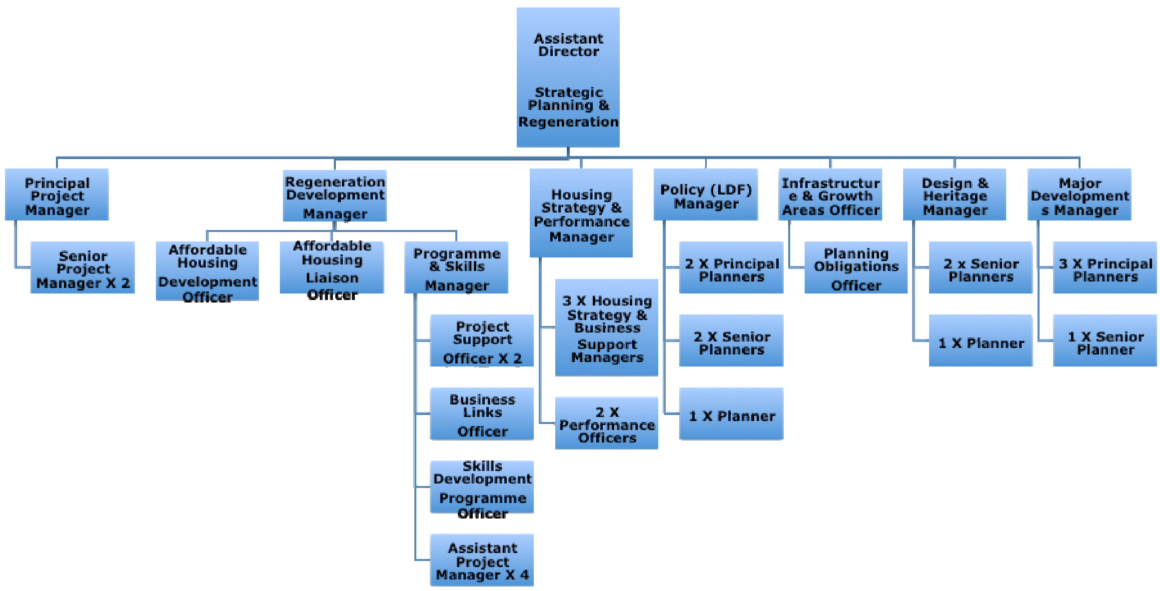
5.1 Context

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).

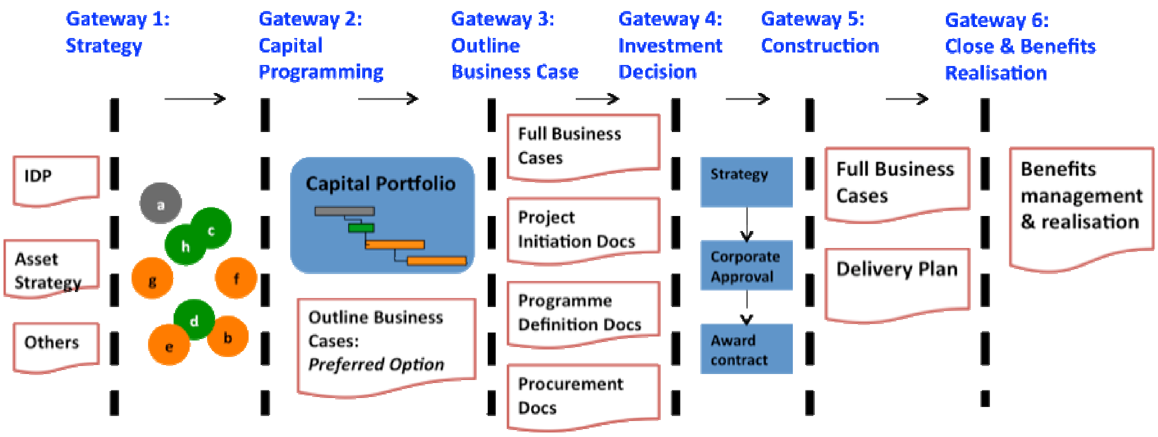
Risk management will also need to be fully owned by the strategic client; project monitoring (which may itself be procured externally) will need to secure success, not simply report on delays. One very important element of risk which this part of the client will need to manage is equalities impact assessment 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.

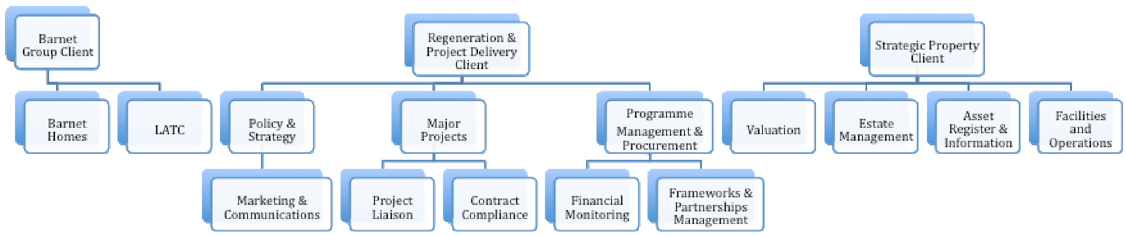
The Shape of an Integrated Strategic Client

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

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