

MEETING

ASSETS, REGENERATION AND GROWTH COMMITTEE

DATE AND TIME

MONDAY 16TH JUNE, 2014

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, NW4 4BG

TO: MEMBERS OF ASSETS, REGENERATION AND GROWTH COMMITTEE (Quorum 3)

Chairman: Councillor Richard Cornelius
Vice Chairman: Councillor Daniel Seal

Councillors

Pauline Coakley Webb	Geof Cooke	Gabriel Rozenberg
Philip Cohen	Devra Kay	Shimon Ryde
	Tim Roberts	Daniel Thomas

Substitute Members

Tom Davey	Alison Moore
Val Duschinsky	Paul Edwards
Caroline Stock	

You are requested to attend the above meeting for which an agenda is attached.

Andrew Nathan – Head of Governance

Governance Services contact: Kirstin Lambert 020 8359 2177 kirstin.lambert@barnet.gov.uk

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

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1.	ABSENCE OF MEMBERS	
2.	DECLARATIONS OF MEMBERS DISCLOSABLE PECUNIARY INTERESTS AND NON-PECUNIARY INTERESTS	
3.	PUBLIC QUESTIONS AND COMMENTS (IF ANY)	
4.	MEMBERS' ITEMS (IF ANY)	
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12.	<p>MOTION TO EXCLUDE THE PRESS AND PUBLIC</p> <p>That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 9 of Part 1 of Schedule 12A of the Act (as amended):</p>	
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14.	ACQUISITION OF AN OPTION TO ACQUIRE THE FREEHOLD INTEREST IN BARNET HOUSE, 1255 HIGH ROAD, WHETSTONE, LONDON N20	185 - 188
15.	ANY OTHER EXEMPT ITEM(S) THAT THE CHAIRMAN DECIDES ARE URGENT	

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	<p>Assets, Regeneration and Growth Committee</p> <p>16 June 2014</p>
<p>Title</p>	<p>Business planning – corporate plan and medium term financial strategy 2015-20</p>
<p>Report of</p>	<p>John Hooton, Deputy Chief Operating Officer Cath Shaw, Lead Commissioner, Enterprise & Regeneration</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Appendix 1: Policy and Resources Committee report on business planning</p> <p>Appendix 2: Service information packs</p>
<p>Officer Contact Details</p>	<p>John Hooton, Deputy Chief Operating Officer. Extension 2460</p>

Summary

A report will be considered by Policy and Resources Committee on the 10th June 2014 outlining the future financial challenge facing the Council, and the process whereby Council Committees will consider the response to this challenge, including the setting of savings targets for each committee. The extracts of this report relevant to Assets, Regeneration and Growth Committee are set out in the main body of this report.

This report is recommending to Assets, Regeneration and Growth Committee to:

- Note the financial target of £10.1m which is recommended for agreement by Policy and Resources Committee on 10 June.
- Note the timetable of activity to develop priorities and savings proposals to report back to Policy and Resources Committee on 2 December 2014.
- Provide a report making recommendations on commissioning priorities and savings proposals to Policy and Resources Committee for consideration in the draft budget

and business plan.

Recommendations

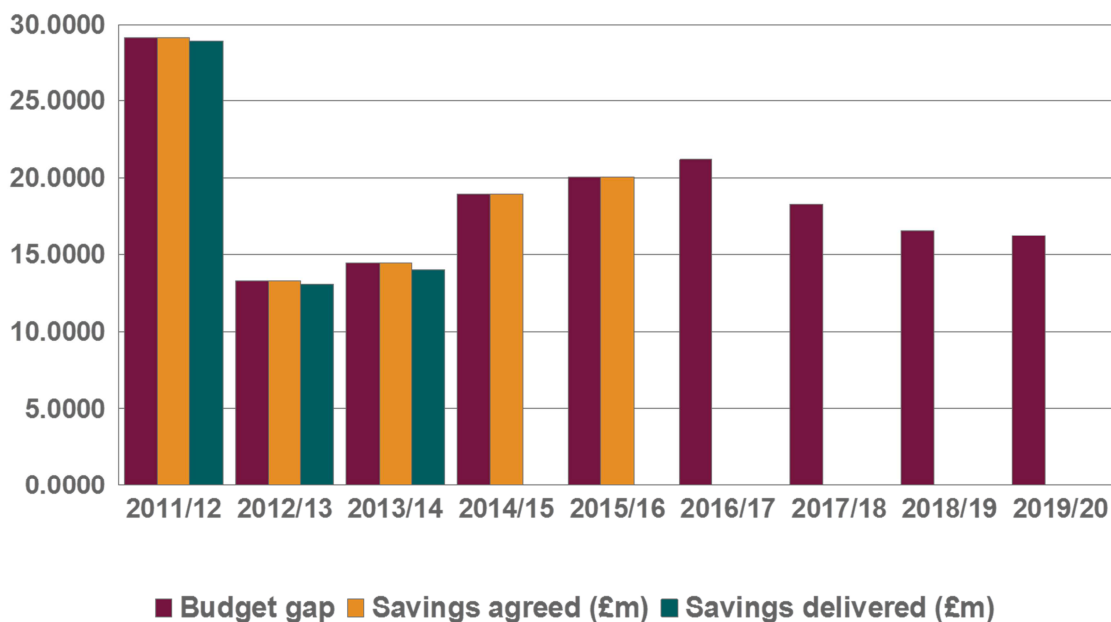
- 1.1 That Assets, Regeneration and Growth Committee note the Policy and Resources Committee report as set out in Appendix A;**
- 1.2 That Assets, Regeneration and Growth Committee note the savings target of £10.1m and the allocation of the remaining gap of £4.3m;**
- 1.3 That Assets, Regeneration and Growth Committee agree to report back in the autumn with an agreed commissioning plan and savings proposals for inclusion in the Policy and Resources Committee meeting on 2 December 2014.**
- 1.4 That Assets, Regeneration and Growth Committee note the service information packs included in Appendix B which provide some contextual information on budgets, past spend and performance data, contracts, customer and staffing data.**

1.2 Strategic Context

- 1.2.1 The financial position of local government is extremely challenging, despite recent improvements in the UK economy. Growth has been slower than originally projected at the 2010 Spending Review. When the coalition government first sets its spending plans and deficit recovery programme, it was projected that the annual budget deficit would be eradicated by 2015. This target has been missed, and it is now expected to be in balance by 2018. Public sector debt as a % of GDP is not currently expected to start falling until 2016/17.
- 1.2.2 The Government is committed to addressing the budget deficit primarily by cutting expenditure (80%) compared to increasing taxation (20%). Of the total £700bn annual government expenditure, approximately half of this is “non-departmental” spend, primarily welfare and pensions, which is driven by demand. Welfare expenditure has already been subject to significant cuts. Of the remaining “departmental” expenditure, over 50% of this is protected as it relates to the NHS, schools, defence equipment and overseas aid. Local government, along with transport, police, skills, universities and defence, sits in the remaining non-protected expenditure group. For this reason, a disproportionate level of cuts will continue to fall on local government until the end of the decade.

1.2.3 In spite of the on-going financial challenges, the Council continues to provide high quality services to residents. Resident satisfaction with the council has increased by 21% since 2010. Compared to 2010, residents think the council is doing a better job, offering better Value for Money, is working to improve the local area, listening to concerns of local residents and responding quickly when asked for help. In addition, 91% of primary and 86% of secondary schools are rated as ‘good’ or ‘excellent’ by Ofsted – among the best performance in the country - and Adults and Children’s services are recognised as ‘excellent’ by external inspectors. The Borough remains an attractive and successful place to live, with 87% of residents satisfied with their local area.

1.2.4 Over the period 2011-15, the Council has worked hard to reduce costs, cut waste, and improve efficiency. Over that period, a total of £75m of annual savings have been found in Council budgets. Tough decisions have been made over this time, including outsourcing support services, setting up joint ventures and shared service arrangements to reduce costs and/or increase income, and better managing demand for social care. Importantly however, the Council is only half way through a decade of austerity, and therefore further work needs to be done to balance the budget to 2020.



1.2.5 The Council’s future regeneration programme will see £6bn of private sector investment over the next 25 years to ensure that the Borough remains an attractive place to live and do business. This will create around 20,000 new homes and up to 30,000 new jobs across the Borough.

1.2.6 Residents from across the Borough will continue to share in the benefits of growth, with increasing housing development leading to an increase in

the tax base and, subsequently, lower Council tax bills for residents. During these challenging times, the Council does not want to increase financial the burden on families and individuals. This is why the Council has frozen Council Tax from 2010-11 and 2013/14, and reduced Council Tax by 1% in 2014/15.

1.4 Priorities and spending review

1.4.1 The scale of the challenge is huge. Saving another £72m from the Council's annual budget will require a fundamental shift in the way public services are delivered. Such a scale of change will take time to deliver, and for this reason it is vitally important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. This report will be considered by Policy and Resources Committee on 10 June 2014 and is included in **Appendix A**.

1.4.2 The Priorities and Spending Review has been a process led by officers. It has been informed by public consultation, and officers have engaged with all three main political parties over the last 10 months. The report sets out options for committees to support in developing their responses to future budget challenges. It is important to note than no decisions on future budget savings are being made in this report, it merely provides information to theme committees to enable members to respond to the challenge.

1.4.3 The elements of the PSR report relevant to Assets, Regeneration and Growth Committee are as follows:

The Council will benefit significantly over the PSR period through its major regeneration schemes will increase the residential and business related tax base through the construction of houses and commercial properties. In total, the PSR forecasts that the council will receive an additional £5.4 million over the period 2016/17 to 2019/20 as a result of planned regeneration and development activity.

In addition, the PSR has also identified the opportunity for efficiency savings of up to £4.7 million by 2019/20, through a range of measures including reducing office accommodation costs and increasing income from council owned assets; increasing energy efficiency across the council's estate; re-procuring key contracts and improving contract management to drive down contract and supplier costs; and capitalising regeneration-related expenditure.

In total, the PSR has identified options to increase the financial benefit to the council by approximately £10.1 million in the Assets, Regeneration and Growth Committee's area of responsibility, through the following means:

Improving organisational efficiency, including:	Approximately £4.7 million
<ul style="list-style-type: none"> Reducing the cost of office accommodation and increasing income through more effective use of council owned assets. 	
<ul style="list-style-type: none"> Increasing the energy efficiency of the council estate. 	
<ul style="list-style-type: none"> Re-procuring key contracts and improving contract management to drive down contract and supplier costs. 	
<ul style="list-style-type: none"> Capitalisation of regeneration-related expenditure. 	
Promoting growth and raising income, including:	Approximately £5.4 million
<ul style="list-style-type: none"> Growing the council's residential and business related tax base as a result of regeneration and development activity. 	
TOTAL	Approximately £10.1 million

1.5 Commissioning Plans and the Corporate Plan

1.5.1 The Corporate Plan is the overarching strategic document for the Council, setting out its commissioning priorities and objectives. The latest Corporate Plan which covers the period 2014-15 to 2015-16 was published in April and has been revised to reflect the new freedoms offered by the Localism Act.

1.5.2 Following the local elections in May, and the formation of a new administration, the corporate plan needs to be updated. Following the creation of the new committee system, there is an opportunity for these committees to set the future direction of the Council. It is therefore proposed that theme committees agree commissioning plans for the period 2015-20, which will be reported back to Policy and Resources Committee in December 2014 as part of a refreshed corporate plan.

1.5.3 The tone of the corporate plan will be guided by an overall narrative of Barnet being a place:

1. Of **opportunity**, where people can expect a **good quality of life**
2. Where **responsibility is shared, fairly**
3. Where **services will be transformed** by a smaller, smarter public sector
4. Where people are **helped to help themselves**

1.8 Capital Programme

1.8.1 The medium term financial strategy includes provision for future capital expenditure on Council priorities through to 2020. It is important to note that some priorities, such as school places, are funded in full to the end of the decade. Other priorities, such as housing, investment in roads and pavements, and rolling/cyclical programmes of maintenance, will need to be considered for 2016-20. Theme committees should consider their capital

requirements as part of their budget proposals and agree these by November for inclusion in the draft budget report to Policy and Resources committee in December 2014.

1.9 Timetable

1.9.1 Theme committees will be supported by officers throughout the summer and autumn to develop their response to these targets, agree a package of proposals by November, to enable a draft medium term financial strategy for the Council to be set by Policy and Resources Committee in December 2014.

- **June:** Budget and business planning process commences. Each theme committee receives a report on the budget and business planning process, the budget envelope to 2020, and a summary of potential savings opportunity. Each Committee is asked to develop commissioning priorities and proposals to inform a new Corporate Plan, commissioning strategy for the Committee, and savings proposals.
- **July – September:** Each theme committee initiates working group(s) to work with Officers to identify commissioning priorities and budget savings.
- **October – November:** Each theme committee to agree draft commissioning priorities and savings proposals, for submission to Policy and Resources Committee in December.
- **December:** Policy and Resources Committee (2 December)

1.10 Consultation

1.10.1 Consultation has already commenced to enable the Council to plan for the future, and will continue as options set out in this report are considered further. Consultation follows three broad phases:

- a) Phase 1 – Citizens’ panels and focus groups have targeted service users, businesses and some protected characteristic groups to gauge residents’ views about local services and priorities.
- b) Phase 2 – the “call for evidence” is on-going. This has involved online channels, asking local and national commentators and stakeholders for views on how we meet future challenges, and ensures this thinking is informed by best practice. It was suspended in purdah, and re-opened on 27th May. The findings of phases 1 and 2 will be shared through theme committees in July to inform decision making.
- c) Phase 3 – consultation on specific savings proposals will commence as they are formulated. Theme committees will run consultation on groups of ideas over the summer/autumn to inform proposal development. Individual

consultation on specific proposals will take place following agreement of a draft medium term financial strategy and corporate plan at Policy and Resources committee in December.

2. REASONS FOR RECOMMENDATIONS

- 2.1 As set out in the report above, local government is facing significant cuts in funding which will require a fundamental change to the way services are delivered by 2020. Such a scale of change takes time to deliver, and for this reason it is vitally important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. Policy and Resources Committee on 10 June 2014 will consider the future business planning process and savings targets for theme committees. This report takes this process forward.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 This report in itself does not ask that members make any decisions on specific savings options; rather it sets out a process for engaging all members and theme committees in the development of budget proposals for the period up to 2020.

4. POST DECISION IMPLEMENTATION

- 4.1 Following approval of these recommendations, theme committees will consider the development of commissioning plans and savings proposals to meet the targets in this report. These committees need to be in a position to recommend commissioning plans and draft budget proposals to Policy and Resources Committee on 2 December for consultation.

5. IMPLICATIONS OF DECISION

5.1 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.1.1 This report covers the Council's MTFs and annual business planning process as it relates to the Assets, Regeneration and Growth Committee. In March 2014, the Council set a two year MTFs covering the period 2014-15 to 2015-16. Following the local elections in May, this report sets out the process for re-defining the corporate plan and priorities, and the process for setting a budget and medium term financial strategy extending through from 2016 through to 2020.
- 5.1.2 In addition to continued austerity, demographic change and the resulting pressure on services poses a significant challenge to the Council. The organisation is facing significant budget reductions at the same time as the population is increasing, particularly in the young and very old. Given that

nearly two thirds of the Council's budget is spent on Adult Social Care and Children's Services, this poses a particular challenge as these services are predominantly 'demand led'. There will also be costs related to infrastructure development. The annual allocation of New Homes Bonus funding is allocated to the infrastructure reserve as a contribution towards these costs.

5.2 Legal and Constitutional References

- 5.2.1 All proposals emerging from the business planning process be considered in terms of the Council's legal powers and obligations (including, specifically, the public sector equality duty under the Equality Act 2010) and, where appropriate, mechanisms put into place to ensure compliance with legal obligations and duties and to mitigate any other legal risks as far as possible.
- 5.2.2 Constitution, Responsibility for Functions, Annex A sets out the Terms of Reference of the Assets Regeneration and Growth Committee.

5.3 Risk Management

- 5.3.1 The Council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. Risk management information is reported quarterly to the Board and to Committees and is reflected, as appropriate, throughout the annual business planning process.
- 5.3.2 Previous budget setting reports have referred to risks in respect of future spending cuts for Local Government. In December, the Government confirmed spending totals for Councils for 2014/15 and 2015/16. This announcement also indicated that austerity is likely to continue until the end of the decade. Current modelling suggests that this is likely to equate to further annual reductions of between £15m and £20m to the Council's budget. For this reason, it is important that the Council continues to be prudent with its use of reserves and contingency to mitigate against future cuts.
- 5.3.3 The challenges set out in this report require fundamental change in the way Council services are delivered, which impacts on the human resources of the organisation and related policies and practices. This process will be managed in conjunction with Trade Unions and staff.

5.4 Equalities and Diversity

- 5.4.1 Equality and diversity issues are a mandatory consideration in the decision-making of the Council. This requires elected Members to satisfy themselves that equality considerations are integrated into day to day business and that all proposals emerging from the finance and business planning process have properly taken into consideration what impact, if any, there is on any protected group and what mitigating factors can be put in train.
- 5.4.2 The projected increase in the borough's population and changes in the demographic profile will be key factors that need to be considered when

determining both the corporate strategy and service responses. Both of these need to also reflect the aspirations and contributions of current residents

5.4.3 Similarly, all human resources implications will be managed in accordance with the Council's Managing Organisational Change policy that supports the Council's Human Resources Strategy and meets statutory equalities duties and current employment legislation.

5.5 Consultation and Engagement

5.5.1 As set out above.

6. BACKGROUND PAPERS

6.1 None

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	<p>Policy and Resources Committee</p> <p>10 June 2014</p>
Title	<p>Finance and Business Planning – Corporate Plan and Medium Term Financial Strategy 2015/16 to 2019/20</p>
Report of	<p>Andrew Travers, Chief Executive Chris Naylor, Chief Operating Officer Kate Kennally, Strategic Director of Communities Pam Wharfe, Strategic Director of Environment & Growth</p>
Wards	<p>All</p>
Status	<p>Public</p>
Enclosures	<p>Appendix 1: Medium Term Financial Strategy 2015-20 Appendix 2: Priorities and Spending Review Report</p>
Officer Contact Details	<p>John Hooton, Deputy Chief Operating Officer, 020 8359 2460</p>

<h2 style="margin: 0;">Summary</h2>
<p>This report seeks approval from Policy and Resources Committee on the following:</p> <ol style="list-style-type: none"> a) The process for Theme Committees to develop commissioning priorities for the period 2015-20 which will come back to this committee in December 2014 to form the basis of a refreshed Corporate Plan; b) The process for Theme Committees to develop savings proposals to meet the financial challenges over the period 2015-20 which will come back to this committee in December 2014; and c) The allocation of transformation funding to support the delivery of savings plans.

<h2 style="margin: 0;">Recommendations</h2>

- 1.1 That Policy and Resources Committee note the updated Medium Term Financial Strategy up to 2020 as set out in Appendix A and the assumptions underpinning this in section 1.3;**
- 1.2 That Policy and Resources Committee note the Priorities and Spending Review report as set out in Appendix B;**
- 1.3 That Policy and Resources Committee agree the process for updating the Corporate Plan, through the development of commissioning plans by Theme Committees, as set out in section 1.5;**
- 1.4 That Policy and Resources Committee agree the allocation of savings targets set out in section 1.6, along with the preferred option for allocating the remaining budget gap;**
- 1.5 That Policy and Resources Committee agree the draw-downs from the transformation reserve as set out in paragraph 1.7.2; and**
- 1.6 That Policy and Resources Committee agree the approach to consultation as set out in section 1.10.**

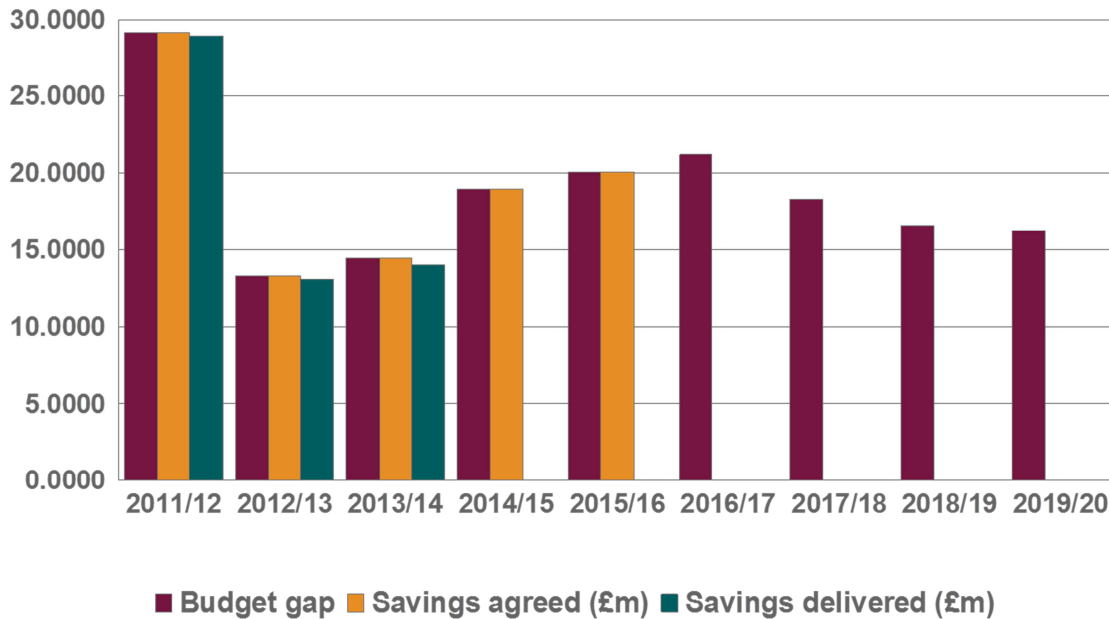
1. WHY THIS REPORT IS NEEDED

1.1 Executive Summary

- 1.1.1** In March 2014, the Council set a Corporate Plan and Medium Term Financial Strategy covering the period 2014/15 and 2015/16. The MTFs for this period includes savings proposals totalling £39m which, will produce a balanced budget position.
- 1.1.2** Following the local elections in May, this report sets out the process for re-defining the Corporate Plan priorities, and the process for setting a Medium Term Financial Strategy through to 2020. Following the move to a committee form of governance, this report also sets out the process by which Theme Committees will contribute to this process and enable the Policy and Resources Committee to set a Corporate Plan and Medium Term Financial Strategy for consultation in December 2014.
- 1.1.3** This report sets out the budget gap for 2016 through to 2020, which is estimated at a further £72m. Given the scale of cuts already made to local government budgets, this represents a huge challenge for the organisation to address.

1.2 Strategic Context

- 1.2.1 The financial position of Local Government is extremely challenging, despite recent improvements in the UK economy. Growth has been slower than originally projected at the 2010 Spending Review. When the Coalition Government first sets its spending plans and deficit recovery programme, it was projected that the annual budget deficit would be eradicated by 2015. This target has been missed, and it is now expected to be in balance by 2018. Public sector debt as a % of GDP is not currently expected to start falling until 2016/17.
- 1.2.2 The Government is committed to addressing the budget deficit primarily by cutting expenditure (80%) compared to increasing taxation (20%). Of the total £732bn annual government expenditure, approximately half of this is “non-departmental” spend, primarily welfare and pensions, which is driven by demand. Welfare expenditure has already been subject to significant cuts. Of the remaining “departmental” expenditure, over 50% of this is protected as it relates to the NHS, schools, defence equipment and overseas aid. Local government, along with transport, police, skills, universities and defence, sits in the remaining non-protected expenditure group. For this reason, a disproportionate level of cuts will continue to fall on Local Government until the end of the decade.
- 1.2.3 In spite of the on-going financial challenges, the Council continues to provide high quality services to residents. Resident satisfaction with the Council has increased by 21% since 2010. Compared to 2010, residents think the Council is doing a better job, offering better Value for Money, is working to improve the local area, listening to concerns of local residents and responding quickly when asked for help. In addition, 91% of primary schools and 86% of secondary schools in Barnet are rated as ‘good’ or ‘excellent’ by Ofsted – among the best in the country - and Adults and Children’s services are recognised as ‘excellent’ by external inspectors. The Borough remains an attractive and successful place to live, with 87% of residents satisfied with their local area.
- 1.2.4 Over the period 2011-15, the Council has worked hard to reduce costs, cut waste, and improve efficiency. Over that period, a total of £75m of annual savings have been found in Council budgets. Tough decisions have been made, including outsourcing support services, setting up joint ventures and shared service arrangements to reduce costs and/or increase income, and better managing demand for social care. Importantly however, the Council is only half way through a decade of austerity, and therefore further work needs to be done to balance the budget to 2020. The graph below shows the scale of the challenge the Council has already faced, and the challenge that will continue to the end of the decade.



1.2.5 The Council's future regeneration programme will see £6bn of private sector investment over the next 25 years to ensure that the Borough remains an attractive place to live and do business. This will create around 20,000 new homes and up to 30,000 new jobs across the Borough and generate £5.6m of recurrent income for the Council by 2020 and one off income of £50m to be reinvested in infrastructure.

1.2.6 Residents from across the Borough will continue to share in the benefits of growth, with increasing housing development leading to an increase in the tax base and, subsequently, lower Council tax bills for residents. During these challenging times, the Council does not want to increase financial the burden on families and individuals. This is why the Council has frozen Council Tax from 2010-11 and 2013/14, and reduced Council Tax by 1% in 2014/15.

1.3 Medium Term Financial Strategy update

1.3.1 **Appendix A** sets out the Medium Term Financial Strategy for Barnet Council through to 2020, taking into account the national economic context such as government spending cuts and inflation, along with local factors such as population and demand pressures. The headline figure is a budget gap of a **further £72m for 2016-20** beyond the current Medium Term Financial Strategy which covers the period 2014-16.

1.3.2 This budget gap that the Council faces includes assumptions about levels of expected Government grant, future levels of business rates and changes to the Council Tax base, along with a range of other assumptions about pay and non-pay inflation, future levies and other risks.

- 1.3.3 Modelling has been undertaken to understand the potential impact of growing demand on the council's budget resulting from demographic change and taking into account a range of factors including population increase, inflation and likely legislative changes. An allowance has been included within the budget envelope for demographic growth in line with population projections.

Implications of the Care Bill

- 1.3.4 It is important to note that this projection does not currently include the additional costs associated with the implementation of the Care Bill. Considerable uncertainty still exists in respect of the costs and associated funding of these changes. As a result of these legal changes that come into effect in April 2015, it is likely that there will be a considerable number of users and carers that will come forward for assessment, resulting in additional costs of both assessment and delivery of care. These costs, taken together, could be in excess of £10m per annum. The Government has a clear protocol in respect of new burdens and provision of funding to meet these, so it is hoped that the Care Bill will not result in additional costs for the Council. However, there is a significant risk that this may not be the case, and therefore the Council's reserves and contingency position must remain prudent.

Budget assumptions

- 1.3.5 The assumptions within the budget envelope are as follows:

- **Demographic pressures** – an assumption has been made in the budget envelope for future demographic pressure particularly for Adults and Children's Social Care costs.
- **Inflation (pay):** in line with the Local Government pay award for 2013/14, a 1% increase in pay is assumed for future years;
- **Inflation (non-pay):** Figures from the Office for Budget Responsibility (OBR) for inflation have been used to estimate the increase in non-pay costs;
- **North London Waste Authority levy:** figures for the NLWA levy are based on published figures for the period from 2014-16 and projected levy increases based on the waste disposal procurement exercise for the period from 2016-20;
- **Capital financing costs:** the current provision of capital financing costs is currently set in excess of actual spend until 2016 due to recent capital slippage, and a provision has been added beyond that point;
- **Contingency:** from 2016/17 a conservative estimate of £500k has been included in contingency;
- **Council tax support:** Over the next 2 years there are significant changes expected due to welfare reforms. Provision has been set aside in 2014/15 and 2015/16 for potential increases in these costs related to Council Tax increases or increases in take up;
- **Concessionary fares:** increases have been projected in line with demographic changes of 60+ in Barnet.
- **Public Health** allocations have been assumed to increase in line with GDP, the increase in expenditure shown here nets off against the amount

- earmarked for the service itself, so has a neutral effect on the Medium Term Financial Strategy ;
- Future allocations of **New Homes Bonus** are projected in line with known developments in the borough, and is currently transferred to balances to build up the infrastructure reserve, so has a neutral effect on the Medium Term Financial Strategy ;
- **Business rates**: there has been no growth assumed in business rates. An increase in yield has been estimated in line with inflation;
- **Business rates top up grant**: the business rates top up grant is assumed to increase in line with inflation;
- **Revenue Support Grant**: the assumption for the reduction in RSG is such that the reduction in the total quantum of retained business rates and RSG is approximately £10m per annum;
- **Council Tax**: a Council Tax freeze has been factored into the Medium Term Financial Strategy for 2015/16 and 2016/17, with an increase of 2% per annum beyond that point. The Council tax baseline takes into account current developments and regeneration schemes where developers are in place. It does not take into account schemes that are proposed, but where developers are not yet in place;
- **LACSEG and Council Tax & Housing benefit administration grants** have been assumed to reduce by 10% in line with previous reductions of specific grants; and
- The **PFI credit** is fixed and no change has been factored in.

1.3.6 Policy and Resources Committee are asked to note the assumptions set out above.

1.4 The Barnet Priorities and Spending Review

1.4.1 The scale of the challenge is huge. Saving another £72m from the Council's annual budget will require a fundamental shift in the way public services are delivered. Such a scale of change will take time to deliver, and for this reason it is vitally important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. This report is set out at **Appendix B**.

1.4.2 The Barnet Priorities and Spending Review has been a process led by officers. It has been informed by public consultation, and officers have engaged with all three main political parties over the last 12 months. This report sets out options for the theme committees to consider in developing their responses to future budget challenges. It is important to note that no decisions on future budget savings are being made in this report, this report sets out options for members to consider through Council committees informed by consultation with residents.

1.4.3 The PSR is proposing a number of options to be considered by committees in responding to the budget challenge. They are set out below, with the PSR report appended to this document.

Efficiency – there are opportunities for the Council to become more efficient without discernibly affecting the quality of services to residents. The PSR has identified options as follows:

A series of measures to improve workforce productivity including a review of all terms and conditions and costs of management;

Further scope to drive down the cost of suppliers and contracts;

Reductions in accommodation costs if we modernise working practices and share buildings with other public sector bodies, such as the NHS;

Increasing energy efficiency across the Council estate;

Reducing subscription costs and membership fees to a minimum across the Council;

Consider the alternative options for the delivery of waste collection, recycling, street cleansing and grounds maintenance services to improve outcomes at lower cost; and

Adults and Safeguarding Committee to consider the level of integration of health and social care services and how this should be governed.

Growth & Income – the PSR has identified a number of options to increase revenue from growth and income.

There are opportunities for regeneration and measures to boost local economic growth to increase the Council's residential and commercial tax yield. There are also opportunities to raise additional income from fees and charges in a way that is fair to all residents and users of services.

Modelling predicts that business growth and the development of new homes over the next 5 years will raise almost £5m in additional tax to fund services.

The PSR also invites committees to consider legally viable options for fees and charges by 2% above inflation from 2016/17 to 2019/20 which would raise additional income.

Regeneration will also help reduce future demand on services – effective design of new communities will help support independence and avert social care costs.

Reducing demand, promoting independence – with less money and rising demand, the Council and residents will need to behave differently. The Council will need to focus on backing residents to help themselves and each other, providing different support and guidance where needed with the aim of reducing reliance on the state and investing in preventive services, alongside residents taking greater personal and civic responsibility. The PSR has identified options as follows:

More money could be spent on measures to support residents to live for longer in their own homes, increasing disabled facilities grants and funding for housing adaptations, and measures to build more extra care housing, as well as providing more support to carers to carry on caring.

Measures can be taken to increase the number of children and young people living in Barnet foster homes, and providing enhanced support to prevent placements breaking down and triggering more expensive residential placements.

Encouraging greater levels of recycling will reduce the overall cost of sending waste to landfill, with consideration to be given to the frequency of waste collection to help achieve this.

Service redesign – Adopting a first principles approach to how the Council fulfils a number of its statutory and non-statutory obligations to reduce services in a way that better targets support to those that use services and reduce cost. The PSR has identified options as follows:

An evidence led review of Barnet libraries to identify a new model of library services which utilises the latest technology to increase efficiency whilst maintaining a comprehensive network.

Early Years: Improved targeting of early years support to ensure a reduction in the number of children and young people entering social care.

Children, Education, Libraries and Safeguarding Committee invited to consider the option of an alternative delivery model for the Education and Skills service, in order to ensure the continued provision of high quality services through a partnership approach that brings together resources from different sectors.

1.5 Commissioning Plans and the Corporate Plan

1.5.1 The Corporate Plan is the overarching strategic document for the Council, setting out its commissioning priorities and objectives. The latest Corporate Plan which covers the period 2014-15 to 2015-16 was published in April and has been revised to reflect the new freedoms offered by the Localism Act.

- 1.5.2 Following the local elections in May, the Corporate Plan needs to be updated. Following the creation of the new committee system, there is an opportunity for these committees to set the future direction of the Council. It is therefore proposed that Theme Committees agree commissioning plans for the period 2015-20, which will be reported back to Policy and Resources Committee in December 2014 as part of a refreshed Corporate Plan.
- 1.5.3 The tone of the Corporate Plan will be guided by an overall narrative of Barnet being a place:
1. Of **opportunity**, where people can expect a **good quality of life**
 2. Where **responsibility is shared, fairly**
 3. Where **services will be transformed** by a smaller, smarter public sector
 4. Where people are **helped to help themselves**

1.6 Budget envelopes for Theme Committees

- 1.6.1 Forward planning to identify opportunities for improving efficiency, and growing the local tax base in particular, will minimise the need for future cuts in service provision. This report recommends that theme committees are allocated a savings target for the period 2016-20 in line with the potential opportunity areas identified in the Priorities and Spending Review report. The opportunity areas for each committee are as follows:

Adults and Safeguarding Committee £12.6m

- Improving efficiency – c£4.7m including:
 - Measures to improve workforce productivity, reviewing terms and conditions and management overheads; and
 - Re-procuring key contracts and improving contract management to drive down the cost of suppliers and contracts.
- Reducing demand and promoting independence – c£6.9m including:
 - Measures to help older people with dementia live longer at home;
 - Providing more support to younger people with learning difficulties so that they are better placed to support themselves in early adulthood;
 - Focusing social care assessment processes so that those most in need get the most extra support; and
 - Increasing disabled facilities grants, housing adaptations and building more extra care housing.
- Redesigning services – c£1.0m including:
 - Integrating service provision and commissioning with the NHS so that conditions associated with frail elderly residents are managed and supported more effectively.

Children, Education, Libraries and Safeguarding Committee £8.0m

- Improving efficiency – c£2.3m including:
 - Measures to improve workforce productivity, reviewing terms and conditions and management overheads; and

- Re-procuring key contract and improving contract management to drive down the cost of suppliers and contracts.
- Reducing demand and promoting independence – c£0.5m including:
 - Measures to increase the number of children and young people living in local Barnet foster homes and providing enhanced support to prevent placements breaking down and triggering more expensive residential placements.
- Redesigning services – c£5.1m including:
 - Considering the option of an alternative delivery model for the Education and Skills service, in order to ensure the continued provision of high quality services through a partnership approach that brings together resources from different sectors; ;
 - Improved targeting of early years support to ensure a reduction in the number of children and young people entering social care; and
 - An evidence led review of the Library service to consider a new model of library services, utilising the latest technology to reduce overheads whilst maintaining a comprehensive network.

Environment Committee £5.9m

- Improving efficiency – c£2.4m including:
 - Measures to improve workforce productivity, reviewing terms and conditions and management overheads;
 - Re-procuring key contracts and improving contract management to drive down the cost of suppliers and contracts; and
 - Examining how alternative delivery models may deliver improved outcomes for waste, recycling, street cleansing and grounds maintenance at lower cost; and
 - Affecting changes in the management and costs of disposing waste.
- Reducing demand and promoting independence – c£2.7m including:
 - Working with residents and community groups to achieve a reduction in the amount of waste generated and considering the frequency of waste collection to help achieve this.
- Promoting growth and raising income – c£0.8m including:
 - Exploiting commercial opportunities to sell services to businesses and private land owners; and
 - Increasing income from better utilisation across the parks and open spaces asset portfolio.

Assets, Regeneration and Growth Committee £10.1m

- Improving efficiency – c£4.5m including:
 - Reducing the costs of office accommodation and increased income for Council assets;
 - Increasing energy efficiency of the Council estate;
 - Re-procuring key contracts and improving contract management to drive down the cost of suppliers and contracts; and
 - Capitalisation of regeneration related expenditure.
- Promoting growth and raising income – c£5.6m including:
 - Growing the Council's residential and business related tax base from regeneration and development activity.

Community Leadership Committee £0.8m

- Improving efficiency - c£0.2m including:
 - Operational efficiencies in delivering the borough's CCTV services
 - Cancellation of the MOSAIC contract and using resources provided by the Council's Customer and Support Group.
- Promoting growth and raising income – c£0.6m including:
 - Considering moving to a full cost recovery model for the borough's CCTV services.

Health and Wellbeing Board £0.7m

- Improving efficiency - £0.7m including:
 - Re-procurement of sexual health services across the borough.

Policy and Resources Committee £12.7m

- Improving efficiency – c£9.2m including:
 - Measures to improve workforce productivity, reviewing terms and conditions and management overheads (including sharing posts with other Councils);
 - Re-procuring key contracts and improving contract management to drive down the cost of suppliers and contracts;
 - Reducing subscription costs and membership fees to a minimum across the Council;
 - Rationalising IT and printing costs across the Council;
 - Bearing down on redundancy costs;
 - Reducing financing and borrowing costs;
 - Sharing corporate services (for example emergency planning, audit, business continuity) with another Council; and
 - Review of Councillor allowances.
- Promoting growth and raising income – c£3.4m including:
 - Increasing fees and charges where legally permissible by 2% above inflation; and
 - Considering changes to Council Tax Support and the level of contribution from those eligible for support.

1.6.2 The opportunity areas set out above provide the basis for savings targets to be set for each theme committee, summarised as follows:

Committee	Total budget for theme committee (£m)	Total of potential savings (£m)	% saving against budget	Allocation of remaining gap (£m)
Adults and Safeguarding	81.2	12.6	16%	5.4

Children, Education, Libraries and Safeguarding	49.9	8.0	16%	3.4
Environment	33.5	5.9	18%	2.5
Community Leadership	1.7	0.8	48%	0.3
Health and Wellbeing Board	14.3	0.7	5%	0.3
Policy and Resources	91.7	12.6	24%	5.4
Assets, Regeneration and Growth	5.2	10.1		4.3
Total	280.6	50.8		21.6

1.6.3 These opportunity areas enable £51m of savings to be made against a budget gap to 2020 of £72m. To enable the gap to be closed in full, Policy and Resources Committee will need to decide how to allocate this gap. The options are either:

- a) To allocate the remaining £21m gap to committees in the same proportion as the savings targets set out above; or
- b) To hold the remaining £21m gap within the Policy and Resources Committee remit and review the approach to Council Tax increases. An increase of approximately 4% per annum over and above current assumptions would see the gap closed.

1.6.4 In working up proposals, Committees will need to consider the legality of options, and also have regard to the equalities impact.

Implications of PSR savings proposals for Delivery Units

1.6.5 It is important for the committee to have regard for the impact of these savings targets in terms of delivery unit budgets. This analysis, along with the percentage of total budget, is set out below:

Delivery Unit	Total budget (£m)	Total of potential savings (£m)	% saving against
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			budget
Adults and Communities	82.0	13.5	16%
Assurance	3.8	0.5	12%
Commissioning Group	6.8	1.3	19%
CSG	20.1	4.6	23%
Education and Skills Non-DSG	5.8	0.9	15%
Family Services Non-DSG	44.1	7.2	16%
Street scene	33.5	5.9	18%
Re	0.5	2.7	*
Public Health	14.3	0.7	5%
Other (central expenses, Council Tax increases)	69.7	13.6	20%
Total	280.6	50.8	

* The Re budget is nearly net £nil due to income raised from services, so the comparison between budget and savings is not applicable.

1.6.6 This report sets out the opportunity areas for future savings to be made. It looks to maximise opportunities for further back office savings, and savings from growth of the tax-base, thus minimising the impact on front-line services. Policy and Resources has the highest quantum of savings to find from the commissioning group, assurance, customer and support group and central expenses. The Assets, Regeneration and Growth Committee has a significant target representing opportunities to grow Council Tax receipts from regeneration activity, and opportunities to reduce costs of office accommodation. The Adults and Safeguarding committee has a high savings target, but it also has the largest budget area, so the percentage saving is lower than for back office services. Similarly the savings percentages for Family Services and Education and Skills are lower than for back office services.

1.7 Current budgetary position and Medium Term Financial Strategy 2014-16

- 1.7.1 The 2014-16 medium term financial strategy was agreed by full Council on 2 March 2014. While the 2013/14 outturn position is expected to report a balanced position, pressures exist in respect of the delivery of services in the current budget envelope. Demographic pressures exist in Adults and Children's social care. Pressures exist within the Streetscene budget as a result of the parking judicial review and the increased costs of disposal of recyclates. The Performance and Contract Monitoring Committee will monitor this position throughout the year and take action as appropriate to address any issues arising.
- 1.7.2 The transformation reserve has been set aside by the Council to fund programmes and projects to deliver savings and improve service performance. While this report primarily deals with the process for delivering budgets for the period 2016-20, considerable challenges remain in delivering agreed savings for 2015/16 and implementing legislative change within the agreed medium term financial strategy. It is recommended that the following draw-downs are approved:
- **Family Services:** A drawdown of £1m, to ensure that the Family Services department continues to deliver the required level of performance for statutory services. In addition, this programme sets out to develop services to meet current need, encourage and develop targeted early interventions, to provide efficient processes and structures across the Delivery Unit, to reduce the social care placements bill and deliver Medium Term Financial Strategy savings of £6.2m.
 - **Adults and Communities:** A drawdown of £550k to support Adults and Communities Delivery Unit in preparing for the implications of the anticipated Care Act, improving access to services, increasing capacity to support individuals in the community and manage growing demand for services. In addition, this transformation programme will deliver a range of projects to deliver £8.4m of savings in the Medium Term Financial Strategy for 2015/16.
 - **Education and Skills:** A drawdown of £150k to research options to improve service provision, identify potential savings in 2015/16 and beyond and seek options to improve support to schools in future years.
 - **Streetscene:** Cabinet Resources Committee (2 April) approved the in sourcing of the Go Plant transport contract, delivering savings of £125k in 2014/15 and further savings in later years. To achieve this saving a drawdown of £200k is requested related to project management and HR activities.
 - **Smarter Working:** A drawdown of £160k to support the integration of workforce changes, IT systems, and office accommodation to enable further

savings. This programme will develop detailed options and proposals to transform how the Council's employees and promoting mobile working.

- **Portfolio and Programme Management:** The funding of a Portfolio Management function and Programme Management Office (PMO) to will oversee and support delivery of projects, efficient resourcing, improving how the Council manages changes and providing a focus on delivery of benefits. This is the continuation of PMO funding from previous years, to enable delivery of the Medium Term Financial Strategy and support identification and delivery of a further £70m base budget savings. A requested drawdown £1.7m to fund this function in 2014/15 and 2015/16.

1.8 Capital Programme

- 1.8.1 The Medium Term Financial Strategy includes provision for future capital expenditure on Council priorities through to 2020. It is important to note that some priorities, such as school places, are funded in full to the end of the decade. Other priorities, such as housing, investment in roads and pavements, and rolling/cyclical programmes of maintenance, will need to be considered for 2016-20. Theme committees should consider their capital requirements as part of their budget proposals and feed these back to Policy and Resources Committee in October. Policy and Resources Committee will receive a report in October that considers options for the future capital programme alongside a review of contingency and reserves balances.

1.9 Timetable

- 1.9.1 Theme Committees will be supported by officers throughout the summer and autumn to develop their response to these targets, agree a package of proposals by November, to enable a draft medium term financial strategy for the Council to be set by Policy and Resources Committee in December 2014.
- **June:** Finance and business planning process commences. Each Theme Committee receives a report on the budget and business planning process, the budget envelope to 2020, and a summary of potential savings opportunity. Each Committee is asked to develop commissioning priorities and proposals to inform a new Corporate Plan, commissioning strategy for the Committee, and savings proposals.
 - **July – September:** Each Theme Committee initiates working group(s) to work with Officers to identify commissioning priorities and budget savings.
 - **October – November:** Each Theme Committee to agree draft commissioning priorities and savings proposals, for submission to Policy and Resources Committee in December.
 - **December:** Policy and Resources Committee (2 December)

1.10 Consultation

1.10.1 Consultation has already commenced to enable the Council to plan for the future, and will continue as options set out in this report are considered further. Consultation follows three broad phases:

- a) Phase 1 – Citizens’ panels and focus groups have targeted service users, businesses and some protected characteristic groups to gauge residents’ views about local services and priorities.
- b) Phase 2 – the “Call for Evidence” is on-going. This has involved online channels, asking local and national commentators and stakeholders for views on how we meet future challenges, and ensures this thinking is informed by best practice. It was suspended in purdah, and re-opened on 27th May. The findings of phases 1 and 2 will be shared through Theme Committees in July to inform decision making.
- c) Phase 3 – consultation on specific savings proposals will commence as they are formulated. Theme committees will run consultation on groups of ideas over the summer/autumn to inform proposal development. Individual consultation on specific proposals will take place following agreement of a draft Medium Term Financial Strategy and Corporate Plan at Policy and Resources Committee in December.

1.10.2 Existing Medium Term Financial Strategy savings for 2015/16 are planned for Education and Skills. To facilitate the development of a business case for these savings which will come back to committee in the autumn, the Policy and Resources Committee is asked to approve consultation with stakeholders for this specific saving proposal.

1.10.3 The Policy and Resources Committee is asked to agree this approach to consultation.

2. REASONS FOR RECOMMENDATIONS

2.1 As set out in the report above, Local Government is facing significant cuts in funding which will require a fundamental change to the way services are delivered by 2020. Such a scale of change takes time to deliver, and for this reason it is vitally important that the Council has a plan for the future, and this plan stretches not just a couple of years in advance, but for the next 5 years to 2020. As agreed in the budget report to Cabinet in July 2013, Council officers have undertaken a review of budgets, spending and potential opportunities to make further savings over the period 2016-20. This report feeds back on that process, and makes recommendations for committees to take this forward.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 This report in itself does not ask that members make any decisions on specific savings options; rather it sets out a process for engaging all members and theme committees in the development of budget proposals for the period up to 2020.

4. POST DECISION IMPLEMENTATION

- 4.1 Following approval of these recommendations, reports will be taken to theme committees to enable them to consider the development of commissioning plans and savings proposals to meet the targets in this report. These committees need to be in a position to recommend commissioning plans and draft budget proposals to Policy and Resources Committee on 2 December for consultation.

5. IMPLICATIONS OF DECISION

5.1 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.1.1 This report covers the Council's Medium Term Financial Strategy and annual business planning process. In March 2014, the Council set a two year Medium Term Financial Strategy covering the period 2014-15 to 2015-16. Following the local elections in May, this report sets out the process for re-defining the corporate plan and priorities, and the process for setting a budget and medium term financial strategy extending through from 2016 through to 2020.

- 5.1.2 In addition to continued austerity, demographic change and the resulting pressure on services poses a significant challenge to the Council. The organisation is facing significant budget reductions at the same time as the population is increasing, particularly in the young and very old. Given that nearly two thirds of the Council's budget is spent on Adult Social Care and Children's Services, this poses a particular challenge as these services are predominantly 'demand led'. There will also be costs related to infrastructure development. The annual allocation of New Homes Bonus funding is allocated to the infrastructure reserve as a contribution towards these costs.

5.2 Legal and Constitutional References

- 5.2.1 All proposals emerging from the business planning process need to be considered in terms of the Council's legal powers and obligations (including, specifically, the public sector equality duty under the Equality Act 2010) and, where appropriate, mechanisms put into place to ensure compliance with legal obligations and duties and to mitigate any other legal risks as far as possible.
- 5.2.2 Constitution, Responsibility for Functions, Annex A, sets out the terms of reference of the Policy and Resources Committee.

5.3 Risk Management

- 5.3.1 The Council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation. Risk management information is reported quarterly to Committees and is reflected, as appropriate, throughout the annual business planning process.
- 5.3.2 Previous budget setting reports have referred to risks in respect of future spending cuts for Local Government. In December, the Government confirmed spending totals for Councils for 2014/15 and 2015/16. This announcement also indicated that austerity is likely to continue until the end of the decade. Current modelling suggests that this is likely to equate to further annual reductions of between £15m and £20m to the Council's budget. For this reason, it is important that the Council continues to be prudent with its use of reserves and contingency to mitigate against future cuts.
- 5.3.3 The challenges set out in this report require fundamental change in the way Council services are delivered, which impacts on the human resources of the organisation and related policies and practices. This process will be managed in conjunction with Trade Unions and staff.

5.4 Equalities and Diversity

- 5.4.1 Equality and diversity issues are a mandatory consideration in the decision-making of the Council. This requires elected Members to satisfy themselves that equality considerations are integrated into day to day business and that all proposals emerging from the finance and business planning process have properly taken into consideration what impact, if any, there is on any protected group and what mitigating factors can be put in train.
- 5.4.2 The projected increase in the borough's population and changes in the demographic profile will be key factors that need to be considered when determining both the corporate strategy and service responses. Both of these need to also reflect the aspirations and contributions of current residents
- 5.4.3 Similarly, all human resources implications will be managed in accordance with the Council's Managing Organisational Change policy that supports the Council's Human Resources Strategy and meets statutory equalities duties and current employment legislation.

5.5 Consultation and Engagement

- 5.5.1 As set out above.

6. BACKGROUND PAPERS

- 6.1 None

London Borough of Barnet

**Priorities & Spending Review 2014:
Options for the new Council**

June 2014

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Introduction

There is no getting away from the fact that the economic challenges the UK has faced over the past few years have had a significant impact on organisations across the public, private and voluntary sectors and on citizens up and down the country. For Local Government, the unprecedented squeeze on public spending, coupled with rising demand for services, has made the scale of the challenge particularly acute. The last 5 years have been undeniably difficult and – as this report will explore – the signs are that this will continue until the end of the decade.

2. In Barnet, the council has approached these challenges in a sensible and planned way and has always sought to manage the council's finances responsibly. As a result, not only has a level of relative protection been provided to the most vital front line services up to now, the council has created headroom to invest in issues that residents care about – green spaces; schools; housing; transport and infrastructure; and helping young people to find jobs. Tough decisions have been required but, by facing up to the challenge in this way, Barnet has built a solid platform from which to successfully negotiate the next few years.

3. Looking to the future, it is clear that further tough decisions will be required if the council – and the wider public sector in Barnet – is to live within its means. However, it is not all doom and gloom. The UK economy is now expanding and London in particular is expected to grow strongly over the latter half of the decade. As it does so, it will create a real opportunity for the borough of Barnet and for its residents and businesses – an opportunity to share in the benefits of this growth, regeneration and, ultimately, success.

4. The benefits of growth are already being felt locally in Barnet, through the regeneration of areas such as Colindale and Grahame Park and with the major redevelopment of Brent Cross Cricklewood due to start soon. This regeneration is vital for the future of the borough and will provide new homes for Barnet's residents, space for businesses, create thousands of new jobs and revitalise communities across the borough. The council will work to ensure that full advantage is taken of this opportunity, so that Barnet continues to be a successful borough, as part of a successful, global city.

5. Although much of this success and opportunity will happen without any intervention from the council, it does have a role in ensuring that growth happens responsibly and that Barnet's distinctive characteristics and those things that 'make Barnet, Barnet' – its schools and green spaces – are maintained. But it is also important that this opportunity is to the benefit of all residents of Barnet. As such, not only will the council play a role in helping to maintain the right environment for a successful and thriving borough, it will also need to work more closely with other parts of the public sector – such as the NHS and Job Centre Plus – to identify those residents at risk of missing out and provide the right interventions when they are needed.

6. By helping people to help themselves, it will reduce dependence on local services and on the ever diminishing resources available. In that sense, not only is enabling independence the right thing to do for Barnet's residents, it is also an essential part of managing the financial challenges facing the council.

7. As the council approaches the challenges and opportunities of the next few years, a new relationship with Barnet's residents will emerge. As the council's Residents Perception Survey consistently shows, Barnet benefits from strong, cohesive communities and a sense of people looking out for each other and getting involved in local activities. It is crucial that this develops over the years ahead – not simply because the council will need to scale back its activities in some areas, but because, in many cases, residents know best about what is right for their neighbourhoods. Enabling greater community participation will therefore be a priority for the council, alongside doing more to understand the needs of local communities and engage effectively with them; becoming more transparent; and involving residents in the services they use.

8. This report marks the end of the **Barnet 'Priorities and Spending Review' (PSR)** – a 12 month, bottom up process of analysis, evidence gathering and ideas generation to determine the likely impact of further austerity and increasing demand on the borough and, most importantly, to identify some of the changes that will be required to allow the council to live within its means and continue to provide vital services. Not only will the council need to become more efficient, the scale of the challenge also necessitates a closer relationship between the council and the wider public sector to integrate and reconfigure local services around the needs of residents.

9. The PSR represents a considered, rational process for developing a range of options for meeting the projected gap in the council's finances – which is forecast to be **£72 million** between 2016 and 2020 - rather than taking decisions in an arbitrary, top down way. The report sets out a package of options for the council to save money and raise revenue, which has the potential to provide a financial benefit of approximately **£51 million** and go a long way towards closing the £72 million budget gap.

10. Some of these options will require up-front investment and a focus on **preventative action** in order to unlock future savings. Some ideas focus on **changing the behaviour of residents in order to reduce demand on services**. Some will require the council to work differently as an organisation and more closely with other parts of the public sector – both locally and regionally – to become **more efficient** and provide **better, more integrated services**. And some will require the council to stop doing some things entirely as it **prioritises the resources it has available** – either because they are less of a priority or because someone else can do it better.

11. It will be for elected Councillors – as representatives of Barnet's residents – to determine which of these options, and others that we will continue to emerge, they wish to implement, in consultation with residents. It is not the expectation that all of the options presented in this

report will be taken forward to implementation – some will need further development and challenge to overcome barriers to delivery. As such, **the conclusion of the PSR does not mark the end of the need for the council to think differently as it grapples with the challenges ahead.** Rather, the PSR represents a point in time – a chance to look ahead and begin to plan effectively for the future.

12. Indeed, as the PSR process concludes, a gap of some £21 million remains between the council's forecast budget to 2020 and the options identified through this process, particularly in the last three years of the decade. This means that even greater change will be required. It will be for Councillors to determine how the level of Council Tax will play into reducing the financial gap but the scale of the challenge means that, as councils up and down the country continue to innovate, **a new form of Local Government is likely to emerge.**

13. By 2020, it is likely that more Local Authorities will join forces to **merge commissioning and delivery functions**, not only with each other but across the public sector and other local and regional service providers. This is likely to trigger the development of clusters of multi-agency hubs, where public sector agencies are co-located to provide fully integrated services to residents. The **ways in which residents engage with councils – to pay a bill or make a transaction – will become more intuitive with more activity taking place online.** And, by the end of the decade, it is likely that **a more diverse mix of service providers will emerge, from across the public, private and voluntary sectors.**

14. It is clear from how councils have successfully dealt with the first round of spending cuts passed on in the 2010 Spending Review that Local Government can be trusted to deliver – to achieve efficiency savings and reform services for the better. But **meeting the challenges of the future will also require Whitehall to reform both its relationship with Local Government and the way in which councils are funded.** Achieving the vision of a fully integrated public sector with services geared around the needs of individuals will **require Government to devolve more responsibility to Local Authorities and to loosen the reins on the Local Government finance system**, doing more to provide greater flexibility across the system to promote integration and incentivise growth.

15. As this report will demonstrate, there will undoubtedly be challenges ahead but there is also **reason to be optimistic** - to strive to grasp the opportunities open to Barnet's residents and businesses and to share in the success of remaining one of the most prosperous boroughs in one of the best cities in the world.

EXECUTIVE SUMMARY

- **Knowing that austerity will continue until the end of the decade, Barnet Council has a responsibility to plan for the future, building on the success of how it has dealt with the challenges of the past 5 years.**
- **The council established the Priorities & Spending Review (PSR) process to consider how it will successfully live within its means to the end of the decade.**
- **The PSR has been based on a process of consultation and engagement: With residents, so that the council understands what residents care about; and with a variety of local and national organisations so that the council has access to a wide range of ideas to inform its approach.**
- **The council forecasts that its budget will reduce by a further £72 million between 2016/17 and 2019/20, in addition to the £72 million reduction in the first half of the decade. Overall, the council's spending power in 2020 will be roughly half of what was in 2010.**
- **Although the council needs to make further savings, its budget will still be around £200 million by 2020. The council will ensure these resources are prioritised effectively, in accordance with the priorities of residents; that its statutory duties are effectively discharged; and that the decisions it takes are transparent and represent value for money.**
- **Despite the challenges, there are opportunities. London's economy will grow strongly over the remainder of the decade, and this growth will benefit Barnet.**
- **The borough's regeneration schemes will create more than 20,000 new homes and provide for up to 30,000 new jobs and the council will receive over £5.6 million in recurrent income from regeneration by 2020, with a further £50 million of non-recurrent income to be reinvested in infrastructure.**
- **However, not all of Barnet's residents may be able to take advantage of this opportunity, which creates a role for the council – working with other parts of the public sector – to identify those residents who need a degree of support to enable them to benefit from Barnet's success.**
- **The council is working in partnership with the Department of Work and Pensions, local Job Centres, skills providers, employers and Public Health with the aim of moving more people into work. Not only will this improve the quality of life for individuals, it will also reduce pressure on local services.**
- **Greater community participation in local issues will also be an essential part of the change the council will need to achieve to meet the financial challenges ahead. The council will develop a Community Participation Strategy, with the aim of achieving a greater level of collaboration with communities and enabling residents to take on greater responsibility for their local areas.**
- **Feedback from the first phase of PSR consultation has been used to establish a set of principles that have framed the development of options for closing the £72 million budget gap. These principles are Fairness, Responsibility, and A Good Quality of Life for All.**
- **In total, the PSR has identified options that have the potential to save the council up to £50.8 million through reduced spending and increased income over the period from 2016/17 to 2019/20 and go towards closing the £72 million budget gap.**
- **Of this, nearly half (48%) come from options for increasing organisational efficiency. Of the remainder, 20% comes from options for reducing demand and increasing independence; 20% from the proceeds of growth and taking a more entrepreneurial approach to maximise income; and 12% from redesigning and integrating services.**
- **It will be for elected Councillors to decide which of the PSR options to take forward to implementation through Council Committees, in consultation with residents and council staff.**
- **By way of illustration, if the entirety of the PSR package were to be implemented, the profile of savings shows that it is the last three years of the decade where a significant budget gap is likely to remain, with challenge really biting in 2017 and 2018.**
- **The council will continue to innovate to identify further opportunities to close the gap and it will be for Councillors to determine the balance of spending reductions and income generated through Council Tax as it does so.**
- **The council will require further flexibilities from central Government to fully close the gap, through greater financial devolution and increased flexibility across the Local Government Finance System to incentivise growth.**

1. ABOUT THE BARNET PRIORITIES & SPENDING REVIEW 2014

CHAPTER SUMMARY:

- Knowing that austerity will continue until the end of the decade, the council has a responsibility to plan effectively for the future, building on the success of how it has dealt with the challenges faced over the past 5 years.
- In the summer of 2013, the council established the Priorities & Spending Review (PSR) to consider how it will successfully negotiate the financial challenges over the period from 2016/17 to 2019/20.
- The PSR represents a considered, bottom up process tasked with developing a package of options for meeting the projected gap in the council's finances until the end of the decade. The PSR has been based on evidence and analysis, with the objective of avoiding budget allocations being made in an arbitrary, top down way.
- There are three main elements of the PSR:
 1. **Forecasting the council's budget to 2020** – so that the council understands the scale of the challenge and the level of savings required. This analysis will form the basis of a new Medium Term Financial Strategy, which will set the council's budget envelope to 2019/20.
 2. **Consultation and engagement** – i) With residents, so that the council understands what residents care about; and ii) With a variety of local and national organisations - such as think tanks, professional bodies, businesses, Government departments - so that the council has access to a wide range of thinking to inform its approach.
 3. **Developing options for meeting the challenge** – using evidence, research and analysis to develop a range of potential options for making savings and generating income to close the gap in the council's finances.
- This report represents the conclusion of the PSR. It will be for elected Councillors to determine which of the options presented will be taken forward, developed further and implemented, following consultation with residents and staff.

The importance of planning for success

1.1 A critical element of Barnet Council's success in dealing with the financial challenges of the past five years has been the emphasis it has placed on **forward planning**. Barnet has a history of approaching challenges in a considered, logical and structured way and it is right that this should continue.

1.2 In 2008, the council's 'Future Shape' programme foresaw the spending cuts that were passed on by Government at the 2010 Spending Review and set a platform on which to base its response. Future Shape was succeeded by the 'One Barnet' programme, which developed 'bundles' of services to test with the market and will generate cumulative savings of £275 million over 10 years.

1.3 Knowing that the UK's current budget deficit means that austerity will continue until the end of the decade which, combined with rising demand, will place increased pressure on the council's resources (see **Chapter 2**), it is right that the organisation continues its commitment to forward planning. To do otherwise would leave the council at risk from ill-considered, short-term decision making.

The Barnet Priorities & Spending Review

1.4 The council's response has been the **Priorities & Spending Review (PSR)** - a 12 month process of analysis, engagement and ideas generation, which commenced in summer 2013 with the ambition of understanding the level of financial challenge facing the council and its local strategic partners up to 2020 and developing options for elected Councillors to consider - after the 2014 Local Elections - to close the budget gap.

1.5 Ultimately, the PSR is about **innovation** – of both thinking and doing things differently. The PSR has been designed to raise questions that challenge the role of the state, civil society and the individual, set within the context of local priorities that allows the council to determine its longer-term priorities and set a new **Medium Term Financial Strategy (MTFS)** to 2020.

1.6 A crucial element of the PSR is **consultation and engagement**. To date, the PSR has included a first phase of resident consultation – through Citizens Panel events and Focus Groups - so the council has an understanding of what residents care about as it considers the challenges ahead. The PSR has also consulted with a variety of local and national organisations - think tanks, professional bodies, businesses, Government departments – through a '**Call for Evidence**' so that it has access to a wide range of thinking to inform its approach. The Call for Evidence will close at the end of June 2014 and used to inform decisions taken through Council Committees.

1.7 This report represents the **final output of the PSR**. It sets out a **package of options for the council to save money and generate income which will be considered by elected Councillors**, with those measures which are taken forward **subject to public consultation before a final decision is taken and implementation begins**. The **legal implications** of each option will also be fully explored and **Equalities Impact Assessments** considered.

Continued innovation and further analysis

1.8 It is important to be clear **the end of the PSR does not mark the end of the council's thinking**. As this report sets out, a gap in the council's finances will remain even if all of the options were implemented and the estimated quantum of saving achieved. This means that the council will need continue to innovate and develop new approaches to how public services are designed and delivered, including through even greater integration across the public sector.

1.9 Further options will need to be developed and worked through as, inevitably, some of the measures set out in this report will not be taken forward or will be scaled back when subject to further scrutiny. In such cases, **alternative proposals will need to be developed to ensure that the budget gap is closed**. Further detail on the PSR process and the methodology that has supported it is set out in **Chapter 6**.

2. THE SCALE OF THE CHALLENGE TO 2020

CHAPTER SUMMARY:

- The UK is not yet half way through what is expected to be a decade of austerity and, despite a growing economy, a national budget deficit of approximately £50 billion will remain at the time of the next General Election in 2015. This means that cuts to public spending will continue until the end of the decade, no matter which political party is in power nationally.
- As part of the Government's aim to bring the UK's finances back into surplus, further spending cuts will be passed on to Local Government by Whitehall.
- Alongside continued austerity, population growth and demographic change will increase pressure on local services, particularly health and social care.
- The Government's major policy reforms will also increase the pressure on Local Government, particularly the implementation of the Care Act - which will require Local Authorities to cover the cost of care beyond the £72,000 cap for individuals – and increased entitlements through the Children and Families Act. Although the Government has pledged additional resources to help meet these pressures, this is unlikely to be sufficient.
- The PSR forecasts that the council's total budget will reduce by a further £72 million over the four year period from 2016/17 to 2019/20. This is in addition to the £72 million budget reduction from 2011/12 to 2015/16, meaning that council's total spending power will be around 50% lower at the end of the decade, compared to the start.
- Further austerity and rising demand will also impact the wider public sector and the council's local strategic partners: The Barnet Clinical Commissioning Group, Police, Job Centre Plus, Middlesex University, Barnet and Southgate College and Community Barnet. The PSR forecasts that up to £185 million could be cut from the combined budgets of the council and its local strategic partners over the period 2016/17 to 2019/20.
- It is clear, therefore, that the combined challenge of continued austerity, policy reform and rising demand is a challenge that requires a collective response from the council and its local strategic partners.
- Alongside reforms to local services, many of Barnet's residents will continue to face financial pressures, due to high energy bills, high and increasing housing costs, continued public sector wage restraint and the impact of changes to the benefit system.

The context of the PSR

2.1 This chapter sets out the **wider economic context and financial challenges** facing the council, the wider public sector, and many of Barnet's residents. It explains why the council believes that austerity and continuing demand for public services will continue, and presents a clear **rationale** for the council's decision to take forward the PSR.

The economic impact of the global financial crisis

2.2 The economic turmoil of the past 5 years or so can be traced back to the origins of the financial crisis which spread across the banking sector from 2007 to 2009 and eventually led to a **global economic downturn**. This downturn – and the resulting squeeze on public spending - has had huge ramifications for the global economy, the public finances in the UK and on living standards.

2.3 In 2010, when the current Government came to power, the UK budget deficit – the gap between how much it was spending and how much it received in income through taxation - was the largest in its peacetime history at over £150 billion. Annual interest payments on the UK's borrowing alone stood at £43 billion, which meant **the Government was spending more each year on servicing its national debt than it was on schools in England**.

2.4 The Government's initial response to the UK's burgeoning budget deficit came at the 2010 Spending Review, which set a pathway for tackling the debt and deficit burden by **cutting public spending by £81 billion over the period from 2011 – 2015**. Inevitably, the impact of this reduction in spending has been felt by Local Government. The consequence of the 2010 Spending Review for Barnet was that, over the period from 2011 – 2015, **the council's budget was reduced by 26%, equivalent to £72 million**.

2.5 Barnet's response to the first wave of cuts has been **carefully planned and implemented**. A consequence of this careful financial planning – through the agreement of a robust Medium Term Financial Strategy (MTFS) through to 2015/16 - has meant that **the council been able to afford a level of relative protection to frontline services up to now, with 77% of the savings up to 2015 coming from back office and management costs**. The successful management of taxpayer resources has also meant that the council has been able to pass on a proportion of these benefits to residents through **lower Council Tax bills**. Council Tax in Barnet has been frozen since 2010/11, with a 1% reduction in bills to every household in 2014/15.

2.6 However, although the council now finds itself in a relatively strong financial position compared to a number of other Local Authorities, there are still challenges ahead in implementing the decisions taken as part of the current MTFS up to 2015/16, in addition to the need to make cuts on a similar scale in the latter half of the decade.

The macro-economic position today – economic growth alongside continued austerity

2.7 Nearly four years on from the 2010 Spending Review, the context of public sector spending cuts is now well established and familiar to all those working across the sector or closely with it. That being the case, the council's own recent consultation in relation to the PSR –

which is explored in **Chapter 6** - has highlighted a **degree of surprise amongst residents about the need for further austerity**.

2.8 This surprise might be because **the UK economy – after a sustained period of recession – is now growing**, with inflation below 2% and unemployment almost at pre-financial crisis levels, particularly in London. However, despite an upturn in the macro-economic picture, the fact remains that – as things stand and despite cuts of around £100 billion since the 2010 General Election – the UK is still running a structural deficit of over £80 billion which, although declining, is **expected to stand at around £50 billion by the 2015 General Election**. That is to say, even with strong growth factored into the Treasury's fiscal assumptions, the amount of money being spent by the Government in 2015 will still be £50 billion more than it receives through taxation. That is why further austerity will be required beyond 2015, no matter who is in No10¹. Inevitably, this means that further cuts will be passed on to Local Government.

The impact on residents from policy reform and continued fiscal restraint

2.9 Alongside on-going austerity, and the impact this will have on local services, **many of Barnet's residents will continue to be affected by financial pressures for a number of years**. This is likely to be driven by high energy prices and rapidly increasing housing costs, the latter being most acute in Barnet and across London. For those residents working in the public sector, there will be continued restraint on wages for the next 5 years, which the Government will use as a mechanism to control inflation and reduce the budget deficit. Taken together, this means that, despite relatively low inflation at the present time, large numbers of people in certain parts of the borough are likely to continue to see their income squeezed.

2.10 Added to this, large numbers of residents in Barnet and across London will be further challenged by the Government's focus on **reducing welfare spending**. Total UK spending on welfare is forecast to be £222bn in 2014/15, some 30% of total public spending (£732bn)². That being the case, and considering that large areas of public spending such as health and education have been ring-fenced, creating a significant gearing effect, it is not possible to eradicate the country's budget deficit without taking action to cut the welfare bill. In recognition of this, **both Labour and the Conservatives have set out plans to cap spending on welfare over the next Parliament**.

2.11 Locally, **the elements of the Government's Welfare Reform programme that have been implemented thus far (the Benefit Cap; the under-occupancy charge; and changes to Council Tax Support) are having an impact**. Analysis shows that, in 2015/16, a total of £80 million will be cut from benefits going to Barnet residents – the 10th highest of all Local Authorities. In total, 27,000 Barnet residents have been impacted by benefit reforms introduced to date, with 4,600

¹ The pace of austerity is likely to alter slightly depending on who is in power and the decisions they take in relation to the balance between taxation and spending. Based on current forecasts, the Conservatives have said they will eradicate the deficit by 2018/19, whereas Labour will take a further year to do so.

² Budget 2014, HM Treasury, March 2014

residents facing a gap of more than £25 a week between their rent and housing benefit. The rising cost of housing across London and in Barnet³ has exacerbated the impact, with around 40% of those claiming housing benefit and Council Tax support in paid employment and the number of council tenants in rent arrears increasing.

2.12 Although the impact of Welfare Reform is being felt across the borough, the impacts are most acute in the more densely populated areas to the South and West and in more deprived Wards. It is these residents who will require intervention from the council and the wider public sector to enable them to move into employment and reduce their reliance on the state.

Increasing demand on local services from demographic change and policy reform

2.13 Pressure on public services will be exacerbated by **continued population growth and demographic change** over the next decade, consistent with wider growth that will be evident across London.

2.14 Between the 2001 and 2011 Census periods, total population in Barnet grew by 11.5% (London 11.6%) and it remains **the second of the most populous borough in London**, surpassed only by Croydon. Within the overall growth in population, the size of the average household has increased and growth in the young and old populations has been particularly rapid.

2.15 These trends are set to continue over the coming years. **Barnet's total population is expected to increase by nearly 5% over the next 5 years (an increase of 17,308)**, with further growth in both the young and old cohorts. The effects of an ageing population will become most acute, with the over-65 population forecast to grow by 10.4% over the next 5 years and 24% over the next decade⁴, placing increased pressure on social services and health budgets.

2.16 Alongside this, the council will also face significant financial pressure as a result the **Government's policy reform programme**, particularly in relation to the **Care Act** which sets out wide ranging reforms to the way health and social care is funded. The main component of the Act is the introduction of care accounts for people eligible to receive care and support, and a cap on the total cost that individuals contribute towards their care. Once individuals have contributed up to a maximum of £72,000, it will fall to Local Authorities to cover any costs above this level.

2.17 Although the Government has announced that additional funding will be provided to Local Authorities to cover the costs of the Care Act, analysis by London Councils has shown that this is likely to be inadequate. London Councils estimates that an additional £1.5 billion will required nationally from 2016 to 2020, against the Government's estimate of £1 billion⁵. Clearly,

³ Private sector rents in Barnet increased by 9% in 2013

⁴ GLA 2014 population estimates

⁵ Care and Support Funding Reform: Cost implications for London. London Councils.

any shortfall in the level of additional funding provided by Government will increase the financial burden on Local Authorities.

2.18 The **Children and Families Act** includes new responsibilities for Local Authorities to transform the system for children and young people with special educational needs (SEN), including those with disabilities. The Act extends the SEN system to include children from birth to the age of 25 and gives children, young people and their parents greater control in decisions about how their needs are met. To support this, a new co-ordinated assessment process involving health, education and social care is required that will develop an integrated plan for each child who needs it.

2.19 There is also a requirement for Local Authorities to publish a single source of information for children and their families about the range of services and support available to them, as well as to develop a personalised budget offer for families. Implementing this new system will be resource intensive in the short to medium-term, with the longer-term potential pressures arising from extending the age range to 25 still being explored.

The financial impact on Barnet Council and its local strategic partners

2.20 As **Chapter 6** sets out, the PSR has modelled the council's budget to 2020, based on assumptions around income and expenditure and the continued squeeze on public spending. Based on the outputs of the model, **the council expects its total budget to reduce by a further £72 million over the four year period from 2016/17 to 2019/20**. That is to say, the council's budget will be £72 million lower on 1 April 2020 than it was on 1 April 2016.

2.21 This level of budget reduction in the latter half of the decade is in addition to the £72 million that will be taken out of the council's budget from 2011/12 to 2015/16 and means that, by the end of the decade, the council's total spending power will be almost half of what it was at the start.

2.22 The PSR has also modelled the impact that further austerity and rising demand is likely to have on its **local strategic partners**: The Barnet Clinical Commissioning Group, Police, Job Centre Plus, Middlesex University, Barnet and Southgate College and Community Barnet. **The PSR forecasts that up to £185 million could be cut from the combined budgets of the council and its local strategic partners over the period from 2016/17 to 2019/20**.

2.23 It is clear, therefore, that the combined challenge of continued austerity, policy reform and rising demand is **a challenge that is shared across the local public sector and between the council and its local strategic partners**. Successfully meeting this challenge therefore requires a **collective response**.

3. FULFILLING THE COUNCIL'S DUTIES AND FOCUSING ON WHAT RESIDENTS CARE ABOUT

CHAPTER SUMMARY:

- Although the council is facing further budget reductions of around 20%, the majority of the council's budget – some £200 million – will remain by the end of the decade.
- The council's focus will be to ensure that resources are prioritised effectively, in accordance with the priorities of residents; that statutory duties are effectively discharged; and that decision making is transparent and represents value for money.
- In making the required organisational and service reforms through to 2020, the council will work to ensure:
 - That Barnet's waste is disposed of and the borough's streets are cleaned.
 - That Barnet's parks and green spaces are looked after.
 - That the borough's network of roads and pavements and other transport infrastructure remains viable.
 - Continued housing development and regeneration across the borough.
 - That Barnet's schools remain amongst the best in the country - with enough places to meet future need - and equip children to become successful adults.
 - Effective safeguarding and protection for the borough's children, young people and vulnerable adults.
 - Personalised, integrated health and adult social care providing individuals and families with the right support to enable them to remain in their own home.
 - A new standard in customer services, with the way in which residents interact with the council significantly improved and simplified.

Although the council needs to make further savings, it will still have a budget of around £200 million by the end of the decade

3.1 Inevitably, when the attention of any organisation – or any family or individual - turns to the decisions they will need to take to cut costs, it often becomes the primary focus. However, it is important to remember that, whilst the council will need to take some very challenging decisions in order to manage a further 20% reduction to its budget, **around £200 million of taxpayer resources will remain under its control by 2020.**

3.2 The focus of the council will be to ensure that these **resources are prioritised effectively**, in accordance with the views expressed by residents through consultation, and that its statutory obligations are fulfilled. In doing so, the council will also ensure that the decisions it takes are transparent and represent value for money for the taxpayer.

Prioritising the issues residents care about

3.3 Given the scale of financial challenge, it would not be sensible to make generalisations about areas of council spending that will be protected at this stage. However, it is possible to

give an indication about the on-going responsibilities of the council and **the priorities that it will focus on over coming years**. The council has drawn on feedback received from residents through recent **Resident Perception Surveys**, which are in depth surveys of 2,000 residents conducted on a biannual basis and used as a reliable barometer of resident views.

3.4 Over the last two years, Barnet's Resident Perception Surveys have highlighted the maintenance of the borough's **roads and pavement networks** and **street cleanliness** as areas of high priority. **The quality of Barnet's schools and green spaces** have also been highlighted, with a similar picture emerging through the first phase of PSR consultation, and **these are issues that the council will continue to focus on**.

Box 1: Council resources will be used to ensure:

- That Barnet's waste is disposed of and streets are cleaned.
- That Barnet's parks and green spaces are looked after.
- That the borough's network of roads, pavements and other transport infrastructure remain viable and are able to cope with increased usage.
- Continued housing development and regeneration across the borough, to help meet the needs of a growing population.
- That Barnet's schools remain successful - with enough places to meet future need - and equip children to become successful adults.
- Effective safeguarding and protection for the borough's children, young people and vulnerable adults.
- Personalised and integrated health and adult social care, providing individuals and families with the right support to enable them to remain in their own home.
- Improved and simplified processes for residents and businesses to interact with the council, for example to request a service or pay a bill.
- On-going engagement with the police to tackle crime and anti-social behaviour.
- New standards of customer service with users helping to co-design the services they use, making customer transactions easier and more intuitive.

Environmental services

3.5 The improvements made to the council's **waste and recycling offer** in October 2013 have created a step-change in the amount of waste that is recycled, with a corresponding reduction in the amount sent to land-fill. Not only is this better for the environment, it is also more cost effective for the council. Although further savings will need to be made to waste and recycling services, the council will **continue to ensure that the borough's waste and recycling is collected and disposed of**.

3.6 The council continues to be committed to **keeping the streets of Barnet clean**. Within the last six months, the council has invested in a fleet of mechanical sweepers to better clean Town Centres and residential streets. The cleanliness of the borough will be further improved by changes to ensure that cleansing routes are optimised and that Town Centre and residential sweeping beats are regularly reviewed to ensure a consistent standard of cleanliness.

3.7 Resident feedback consistently shows that Barnet's **parks and green spaces** are amongst its biggest assets and are a strong influence for people deciding to live in the borough. The council recognises this, and will **continue to ensure that the borough's parks and green spaces are looked after**, including through greater partnerships with community groups.

Housing, regeneration and infrastructure

3.8 As the borough continues to grow, the council will focus on the provision of high quality **housing and infrastructure** across the borough. Barnet's seven major regeneration schemes will create more than 20,000 new homes over the next 20 years. A total of 965 new affordable homes were built in 2011/12 and 2012/13, with capacity for 300 new council homes on non-regeneration estates and over 40 to be built over the next 2 years.

3.9 Over the past 3 years, the council has invested more than £10 million in the **borough's road and pavement networks** in addition to the annual base spend of £4 million. The council will **continue to ensure that Barnet's roads and pavements – as well as other parts of the borough's transport networks – remain viable** and are able to cope with increased usage.

Adult Social Care and Community Services

3.10 The council will **continue to achieve its core priorities and statutory duties in relation to adult social care and health**, including:

- Providing **timely and accurate information, advice and guidance** to residents with social care needs.
- Providing **appropriate assessment** and **personalised support** to both residents with care needs and family carers.
- Sustaining a **strong partnership with the local NHS** so that individuals can maintain and improve their **physical and mental health**.
- **Safeguarding vulnerable adults**.
- The **discharge of statutory duties** under a range of legislation including **community care; mental capacity; and crime and disorder**.
- Ensuring access to **leisure services** across the borough and **promoting physical health**.
- Partnership working through **community safety measures to reduce crime and anti-social behaviour**.

3.11 Adult social care services are going through a significant period of change, which will continue over the next few years as Local Authorities respond to the changes made through the **Care Act** and do more to **integrate health and social care**. Barnet has embraced this agenda and, as the council negotiates the challenges of the next few years, it will ensure that:

- The borough is **effectively prepared for the implementation of the Care Act**, both in terms of helping to prepare residents for the changes but also to ensure that the council discharges its statutory duties.
- The council and the Clinical Commissioning Group (CCG) makes effective use of the **Better Care Fund to integrate health and social care services**, providing greater choice and more coordinated services to residents whilst generating efficiency savings.
- The council implements its vision for adult social care, which is focused on **providing personalised, integrated care with more residents supported to live in their own home**.

Children's Services

Education & Skills

3.12 Barnet's **schools and education facilities** rank amongst the best in the country, with **91% of primary schools and 86% of secondary schools rated by Ofsted as good or outstanding**. Results from GCSE exams taken in the summer of 2013⁶ show that 71.5% of Year 11 pupils in Barnet obtained 5 GCSEs including English and Maths, compared to the national average of 59.2%, **placing the borough in the top 5% of Local Authorities nationally when it comes to exam success at key stage 4**.

3.13 Drawing on feedback from residents, **the council recognises that quality of the Barnet's schools is at the heart of the borough's success** and is one of reasons why so many people chose to live here. It is the top priority of the council's **Education and Skills Delivery Unit** to ensure that this success continues, and that the other core aims of Barnet's Education Strategy are achieved, namely that:

- Every child attends a **good or outstanding school**, as judged by Ofsted;
- The **attainment** and **progress** of children in Barnet schools is within the top 10% nationally;
- The progress of the most disadvantaged and vulnerable pupils is accelerated, in order to **close the gap** between them and their peers.

3.14 In working to achieve these aims, the **Education and Skills Delivery Unit** will focus on achieving the following outcomes over the next few years, working closely with Family Services to deliver against the outcomes in Barnet's **Children and Young People's Plan**:

⁶ 2013 GCSE results, Department for Education

Box 2: Prioritising schools and post-16 participation**Schools**

- Ensuring a sufficient supply of school places to enable all pupils to secure a place at a good school and improving attendance.
- Ensuring that all children with Special Educational Needs receive the support they need at school to achieve their best.
- Providing a clear Local Authority offer in relation to the effective monitoring and challenge of Barnet's schools and, where schools are identified as providing cause for concern, they get the right support to improve quickly.
- Ensuring effective use of the pupil premium to benefit of vulnerable pupils.
- Ensuring schools are well governed, with relevant and up to date training and support available to all schools, including Academies and Free Schools.

Post-16 participation, progression and skills

- Effective tracking and monitoring of 16+ young people.
- A broad offer for young people, encompassing a range of options including apprenticeships and employment opportunities.
- A sufficient local offer to enable young people with learning difficulties and/or disabilities to live and work in their local community.
- A cohesive strategic approach to equipping residents with the skills required to access employment.

Family Services

3.15 The council's **Family Services Delivery Unit** will continue to focus on:

- **Creating better life chances for children and young people** across the borough;
- **promoting family and community wellbeing** and encouraging **engaged, cohesive and safe communities**; and
- sustaining a strong partnership with the local NHS so that families and individuals can **maintain and improve their physical and mental health**.

3.16 In addition, Family Services will continue to deliver against outcomes in Barnet's Children and Young People's Plan around **ensuring a great start in life for every child, preparation for adulthood, early intervention and prevention, and keeping children safe**.

3.17 Family Services will **ensure effective delivery of the 200 or so statutory functions the council is required to provide**, including those related to **Adoption, Assessment, Care, Safeguarding Children, Youth Offending and Early Years support**. Barnet is a comparatively safe borough with a low proportion of children in care and maintaining that level will continue to be one of the service's priorities. Family Services will continue to ensure that its **safeguarding arrangements are effective and robust**, achieved by improving the interface between statutory services, for example Social Care and Youth Offending teams working closely together to identify and support young people who might be at risk.

3.18 Family Services will also drive improvement across all its practices by **increasing the participation of children and young people**, including in social care decisions that impact on them.

3.19 It is widely acknowledged that **effective early intervention and prevention** can improve outcomes for families and that support offered early on can significantly reduce the need to seek or receive more acute, costly support at a later stage. A review of cases of looked after children in the borough has identified the ‘toxic trio’ of **domestic violence, substance misuse and mental ill-health**, particularly when they were present in combination, as common features of families where harm to children has occurred. As such, tackling these issues will continue to be a priority and Family Services will work with partners in the Clinical Commissioning Group to coordinate the most effective commissioning and delivery of services.

Customer services

3.20 The council’s partnership with Capita to provide ‘back office’ functions – which includes IT, estates management, procurement, finance, HR and revenue and benefits – as well as front facing customer services will provide an improved service at lower cost. The contract provides for significant up-front investment to service improvements, which would not have been possible had the services remained in-house. In total, **the contract with Capita will save the council £125.4 million over 10 years**.

3.21 The partnership will also achieve **new standards of customer service**. It will see service users co-design the services they use; it will make customer transactions – such as paying Council Tax or requesting a parking permit – easier and more intuitive; and it will provide the council with a much richer source of customer insight about who is using local services and their preferences. This insight will help to design more responsive services in the future.

Developmental and Regulatory Services

3.22 The council’s partnership with Capita to provide Developmental and Regulatory Services (DRS)⁷ will **deliver a guaranteed £39m financial benefit over 10 years as well as significant upfront investment to sustain and improve these services**. The DRS contract will be managed via an innovative Joint Venture between the council and Capita, named ‘Regional Enterprise’ (Re).

3.23 The contract includes a range of key performance indicators which focus on **improving customer satisfaction** with the services provided, as well as growth related indicators such as **increasing business survival rates** in the borough – through improved transport and

⁷ Planning Development Management, Building Control and Structures, Environmental Health, Trading Standards and Licensing, Strategic Planning and Housing Strategy, Highways Network Management, Highways Traffic and Development, Land Charges, Cemetery and Crematoria, Regeneration.

infrastructure and local supply chain management – and **reducing youth unemployment** through investment in apprenticeships, enterprise hubs and partnerships with Middlesex University and Barnet and Southgate College.

3.24 The Joint Venture will provide a regional platform to deliver DRS services across the south of England. Re will create a strong consultancy base and a **‘best in class’ range of tradable services** to win and deliver work for other authorities. As a partner in the business, **the council is entitled to a share of all income generated**, meaning that Barnet’s taxpayers will benefit from the future success of the enterprise.

4. THE IMPORTANCE OF GROWTH AND REGENERATION IN BARNET

CHAPTER SUMMARY:

- Barnet will continue to be a successful, growing borough as part of a successful, growing World City. London's economy will grow strongly over the remainder of the decade, which represents a significant opportunity for Barnet's residents and businesses, as well as for the council.
- Growth and regeneration is crucial for the future of the council and the borough – it brings in more revenue from Council Tax, Business Rates and the New Homes Bonus which means that less will need to be cut from local services.
- The council will receive £5.6 million in recurrent income from regeneration by 2020, with a further £5.7 million accruing by 2025. The council will also receive £50 million in one off income by the end of the decade, to be invested in infrastructure.
- Barnet will go through a significant period of regeneration over the next decade and beyond, with seven major schemes being planned and implemented in areas such as Colindale, Dollis Valley and Brent Cross Cricklewood. In total, these schemes will create more than 20,000 new homes and provide for up to 30,000 new jobs across the borough.
- Prioritising regeneration and development – both in terms of Barnet's residential and commercial spaces – will revitalise communities and ensure that the borough continues to benefit from the proceeds of growth.
- Regeneration will also reduce future demand on services through the effective design of new communities, helping residents to live longer in their own homes and reduce pressure on social care services.

Responsible growth and regeneration for a prosperous future

4.1 Investment in regeneration and development is an **essential driver for economic growth**. Regeneration **creates jobs, reinvigorates communities and improves living standards**. Regeneration is also crucial in maintaining Barnet as a successful and prosperous London borough, where people want to live, work and study.

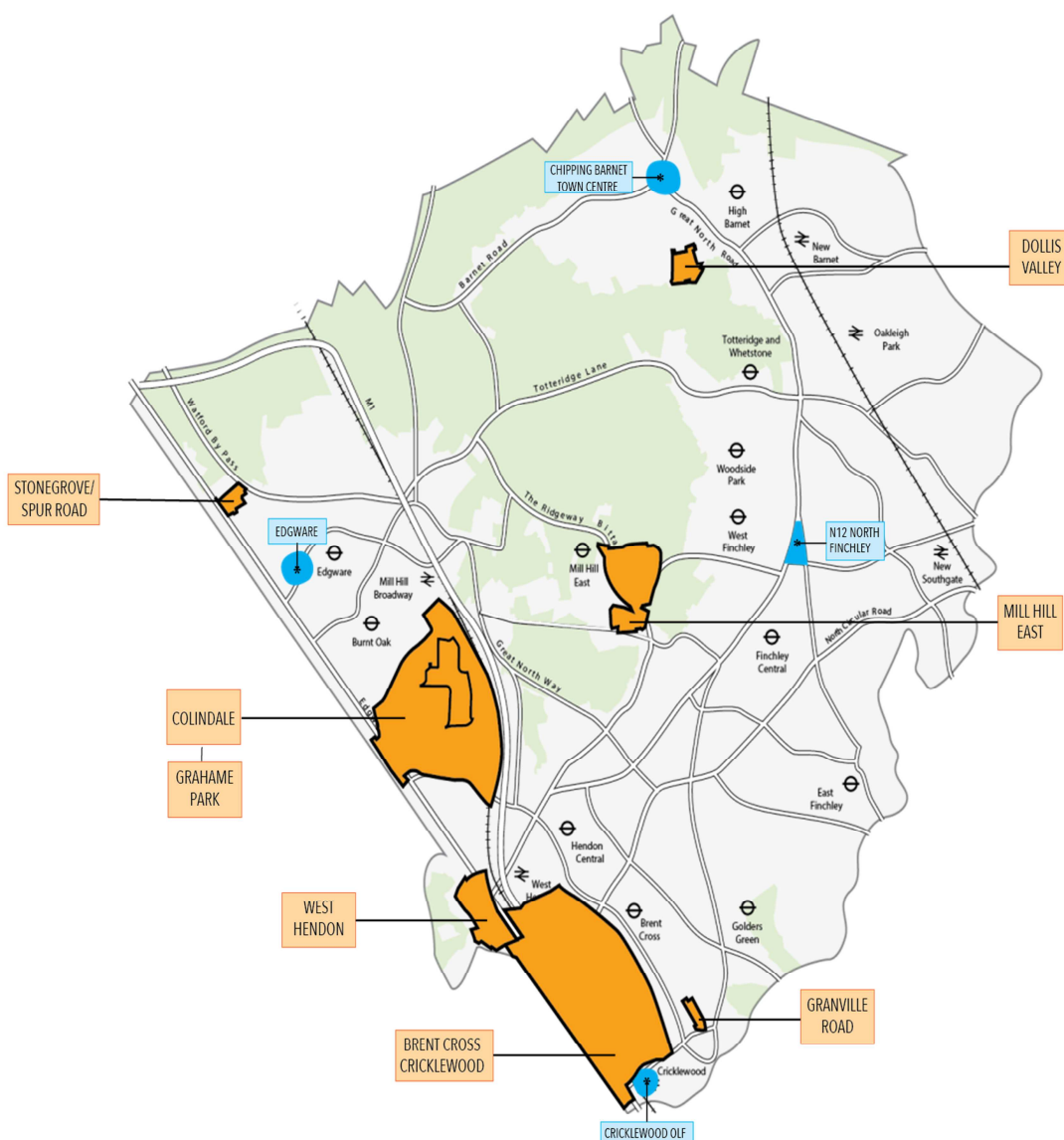
4.2 Barnet will go through a significant period of regeneration over the next decade and beyond, with seven major schemes being planned and implemented in areas such as Colindale, Dollis Valley and Brent Cross Cricklewood. In total, **these planned regeneration schemes will create more than 20,000 new homes and provide for up to 30,000 new jobs across the borough**. They will also bring **significant investment in infrastructure** – in transport, schools and community facilities.

4.3 Whilst the council is committed to embracing regeneration as a driver for continued success, it is essential that regeneration is delivered by the council and its partners in a **responsible and sustainable way**. The council will ensure that **Barnet's green and open spaces are protected** so that the borough remains an attractive place where people want to live now and in the future.

The benefits of Barnet’s major regeneration schemes: New homes, local jobs, modern infrastructure and revitalised communities

4.4 There are seven major regeneration schemes either being planned or being implemented across Barnet. In total, the council expects to receive **£5.6 million from the proceeds of growth** – in other words, the recurrent income from the planned regeneration schemes already in the pipeline – by 2020, with a **further £5.7 million of recurrent income generated by 2025**. The council will also benefit from **one off income of over £50 million** from regeneration by 2020, to be invested in infrastructure.

Figure 1: The location of Barnet’s major regeneration schemes



Box 3: The benefits of Barnet's major regeneration schemes

Colindale and Grahame Park

- The regeneration of Colindale, in the west of the borough, is Barnet's largest regeneration scheme. 3,000 new homes have already been built in Colindale since 2010 and, by 2025, the regeneration will create over 10,000 new homes, with around 1,000 jobs created by 2016.
- £700 million will be invested in the complete regeneration of Grahame Park, Barnet's largest housing estate, over the next 13 years which will transform the community.

Brent Cross/Cricklewood

- Planning consent for the £4.5 billion, privately funded regeneration scheme at Brent Cross Cricklewood, in the south west of the borough, was issued in 2010 and modifications agreed in 2014. In 2014, the council started the process to appoint a new development partner to deliver the scheme.
- The plan includes the refurbishment and extension of the Brent Cross shopping centre, creating 7,500 new homes and commercial space for up to 27,000 new jobs. Construction is planned to start in 2016 and will take 20 years to complete. The development will include significant investment in major infrastructure and transport including new roads, junctions and bridges, a new Thameslink railway station and replacement bus station at Brent Cross, as well as new schools and community facilities.

Stonegrove and Spur Road

- The £230 million regeneration of the Stonegrove and Spur Road Estates in Edgware, to the north of the borough, will create a revitalised, attractive and vibrant neighbourhood. The current mix of low and medium rise blocks, constructed in the 1960s and 70s, will be replaced with nearly 1,000 new homes. By March 2014, 388 new homes had been built and the scheme is on track to be completed by 2018.
- There will be road improvements to important junctions between Spur Road and Green Lane and investment in community facilities, with a new combined community hall and church buildings.

West Hendon

- The £500 million regeneration scheme at West Hendon, to the west of the borough, will create a mixed tenure of around 2,000 new homes. By February 2014, 186 new homes had been completed.
- A revised Masterplan was given planning consent in 2013 and the next major phase of 216 homes commenced in January 2014. The scheme will include the replacement of the existing community centre with a new, modern facility and the reconfiguration of the road network to improve access and traffic flow.

Dollis Valley

- The £129 million privately funded regeneration of the Dollis Valley Estate, to the north of the borough, will create a new sustainable neighbourhood with mixed tenure housing and improved transport links. The first phase started on site in January 2014 and the scheme is due for completion in the Spring of 2015.
- The existing 436 flats and maisonettes will be replaced with a mixed tenure high quality development of up to 616 new homes. Within the community space to be created, there will be a number of social enterprises co-located together, as well as training facilities to provide skills and job opportunities. There will also be a nursery providing childcare and additional employment opportunities.

Mill Hill

- The £200 million regeneration of Mill Hill, in the centre of the borough, aims to create a revitalised neighbourhood on the existing 83 acre site, with good progress made on site.
- The planned regeneration will create 2,174 new homes, together with a primary school, modern community facilities, and employment and retail opportunities with up to 500 permanent direct jobs and 40 indirect jobs. The new primary school and the east-west link road are due to open in 2014.

Granville Road

- The planned £40 million privately funded regeneration of the Granville Road Estate, situated at the southern end of the borough, includes the construction of around 145 new homes.
- The development agreement has been signed and a planning application is expected during 2014.

Effective regeneration to reduce demand on health and social care services

4.5 Not only is the prioritisation of regeneration and development essential for the continued success of the borough, in terms of building new homes for new and existing residents and creating commerce and jobs, it is also **an essential component of the council's strategy for reducing pressure on services over the longer-term.**

4.6 The effective design of modern residential developments in communities that are well connected and encourage people to lead active lives through access to leisure and recreational activities, will **help Barnet's residents live healthier lives and live longer in their own homes which will reduce pressure on health and social care services over the longer term.**

5. OPPORTUNITY FOR ALL AND PROMOTING COMMUNITY PARTICIPATION

CHAPTER SUMMARY:

- In the years ahead, Barnet will continue to be a successful borough as it benefits from being part of a successful London.
- However, there will be residents who are not currently able to take advantage of this opportunity and who are at risk of missing out – perhaps because of health problems or because they do not have the right skills or qualifications to move into employment.
- This creates a role for the council – working effectively with other parts of the public sector – to identify those residents who need a degree of support to allow them to take advantage of Barnet’s success.
- The council is working in partnership with the Department of Work and Pensions, local Job Centres, skills providers, employers and Public Health to provide guidance to residents impacted by the Government’s programme benefit reform, with the aim of more people moving into work and reducing dependency on services.
- Despite a reduction in unemployment in Barnet over the past 12 months, there remains a significant cohort of residents who have been out of work for some time. The council has joined forces with Jobcentre Plus, Barnet and Southgate College and providers of the Government’s Work Programme to agree a Partnership Agreement which aims to reduce unemployment and reliance on public services.
- Greater community participation in local issues will be an essential part of the change the council will need to achieve over the next five years. In order to negotiate the challenges ahead, the council will need to work with residents to increase self-sufficiency, reduce reliance on services, and make the best possible use of community strengths and knowledge to tailor services to need.
- The council will develop a Community Participation Strategy and Action Plan, with the aim of achieving a greater level of collaboration with communities and enabling residents to take on greater responsibility for their local areas.

Ensuring that growth and success remains an opportunity for all

5.1 Barnet’s position as a **successful London borough** means that the benefits of London’s growing economy will bring continued prosperity to the area - and to large numbers of Barnet’s residents and businesses – with limited intervention from the council.

5.2 However, there will be residents who are not currently able to take advantage of this opportunity and **who are at risk of missing out** – perhaps because of health problems or because they do not have the right skills and qualifications to move into employment. This creates a role for the council – working with other parts of the public sector such as health and Job Centres – to identify those residents who need a degree of support to allow them to take advantage of Barnet’s success.

5.3 This means **providing the right interventions – in relation to issue such as skills, employment, health care and education – to the right people, at the right time**. This is not about creating a culture of dependency and reliance on the state – most people want to live

independent lives without the need of support – rather, the opposite. **Better enabling residents to help themselves will help to reduce reliance on public services**, and is a crucial component of the council’s long-term financial plan.

Welfare reform

5.4 The Government’s **welfare reform programme** – which is an essential component of plans to eradicate the UK’s budget deficit – has had an impact on large numbers of residents across the borough. The council has worked with the Department for Work and Pensions and local Job Centres to **communicate the changes to the benefit system to residents so that they can make the necessary adjustments**.

5.5 The council’s overriding aim is to see **more people entering employment as the primary means of dealing with changes to benefits**, and has used the funding available to it – such as Discretionary Housing Payments – in such a way as to **incentivise work**. However, some residents will **require support to overcome personal challenges that act as barriers to employment** – such as access to childcare, health concerns, a lack of skills or qualifications – and the council has put in place policies to provide the right interventions to enable people to move into work and reduce pressure on local services.

Box 4: Case study – preparing residents for Benefit Reform and supporting them into work

Local Government Association analysis shows that the largest impacts of the Government’s benefit reform programme are felt in London. This includes not just those boroughs that have traditionally been identified as ‘deprived’ but also boroughs such as Barnet, where high housing costs means that large numbers of residents are in receipt of housing benefit. Barnet has the 10th highest number of people impacted by the Benefit Cap of all English Local Authorities. Around 27,000 Barnet residents are impacted by reforms to Housing Benefit and Council Tax Support, 60% of which are working households.

The council has worked in partnership with the Department of Work and Pension and local Job Centres to prepare families to manage the changes brought in by benefit reform and help them find work to move off the Benefit Cap. A Benefit Cap Task Force - a co-located team comprising officers from Barnet Homes, the council’s Revenues and Benefits Service, and Jobcentre Plus – was set up in June 2013 to support people to find work and minimise the numbers of residents at risk of becoming homeless by helping them to find suitable accommodation. To date, the Task Force has engaged 92% of people affected by the Benefit Cap and has reduced the risk of people becoming homeless. 31% of residents supported by the Task Force have found work – higher than the majority of London boroughs. Across London, figures from the Department of Work and Pensions suggest that 27% have come off the Benefit Cap by moving into work in 2013/14, with DWP estimates in March 2014 suggesting that, in Barnet, this figure is higher at around 33%.

In the next year, Barnet will build on this success by preparing residents for the implementation of further benefit reforms including the introduction of Universal Credit and the transfer to Personal Independence Payments. The creation of the joint Task Force represents a new model of service provision that joins up support for the most vulnerable with the aim of helping them to improve their lives. This approach delivers more effective services; better outcomes for individuals; and a more integrated public sector and is a model that the council will continue to develop.

Skills and employment

5.6 Over the past 12 months, **economic growth in London has seen unemployment fall to almost pre-financial crisis levels**. In Barnet, there has been a 21% reduction in Job Seekers Allowance claims, a 25% reduction in youth unemployment and a 23% reduction in long term unemployment claims.

5.7 The £1m invested to **support young people into work and training** through the council's 'Platforms' programme has helped bring about this change, by engaging with over 263 young people and 70 businesses. **In 2013, the proportion of young people in Barnet aged 16-18 that were recorded as not in education, employment or training ('NEET') fell to 2.3% - the fourth lowest figure in the country and well below the London average of 3.8%⁸.**

5.8 Despite this success, there remains a **significant cohort of residents who have been out of the labour market for some time**. In response, the council has joined forces with Jobcentre Plus, Barnet and Southgate College and providers of the Government's Work Programme to develop a **Partnership Agreement aimed at reducing unemployment across the borough**. The agreement will be underpinned by a **Joint Action Plan** to monitor performance. The focus of the agreement will be to support vulnerable and hard to reach cohorts into work; develop career pathways into higher level jobs in the care sector; and a focus on retail and construction opportunities that will derive from regeneration activity across the borough.

Unlocking the potential of community participation

5.9 Greater **community participation, engagement and involvement** will be an essential part of the change the council will need to achieve over the next five years. In order to negotiate the challenges ahead, the council will work with residents to **increase self-sufficiency, reduce reliance on statutory services, and make the best possible use of community strengths and knowledge to tailor services to need**.

5.10 The council's strategic vision is to **develop a new relationship with residents that enables them to be independent and resilient and to take on greater responsibility for their local areas**. This is not about the council shifting its responsibility to residents – it is about recognising that residents want to be more involved in what happens in their local areas. Not only does this benefit residents, it will also **increase community cohesion and reduce the pressure on statutory services**. As such, **more effective resident engagement and greater community participation becomes a necessary pre-cursor to meeting the challenges facing the council**.

5.11 In many cases, residents and community groups are better placed to provide local services and understand the challenges facing their communities. The council must do more to take this into account when deciding how services are designed and delivered. This has the potential to enable residents to gain opportunities to develop their skills and capacity and communities will have stronger networks and connections and become more cohesive as a result. Greater levels of community activity also has the potential to provide both residents and

⁸ Department for Education, May 2014

the council with more choice about how priority outcomes are achieved, through a broader range of options from which to choose.

5.12 Done effectively, greater collaboration leads to services that are **better informed about local need** and are **improved and more efficient as a result**. This will enable the council to use the most locally appropriate ways of delivering services, making use of the work of voluntary and community groups and formal and informal networks in addition to its own activity, and develop a structured approach to how existing and future capacity and demand is managed.

5.13 The council will support this vision by **developing plans that engage residents and communities with the objective of them taking on more responsibility and, where appropriate, to transfer services, assets or functions to the community**. The council will develop a **Community Participation Strategy and Action Plan**, with the aim of achieving the vision of greater collaboration with communities.

The council's Voluntary & Community Sector development partner

5.14 Alongside the development of an effective strategy, the council will need a strong **voluntary and community sector (VCS) development partner** to help realise its vision. That is why the council has gone out to tender to procure an effective local partner, or partners, to help put the practicalities in place to unlock the potential of community participation.

5.15 Barnet has a large and diverse VCS, with around **1,400 organisations across the borough**. The sector is estimated to contribute in excess of £250 million to the local economy. The council does not have the capacity or networks to engage with a sector so large (and yet composed of many small organisations) and there are many groups considered 'hard to reach' who require encouragement in order to participate in their local areas. **The council needs a VCS development partner with appropriate networks, local knowledge, independence, credibility and understanding of the reasons why people choose to get involved in their local areas in order to encourage communities to participate and share responsibility for tackling local challenges.**

5.16 The council will work with its VCS development partner to unlock the potential of Barnet's communities through initiatives to **increase volunteering and participation; build networks of people with shared interests; set up community trusts to support capacity; develop social investment models; support the transfer of strategic assets from the council to communities; and nurture grassroots initiatives that harness the high levels of social capital in the borough.**

5.17 There is also a key role for the VCS partner to play in supporting the **Community Offer for Barnet Adult Social Care** and the council's shared vision with the Barnet Clinical Commissioning Group for **integrating health and social care** services.

6. PRIORITIES & SPENDING REVIEW 2014 – APPROACH AND METHODOLOGY

CHAPTER SUMMARY:

- In taking forward the PSR, the council's objectives were to:
 - Develop a clear sense of the council's longer-term strategic priorities and outcomes, through a process of engagement with residents;
 - Ensure that the council's future strategic priorities and outcomes are more cross-cutting and not based around Delivery Unit silos;
 - Ensure that these priorities are developed in the context of the strategic challenges facing the borough over the medium to long-term;
 - Implement a process for ensuring that the council's resources are allocated in accordance with these priorities; and
 - Make decisions around spending and the allocation of resources based on evidence of impact and effectiveness.
- As a first step, the council developed a financial model to forecast the scale of the financial challenge over the period 2016/17 to 2019/2020, based on assumptions about future expenditure and income.
- Having established the scale of the challenge, the next step of the PSR was to develop a framework to guide the development of options for meeting the challenge. The PSR framework set out three work streams - Efficiency; Growth; and Service Transformation – with the development of options taken forward as part of each work stream.
- The PSR has been based on extensive consultation and engagement, in three phases:
 - Phase 1: Consulting residents on what matters to them as the council begins its thinking about meeting the challenge.
 - Phase 2: 'A Call for Evidence' - consulting residents, local and national professional organisations and think tanks on their views about how the council should go about meeting the challenge.
 - Phase 3: Consulting residents on specific service by service savings proposals before final decisions are made by elected Councillors and proposals are cast into budgets.
- The outputs from the first phase of consultation have been used to establish a set of principles against which the development of PSR options have been framed. These principles are: Fairness; Responsibility; and Quality of Life for All.
- Further evidence from the PSR Call for Evidence will be used to inform the development of savings and income generation options by elected Councillors through Council Committees.

The objectives of the PSR

6.1 The PSR was designed as **a 12 month process of research and analysis to understand the scale of the financial challenge to the end of the decade, determine the council's longer-term priorities – reflecting the priorities of residents - and set a new Medium Term Financial Strategy (MTFS) to 2019/20**. The PSR process has been underpinned by **consultation**, both with residents and with local and national commentators.

6.2 As set out in **Chapter 1**, the fundamental driver of the PSR was to ensure that decisions taken by elected Councillors about how to allocate budgets across different part of the council – and the decisions required to live within those budgets – were taken on the basis of a **considered, bottom up process informed by engagement and consultation** and to avoid decisions being taken in an arbitrary, top down way. The objectives of the PSR, which were developed at the start of the process, were to:

- Develop a clear sense of the council’s longer-term strategic priorities and outcomes, through a process of engagement which reflects the aspirations of residents;
- Ensure that the council’s future strategic priorities and outcomes – and the means of delivering them – are more cross-cutting and not based around Delivery Unit silos;
- Ensure that these priorities are developed in the context of the strategic challenges facing the borough over the medium to long-term;
- Implement a process for ensuring that the council’s resources are allocated in accordance with these priorities; and
- Make decisions around spending and the allocation of resources based on evidence of impact and effectiveness.

Calculating the council’s spending envelope to 2020

6.3 The first step of the PSR was to **determine the scale of the financial challenge facing the council to the end of the decade**, by modelling the council’s budget over the period from 2016/17 to 2019/2020. In doing so, the council developed a financial model based on assumptions about the forecast level of expenditure and income in order to determine the gap between the two.

6.4 This is a forecast, which involves taking account of a number of variables, and is therefore **susceptible to change**. However, that being the case, the financial model is based on the most recent official statistics in relation to issues such as demography and inflation and is based on HM Treasury assumptions about future public spending reductions. As such, the council believes that the model **represents a credible basis upon which to base future spending plans**.

Box 5: Modelling the council’s budget to 2020

Expenditure variables modelled:

- Pay and non-pay inflation
- Assumptions relating to the North London Waste Authority levy.
- Capital financing costs.
- Contingency levels.
- Spending on concessionary fares.
- Demographic assumptions.

Income variables modelled:

- Public Health allocations.
- Business rates and top up grant.
- Revenue Support Grant.
- Council Tax income.
- Education Support Grant, Council Tax & Housing benefit admin grants.

The outputs of the model: A £72 million budget gap between 2016/17 - 2019/20

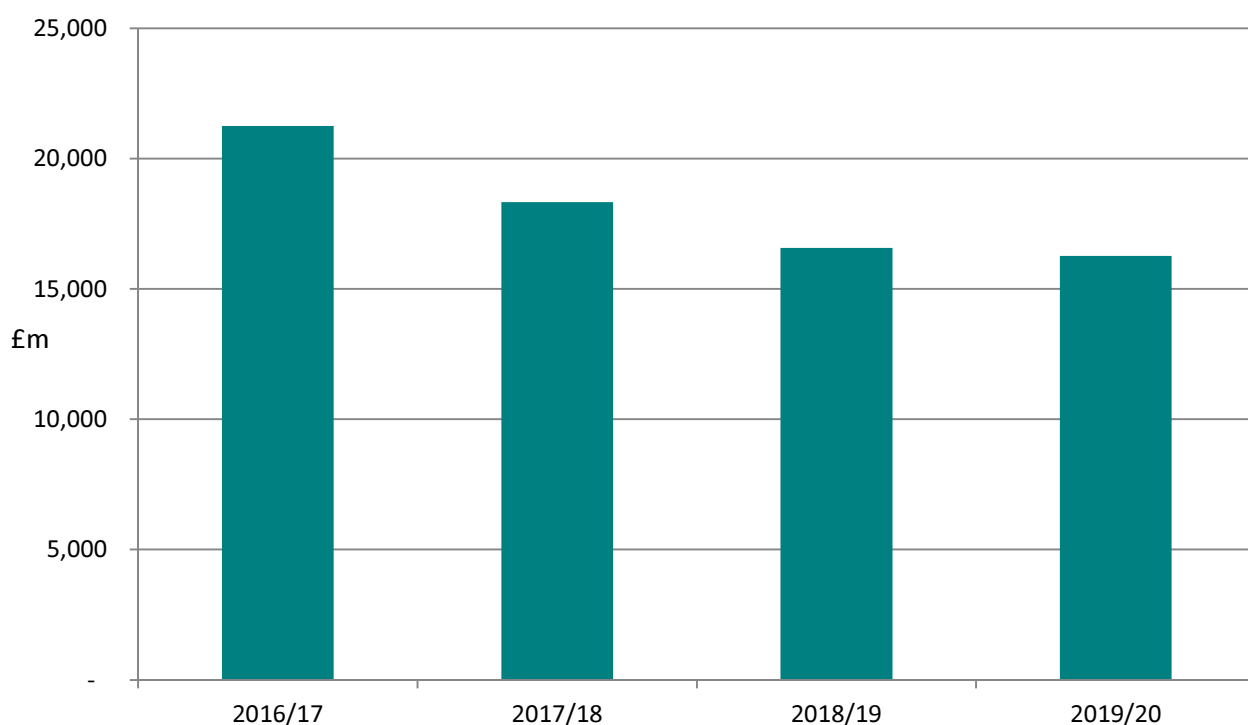
6.5 The PSR financial model was used to develop the council’s forecast budget over the period 2016/17 to 2019/20. The output of this modelling has shown that **the scale of the budget gap facing the council over the period is forecast to be £72 million**, with the following profile:

Table 1: Profile of forecast Barnet Council budget gap from 2016/17 to 2019/20

2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
21	18	17	16	72

6.6 That is to say, **the council will have £72 million less available to spend on 1 April 2020 than it does on 1 April 2016**. When combined with the £72 million reduction to the council’s budget over the period 2010-11 to 2015-16, **the council’s spending power – when factoring in inflation - will be around 50% lower at the end of the decade than it was at the start**.

Graph 1: The council’s forecast £72 million budget gap from 2016/17 to 2019/20



Developing a PSR framework

6.7 An important element of the PSR was the need to **develop a framework early on in the process in order to draw a distinction between the options being developed**. The PSR framework was based around three work streams:

Box 6: The Priorities & Spending Review Framework

1. **Be more efficient:** The development of measures to generate efficiency savings through *business* transformation programmes, workforce development, better procurement and more effective use of assets.
2. **Growth and income:** The development of measures to maximise income through increasing the tax base (housing and regeneration) and generating income for the council.
3. **Service transformation:** The development of measures plans to reduce the cost of services through the commissioning of *service* transformation programmes, taking a ‘Whole Place’ approach to service delivery across the public sector; and the de-commissioning of lower priority services.

6.8 The PSR framework served as an important mechanism for **guiding the development of options for making savings and generating income** across different parts of the organisation and with local partners.

PSR consultation and engagement

6.9 From the outset, it was the council’s intention that the PSR would be based on a process of **consultation and engagement** – not only with residents but also with local and national partners, think tanks, membership organisations and commentators. To develop options for the future of the council and for local services without basing analysis on the views and preferences of Barnet’s residents would not be feasible.

6.10 As such, the consultation strand of the PSR is perhaps the most important element of the process, as it not only grounds the development of options in the context of **what matters to residents** but it also provides a degree of **external challenge** to the council’s thinking, to ensure that it is informed by learning and best practice from elsewhere.

Box 7: Objectives of the PSR consultation and engagement

- **The objectives of the consultation strand of the PSR were to:**
 - Understand resident views about the services in their local area.
 - Identify what residents value about their local area.
 - Discuss what residents think the service priorities should be for their local area.
 - Identify whether there are areas where Barnet needs to focus its investment to meet needs and demand.
 - Understand what residents feel the priorities should be for the vulnerable in times of austerity.
 - Identify where there are opportunities and how the Council can support individuals getting more involved in their area e.g. mentoring, skills development, looking after their area, and other volunteering.

Approach to consultation and engagement in the PSR

6.11 The consultation and engagement strand of the PSR has been based around three distinct phases:

Phase 1: Consulting residents on what matters to them as the council begins its thinking about meeting the challenge

- Phase 1 was conducted by OPM – an independent research organisation – using a qualitative approach based on the use of Citizen Panel events and Focus Groups. A total of 215 residents were engaged during the first phase of PSR consultation.
- Three Citizens' Panel workshops and 16 focus groups were held between October and December 2013 and included a reflective sample of the local population, while focus groups were targeted at specific service users, businesses and some protected characteristic groups.
- A summary of the first phase of consultation, published in February 2014, can be found at the following link: <http://barnet-challenge-opm.co.uk/wp-content/uploads/2014/03/Summary-report-phase-1-Barnet-Challenge-consultation.pdf>

Phase 2: A 'Call for Evidence' - consulting residents, local and national professional organisations and think tanks on their views about how the council should go about meeting the challenge

- The 'Call for Evidence' phase of PSR consultation is an online consultation which builds on the feedback from residents in Phase 1.
- The Call for Evidence moves from asking residents for their broad views of the borough, their priorities and council services, to asking questions of groups and organisations about how change might be brought about and the future of local public services. The Call for Evidence asks for ideas about how the council should prioritise, how it can save money and how it can generate more income.

Phase 3: Consulting residents on specific service by service savings proposals before final decisions are made by elected Councillors and proposals are cast into budgets

- The third phase of consultation will happen on specific savings and income proposals ahead of final decisions being taken by elected Councillors. Consultation on specific proposals will happen through the council's annual Finance and Business Planning Process in the usual way.

Messages from the first phase of resident consultation and the development of a set of principles to frame the PSR: **Fairness; Responsibility; and Quality of Life**

6.12 The first phase of PSR consultation enabled the council to construct a framework for discussion on the PSR through the development of a set of **PSR principles**, based on the views of Barnet's residents. These principles were used to frame the development of PSR options.

6.13 Specifically, the results of the consultation demonstrated the need for the council to develop a programme of transformation that supports the principles of: **Fairness; Responsibility; and Quality of Life for All**.

Box 8: Barnet's PSR principles - Fairness; Responsibility; and Quality of Life

Fairness

- The consultation demonstrates that residents value the support the council provides to the most vulnerable and there is a belief that the council should do all it can to support everyone to enjoy the advantages of life in Barnet.
- There is support for the council to help local businesses, and a belief that the council should be more entrepreneurial and market its services more widely.
- No one, unsurprisingly, identifies services for which they would pay more, but there is a great deal of support for the council being more entrepreneurial in the development process.

Responsibility

- The consultation demonstrates that, when residents come to terms with the scope of the reduction in public spending and its impact on local services, they understand the need for the council to change and that residents and voluntary organisations will have to play a bigger part in 'Keeping Barnet Barnet'.
- The deal proposed to the council though the consultation is that the council should actively make voluntary activity and community participation as simple as possible. Those consulted expressed a desire for the council to show how it is on the side of residents and businesses and is prepared to support the local community to look after itself.

A Good Quality of Life for all

- The consultation demonstrates that Barnet's parks and green spaces are very highly valued by residents and are, along with education, key indicators of quality of life in the borough. They are also areas where it may be possible to mobilise more voluntary activities.
- The council seems to be blamed in part for the failings of local high streets and there is a belief that the council needs to be a participant in developing their future.
- The consultation shows that the most frequent, heavy users of public services - those with the most to lose from change - are also the most sceptical about the scale of the financial challenge facing the council and about the need to reform services to meet that challenge.
- The consultation also demonstrates a lack of understanding about the need for on-going austerity and a sense that spending cuts were now a thing of the past.

Taking account of views expressed through the PSR Call for Evidence

6.14 The **Call for Evidence** phase of the PSR consultation – which asks for views on how the council can meet the financial challenges it faces – is a crucial component of how the council will generate ideas for savings and service reform.

6.15 Responses from residents and from local and national professional bodies and think tanks as part of the Call for Evidence will be **considered, collected and presented to elected Councillors as savings and income generation proposals are developed through Council Committees.**

7. MEETING THE CHALLENGE – PSR SAVINGS AND INCOME OPTIONS

CHAPTER SUMMARY:

- The council’s total revenue budget in 2015/16 will be £280 million, with 60% of spend going on social care services for children and adults and on environmental services including waste, recycling and street cleansing. Although savings will need to be maximised across all areas of the organisation, significant reductions will need to be made from within these services if the council is going to close the £72 million gap in its finances.
- Council resources are spent mainly on 3 things: Workforce; supplies and services from third parties; and buildings and assets. In making the £72 million of savings required, the council will have to spend less across all of these areas.
- There is a clear trade-off between spending less on services and generating additional income. The council will need to consider the relative balance between spending reductions and increased income – including from Council Tax - in meeting the financial gap.
- In total, the PSR has identified options that have the potential so save the council up to £50.8 million through reduced spending and increased income over the period from 2016/17 to 2019/20 and go towards closing the £72 million budget gap.
- The options identified through the PSR can be categorised as follows:

Category	Potential £m
Increasing organisational efficiency	24.4
Reducing demand, increasing independence	10.0
Service redesign	6.2
Growth and Income	10.2
Total	50.8

- Of the total £50.8 million identified, nearly half (48%) come from increasing efficiency. Of the remainder, 20% comes from reducing demand and increasing independence; 20% from the proceeds of growth and taking a more entrepreneurial approach to maximise income; and 12% from redesigning and integrating services.
- It will be for elected Councillors to decide whether to take the options forward to implementation, through decisions at Council Committees and informed by public consultation. In order to transact this, the PSR has categorised the options identified according to areas of responsibility for each Committee.

7.1 As set out in **Chapter 6**, financial modelling shows that the council is facing a forecast budget gap of £72 million over the period from 2016/17 to 2019/20. This chapter focuses on **the options for making savings and generating income for closing that gap that have been identified through the PSR.**

7.2 Options have been developed by council officers, working with the council’s public sector and wider strategic partners and drawing on feedback from resident consultation. **It will be for elected Councillors, as representatives for Barnet’s residents, to determine which of these options – and others that the council will continue to develop – will be taken forward through**

to implementation, following public consultation on specific proposals. Many of the options will require further iteration and development to ensure that the associated risks and barriers to delivery are identified and mitigated as business cases for each option are developed.

Barnet’s total budget

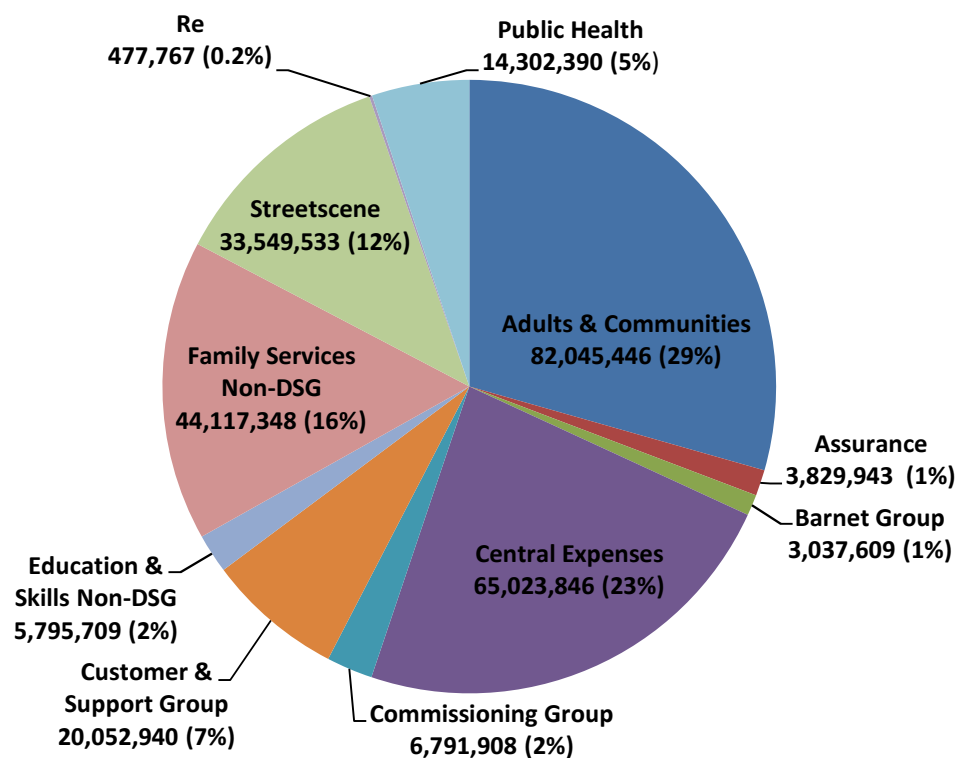
7.3 Before outlining the PSR options, it is important to set the context by considering how the council’s current budget is currently constructed and, therefore, where savings will need to be made.

7.4 The council’s total base net budget position in 2015/16⁹ will be £280 million (excluding the dedicated schools grant). This is £72 million lower than the council’s base budget in 2010/11, before the first round of spending cuts were passed on from Government.

7.5 Of this £280 million, the majority of council spending is allocated to three main areas which make up over 60% of the budget:

- **Adult Social Services** - £82 million (29%);
- **Children’s Services** (Family Services and Education & Skills combined) - £50 million (18%); and
- **Streetscene** (parks, environment, street cleaning) - £33.5 million (12%).

7.6 This means that, in order to negotiate a further budget reduction of £72 million by 2020, a large proportion of savings will need to be found from within these three budget areas.



⁹ 2015/16 is the final year of the council’s current Medium Term Financial Strategy period and represents the baseline for the new MTFS through to 2020.

7.7 Savings will need to be found from within the **central expenses budget**, which includes spending on **staff redundancy, concessionary fares, levies, contingency and the financing of new school builds**.

How the council budget is spent

7.8 In general, Local Authorities spend their resources in **three main areas**. This means that, if the council is going to spend less, it follows that spending on one or all of these three things will need to reduce:

- **Workforce costs** – at the beginning of 2016/17, Barnet will spend £66 million a year on its workforce.
- **Supplies and services from third parties** – at the beginning of 2016/17, Barnet will spend £177.5m a year on supplies and services from third parties.
- **Buildings and assets** - at the beginning of 2016/17, Barnet will spend £4.9m a year on buildings and assets.

7.9 There is a **clear trade-off between spending less on services and generating more income**. Local Authorities can raise income by:

- **Increasing fees and charges** for a range of council services.
- **Changing eligibility criteria** for access to certain services.
- **Commercialising services**.
- **Increasing the Council Tax rate** – increasing Council Tax by 2% raises roughly £2.5m a year.
- **Changing the Council Tax contribution rate** for those eligible for Council Tax support.
- **Growing the tax base** – by building more residential properties and encouraging more enterprise and commerce.

7.10 As the council takes decisions about how to achieve a further £72 million of savings over the latter half of the decade, it will need to consider **the balance not only between how savings are made – for instance, savings to workforce, suppliers and assets – but also the relative balance between spending reductions and increased income**.

Categorising the options developed through the PSR

7.11 As the PSR process progressed and the evidence base developed, opportunities for saving money and increasing income began to emerge. Analysis of these emerging options identified a level of commonality between them, which led to the development of **four categories of intervention** that the council should consider as it puts in place the reforms required to meet its future financial challenges.

7.12 The **four PSR themes** are:

Box 9: Priorities & Spending Review themes

1. **Increasing organisational efficiency** – Opportunities for the council to become more efficient without discernibly affecting the quality of services to residents (i.e. doing more – or the same – with less).
2. **Reducing demand, increasing independence** – With less money and rising demand, both the council and the borough’s residents will need to behave differently. The council will need to focus on enabling residents to help themselves and each other. This will be achieved through a variety of means:
 - Intervening where needed in a targeted way, with the aim of reducing reliance on public services state.
 - Investing in preventative services, such as better targeting of early years support to prevent young people from entering social care services.
 - Enabling residents to take greater personal and civic responsibility, through the development of a new relationship with residents based around greater transparency, engagement and involvement in local services.
3. **Service redesign** – Adopting a first principles approach to how the council fulfils a number of its statutory and non-statutory obligations has revealed opportunities to re-design services in a way that better targets support to those who used services and reduce cost, including through greater integration across public sector agencies.
4. **Growth and Income** - Regeneration and measures to boost local economic growth will increase the council’s residential and commercial tax yield. There are also opportunities to raise additional income from fees and charges, in areas where it is legally viable and in a way that is fair to the users of services.

Options for savings and income generation identified through the PSR

7.13 Through the PSR process, the council has identified options to make savings and increase income across the organisation which total approximately £50.8 million over the period from 2016/17 to 2019/20.

7.14 The total financial benefit of the PSR options package may change due to differing degrees of risk involved in delivering the options. The £50.8 million value should therefore be seen as an approximate figure at this stage, pending further analysis through the development of detailed business cases.

Box 10: PSR options – financial summary:

- In total, the PSR has identified £50.8 million of savings and income generation options over the period 2016/17 to 2019/20 towards closing the total forecast budget gap of £72 million over the period.
- The options identified have been categorised as follows:

Category	Potential £m
Increasing organisational efficiency	24.4
Reducing demand, increasing independence	10.0
Service redesign	6.2
Growth and Income	10.2
Total	50.8

- Of the total £50.8 million of options identified, nearly half (48%) come from options for increasing organisational efficiency.
- Of the remainder, 20% comes from options for reducing demand and increasing independence; 20% from the proceeds of growth and increased income; and 12% from service redesign and integration.

Proposed share of PSR options allocated to Council Committees

7.15 The PSR process has identified the scope for generating savings and increasing income across all areas of the council, by analysing spending on items such as workforce and contracts within each of the council’s Delivery Units and the central directorates (the Commissioning Group and Assurance Group). Through detailed analysis, the PSR has identified a quantum of savings that it would be feasible to make within each Delivery Unit by going further on organisational efficiency and also through the redesign of services.

7.16 Now that the PSR process has concluded, it will be for elected Councillors to take decisions on whether to take the proposals set out in this report forward through to implementation, through decisions at Council Committees. In order to transact this, the PSR options have been categorised according to areas of responsibility for each Committee.

7.17 It is proposed that the £50.8 million of PSR options are allocated to the 7 Council Committees and the Health and Well Being Board according to the following share:

Council Committee	Share of PSR options £m	% of total budget overseen by Committee
Adults and Safeguarding Committee	12.6	16%
Children, Education and Libraries Committee	8.0	16%
Environment Committee	5.9	18%
Community Leadership Committee	0.8	48%
Assets, Regeneration and Growth Committee	10.1	24%
Policy and Resources Committee	12.7	
Health and Well Being Board	0.7	5%
Total	50.8	100

7.18 It will be for each Council Committee to **work through the detail of the options set out in this report – through the development of detailed business cases and the commissioning of further analysis where required – and take final decisions on which options to implement.**

PSR savings and income options by Council Committee – detail

7.19 This section sets out **further detail on the PSR options that will go to Committees for consideration and decision.**

Adults and Safeguarding Committee – savings of £12.6m

7.20 The **Adults and Safeguarding Committee** will have oversight of how the council delivers adult social care through the Adults and Communities Delivery Unit. As the council’s largest internal Delivery Unit, with a total revenue budget of **£82 million**¹⁰ (29% of the council’s total budget), a significant proportion of savings will need to be found from within the Adults and Communities Delivery Unit in order for the council to close the gap in its total budget.

7.21 The PSR has identified scope to make **organisational efficiency savings of approximately £4.7 million by 2019/20** through a range of measures, including:

- **A 10% reduction in workforce spending by 2019/20 (2.5% a year from 2016/17 to 2019/20), in order to save £1.5 million.** Savings will be achieved by **increasing workforce productivity, reviewing Terms and Conditions and reducing layers of management** within the Adults and Communities Delivery Unit.
- Savings of approximately **£2.6 million by 2019/20** by **re-procuring key contracts, bearing down on external suppliers and improving contract management to drive down costs.**

7.22 Around £79 million is spent by the council each year on **adult social care costs**, which includes spending on personal budgets for care and support, domiciliary care and equipment to

¹⁰ 2015/16 Medium Term Financial Strategy

support people in their own homes, as well as residential and nursing care placements. It is the council’s ambition to **support more people with care and support needs to remain in their own community and home for as long as possible, to improve their quality of life and to reduce demand on high cost residential care placements.**

7.23 The PSR has identified the opportunity for savings of approximately £6.9 million by 2019/2020 through measures to **target support and develop a wider range of housing options for residents with dementia and learning disabilities - and their families – which allows them to live at home for longer and support themselves more.**

7.24 Similarly, **the PSR has identified further savings opportunities totalling £1m through integrated working with the NHS and redesigning services** to ensure that older people receive co-ordinated, joined up care services that reduce duplication and better anticipate and respond to their needs.

Summary:

- The PSR has identified options to increase the financial benefit to the council by approximately **£12.6 million** in the Adult and Safeguarding Committee’s area of responsibility area, through the following means:

Improving organisational efficiency, including:	Approximately £4.7 million
<ul style="list-style-type: none"> • Measures to improve workforce productivity, review of Terms and conditions and reducing management overheads within the council’s Adults and Communities Delivery Unit. • Re-procuring key contracts and improving contract management to drive down contract and supplier costs. 	
Reducing demand and promoting independence, including:	Approximately £6.9 million
<ul style="list-style-type: none"> • Measures to help older people with dementia live at home for longer, reducing the demand for social care services. • More effective, targeted support to younger people with learning difficulties to support their growth into early adulthood. • Targeting social care assessment processes on those that are most in need. • Increasing disabled facilities grants and housing adaptations to allow people to live at home for longer, reducing the demand for social care services, and building more extra care housing. 	
Redesigning services, including:	Approximately £1.0 million
<ul style="list-style-type: none"> • Integrating service provision and commissioning so that conditions associated with frail elderly residents are managed and supported more effectively. 	
TOTAL	Approximately £12.6 million

Children, Education and Libraries Committee – savings of £8.0 million

7.25 The **Children, Education and Libraries Committee** will have oversight of the council's Children and Family Services, which is made up of the **Family Services** and **Education and Skills Delivery Units**.

7.26 Combined, **spending on Children and Family Services accounts for approximately 18% of the council's total annual budget (£49.9 million in 2015/16)**, which represents the **second largest area of council spend**. As with the Adults and Communities Delivery Unit, the council will need to make significant savings from within Children and Family Services if it is to successfully close its overall budget gap.

7.27 The PSR has identified scope to make **organisational efficiency savings of approximately £2.3 million by 2019/20**, through a range of measures within Family Services, including:

- A **10% reduction in workforce spending by 2019/20 (2.5% a year from 2016/17 to 2019/20), in order to save £1.8 million**. Savings will be achieved by **increasing workforce productivity**, reviewing **Terms and Conditions** and **reducing layers of management**.
- Savings of approximately £0.5 million by **re-procuring key contracts, bearing down on external suppliers and improving contract management to drive down costs**.

7.28 Within the **Education and Skill Delivery Unit**, the PSR has identified the opportunity for **an alternative delivery model for the provision of services to schools, to deliver efficiency savings, increase income and ensure the continued provision of high quality services through a partnership approach that brings together resources from different sectors**.

7.29 The PSR has identified options for a **reconfigured early years model** which will enable Barnet to better focus on **increasing early years standards for all and better identify, support and signpost the most vulnerable families in the borough**. This will reduce the number of cases escalating to the point that a social care intervention becomes necessary.

7.30 The PSR has identified the opportunity to improve outcomes for looked after children and generate savings by **positioning Barnet as an excellent borough in which to be a foster carer**. This includes investing in an enhanced support offer for foster carers that enables more foster care support to children, including those with complex needs, and reduces spending on more expensive external placements.

7.31 The PSR has also identified opportunities for a revised **Libraries Strategy**, based on an evidence led review of Barnet's libraries to identify a new model of library services which utilises the latest technology to increase efficiency whilst maintaining a comprehensive network.

Summary:

- **The PSR has identified options to increase the financial benefit to the council by approximately £8.0 million in the Children, Education and Libraries Committee's area of responsibility, through the following means:**

Improving organisational efficiency, including:	Approximately £2.3 million
<ul style="list-style-type: none"> Measures to improve workforce productivity, review of Terms and conditions and reducing management overheads within the council’s Family Services Delivery Unit. Re-procuring key contracts and improving contract management to drive down contract and supplier costs. 	
Reducing demand and promoting independence, including:	Approximately £0.5 million
<ul style="list-style-type: none"> Measures to increase the number of children and young people in living in local Barnet foster homes and providing enhanced support to prevent placements breaking down and triggering more expensive residential placements. 	
Redesigning services, including:	Approximately £5.1 million
<ul style="list-style-type: none"> Considering the option of an Alternative Delivery Model for the Education and Skills service, in order to ensure the continued provision of high quality services through a partnership approach that brings together resources from different sectors. Re-shape and re-focus the early years offer to provide better-targeted early support and signposting for families, reducing the number of children and young people who require costly higher level social care interventions. An evidence led review of Barnet’s libraries to identify a new model of library services which utilises the latest technology to increase efficiency whilst maintaining a comprehensive network. 	
TOTAL	Approximately £8.0 million

Environment Committee – savings and income of £5.9 million

7.32 The PSR has identified a package of **efficiency measures totalling £2.4 million** within the Streetscene Delivery Unit which seeks to **improve the productivity and effectiveness of four key services - refuse and recycling, grounds maintenance, street cleansing and vehicle maintenance**. The changes include **root and branch reviews of: Service need; delivery rounds; operational hours; staff productivity; and Terms and Conditions**.

7.33 In **street cleansing**, there will be greater mechanisation, a review of Town Centre teams and a review of all routes to **ensure resources are precisely targeted**. In **refuse and recycling**, a similar approach will be taken with respect to rounds, use of vehicles, routing and the on-going development of a range of new recycling services. These **efficiency and productivity changes** will be implemented in each of the four services as part of a **data led transformation project** which seeks to **maximise effectiveness and reduce cost**.

7.34 The PSR has also identified the potential for efficiencies by **bearing down on contract costs with current suppliers**, for example in **street lighting and in the re-procurement of the parking operations contract**; the on-going **internalisation of fleet operations**; and an **open exploration of what else the market or community organisations could bring in efficiency**

savings to street scene services and other elements of the service such as the **household waste recycling centre** and the **community management of bowling greens**.

7.35 In terms of **service demand**, the biggest area of spend is on **waste disposal and waste collection**, with annual budgets of £15.5 million and £6 million respectively. Barnet currently ranks 29th out of 33 London boroughs in the league table of **tonnes of waste produced per household**, and pays a fifth of the entire levy to the North London Waste Authority (NLWA), despite being only 1 of 7 boroughs to contribute. Whilst the borough is large and has a large number of households, more pro-active work that can be done to improve this and reduce costs. This is an area of substantial focus and has the potential to **deliver approximately £2.7 million in savings**. This will be achieved through **establishing good data about future demand; the development of a commissioning policy; active client management of the NLWA relationship to get the best deal for Barnet; and continuing to expand recycling and getting a better price for recycled materials**. It will also be achieved by working creatively with residents so that they can take reduce the amount of waste produced.

7.36 The PSR has identified opportunities to **maximise the use of parks and open spaces to generate income in a responsible way**, by looking at assets such as cafes and buildings in parks; sports pitches and the potential to develop these and other sporting facilities; and to take a commercial approach to a number of services, for example trade waste sales, and **the sale of the cleansing and grounds maintenance to the commercial sector**.

Summary:

- The PSR has identified options to increase the financial benefit to the council by approximately **£5.9 million** in the Environment Committee’s area of responsibility, through the following means:

Improving organisational efficiency, including:	Approximately £2.4 million
<ul style="list-style-type: none"> • Implementing a programme of operational change to optimise resources and deliver improvements in productivity across refuse and recycling, grounds maintenance, street cleansing and vehicle maintenance services. • Re-procuring key contracts and improving contract management to drive down contract and supplier costs. • Examining how alternative delivery models may deliver improved outcomes for waste and recycling, parks and street cleansing at lower cost. • Changes to the management and costs of disposing of waste. 	
Reducing demand and promoting independence, including:	Approximately £2.7 million
<ul style="list-style-type: none"> • Working with residents and community groups to achieve a reduction in the amount of waste generated and considering the frequency of waste collection to help achieve this. 	
Promoting growth and raising income, including:	Approximately £0.8 million
<ul style="list-style-type: none"> • Exploiting commercial opportunities to sell services to businesses and private land owners. • Increasing income from better utilisation across the parks and open spaces asset portfolio. 	
TOTAL	Approximately £5.9 million

Assets, Regeneration and Growth Committee – savings and income of £10.1 million

7.37 As set out in **Chapter 4**, the council will benefit significantly over the PSR period through its major regeneration schemes, which will increase the residential and business related tax base through the construction of houses and commercial properties. In total, the PSR forecasts that the council will receive an additional **£5.6 million** over the period 2016/17 to 2019/20 as a result of **planned regeneration and development activity**.

7.38 In addition, the PSR has also identified the **opportunity for efficiency savings** of up to **£4.5 million** by 2019/20, through a range of measures including **reducing office accommodation costs** and **increasing income from council owned assets**; **increasing energy efficiency** across the council’s estate; re-procuring key contracts and improving contract management to **drive down contract and supplier costs**; and **capitalising regeneration-related expenditure**.

Summary:

- The PSR has identified options to increase the financial benefit to the council by approximately **£10.1 million** in the Assets, Regeneration and Growth Committee’s area of responsibility, through the following means:

Improving organisational efficiency, including:	Approximately £4.5 million
<ul style="list-style-type: none"> • Reducing the cost of office accommodation and increasing income through more effective use of council owned assets. 	
<ul style="list-style-type: none"> • Increasing the energy efficiency of the council estate. 	
<ul style="list-style-type: none"> • Re-procuring key contracts and improving contract management to drive down contract and supplier costs. 	
<ul style="list-style-type: none"> • Capitalisation of regeneration-related expenditure. 	
Promoting growth and raising income, including:	Approximately £5.6 million
<ul style="list-style-type: none"> • Growing the council’s residential and business related tax base as a result of regeneration and development activity. 	
TOTAL	Approximately £10.1 million

Policy and Resources Committee – savings and income of £12.6 million

7.39 The PSR has identified opportunities for **organisational efficiency savings** across the areas of the organisation which will be overseen by the **Policy and Resources Committee** – in particular the council’s **Commissioning Group and Assurance Group** – with **a package of efficiency measures which has the potential to save up to £9.2 million**.

7.40 This includes **savings to workforce costs within the Commissioning and Assurance Groups**, where **a 10% workforce saving across both groups will save approximately £630,000 by 2019/20** and is in line with workforce savings that are recommended within Delivery Units.

7.41 In addition to greater workforce productivity, the PSR has identified a range of **further efficiency measures** including **reducing IT and printing costs** across the council; re-procuring key contracts and improving contract management to **drive down contract and supplier costs**; cutting spending on **membership fees and subscription costs**; bearing down on **redundancy costs**; options for **reducing finance and borrowing costs**; and reviewing **Councillor allowances**.

7.42 The PSR has identified the potential for savings by **combining commissioning and corporate functions with another Local Authority, including the sharing of senior management team posts**, which could save up to **£600,000 if a partner Authority could be identified**.

7.43 There is a **clear trade-off between the amount that the council will need to cut from public service budgets and the amount of revenue that can be generated through fees and charges**. The PSR has identified options to **increase council income by raising fees and charges across a range of council services**, where it is legally viable to do so, by a moderate amount in order to reduce the level of cuts to service budgets.

7.44 Additional income could also be generated by **reviewing the level of Council Tax contribution from those eligible for Council Tax Support**, although further modelling will be required to determine the potential impact on the levels of personal indebtedness by those affected and potential debt write offs to the council.

Summary:

- The PSR has identified options to increase the financial benefit to the council by approximately **£12.6 million** in the Policy and Resources Committee’s area of responsibility, through the following means:

Improving organisational efficiency, including:	Approximately £9.2 million
<ul style="list-style-type: none"> • Measures to improve workforce productivity, review of Terms and Conditions and reducing management overheads (including sharing management post with other Local Authorities) within the council’s Commissioning and Assurance Groups. • Re-procuring key contracts and improving contract management to drive down contract and supplier costs. • Reducing subscription costs and membership fees to a minimum across the council. • Rationalising IT and printing costs across the council. • Bearing down on redundancy costs. • Reducing finance and borrowing costs. • Sharing corporates services (for example, emergency planning, audit, business continuity) with another Local Authority. • Reviewing Councillor allowances. 	
Promoting growth and raising income, including:	Approximately £3.4 million
<ul style="list-style-type: none"> • Considering moderate increases to a range of fees and charges, where it is legally viable to do so, to help off-set the level of cuts to service budgets. • Considering changes to Council Tax support and reviewing the level of Council Tax contribution from those eligible for support. 	
TOTAL	Approximately £12.6 million

Community Leadership Committee – savings of £0.8 million

7.45 The PSR has identified a **package of measures which could save up to £800,000 in the budget areas overseen by the Community Leadership Committee**, in particular through alternative delivery models in relation to the provision of services related to community safety.

7.46 There are opportunities to generate operational efficiencies of approximately £200,000 in the delivery of the borough’s **CCTV services**. Going further, **the council could save an additional £600,000 by moving to a full cost recovery model of CCTV provision**, which would include charging businesses and commercial properties that benefit from the existence of CCTV cameras.

Summary:

- The PSR has identified options to increase the financial benefit to the council by approximately **£0.8 million** in the Community Leadership Committee’s area of responsibility, through the following means:

Improving organisational efficiency, including:	Approximately £0.2 million
<ul style="list-style-type: none"> • Operational efficiencies in the delivery of the borough’s CCTV services. • Cancellation of the MOSAIC contract and using resources provided by the council’s Customer and Support Group partner. 	
Promoting growth and raising income, including:	Approximately £0.6 million
<ul style="list-style-type: none"> • Considering moving to a full cost recovery model for the borough’s CCTV services 	
TOTAL	Approximately £0.8 million

Health and Well Being Board – savings of £0.7 million

7.47 The PSR has identified options to create efficiency savings through the **re-procurement of sexual health services across the borough**, overseen by the **Health and Well Being Board**. In total, approximately £4.4 million is spent on sexual health services in Barnet, funded from the Public Health grant. This includes spending on services provided in Sexual Health Clinics, such as Family Planning and STI and HIV testing and treatment.

7.48 The opportunity for savings identified involves the creation of **integrated sexual health services** - incorporating family planning and STI/HIV services into one seamless structure – which will tackle current issues of accessibility and fragmentation. This will **expand community provision** and **drive down the unit costs of care**.

Summary:

- The PSR has identified options to increase the financial benefit to the council by approximately **£0.7 million** in the Health and Well Being Board’s area of responsibility, through the following means:

Improving organisational efficiency, including:	Approximately £0.7 million
<ul style="list-style-type: none"> • Re-procurement of sexual health services across the borough. 	
TOTAL	Approximately £0.7 million

8. THE IMPACT OF THE PSR ON CLOSING THE BUDGET GAP AND OPTIONS FOR GOING FURTHER

CHAPTER SUMMARY:

- In total, the PSR package of options has the potential to save up to £50.8 million by 2019/20, against the council's forecast budget gap of £72 million. This means that there will be a £21 million shortfall, even if the full package of PSR options were implemented and the estimated quantum of savings realised.
- In terms of the expected profile of how the estimated benefits generated by the PSR options accrue, the forecast budget gap of £21 million in 2016/17 would be eradicated and the forecast gap of £18 million in 2017/18 would be substantially closed, with a remaining gap of £5.3 million in that year.
- However, the financial gap in the final two years of the decade remains significant, at £6.7 million and £9.5 million respectively.
- This suggests that, through the implementation of the options identified via the PSR – and assuming the maximum level of savings is achieved - it is feasible for the council to reach a balanced budget position up to 2017/2018, although this will require some very difficult decisions.
- Looking further ahead, it is clear that it is the latter two years of the decade in particular – 2018/19 and 2019/20 – where a significant budget gaps remains, even if all the PSR options were implemented.
- The council will continue to work and innovate as it attempts to close the gap and it will be for elected Councillors to determine the ratio of spending reductions versus tax increases in meeting the shortfall.
- The council will also need further flexibilities from central Government to fully close the gap, through greater financial devolution – particularly in London - and increased flexibility across the Local Government Finance System to incentivise growth and generate further efficiencies.

The impact of PSR options against the forecast £72 million budget gap to 2019/20

8.1 The table and graph below illustrates **the potential impact that implementing the package PSR options could have on reducing the council's forecast £72 million budget gap to 2019/20, should they all be taken forward**. Given that the potential financial benefit from the entirety of the PSR package totals £50.8 million, **it is clear that a significant shortfall – some £21 million - will remain and that further change will be required for the council to reach a balanced budget position by 2020**.

2017/18: The year of challenge

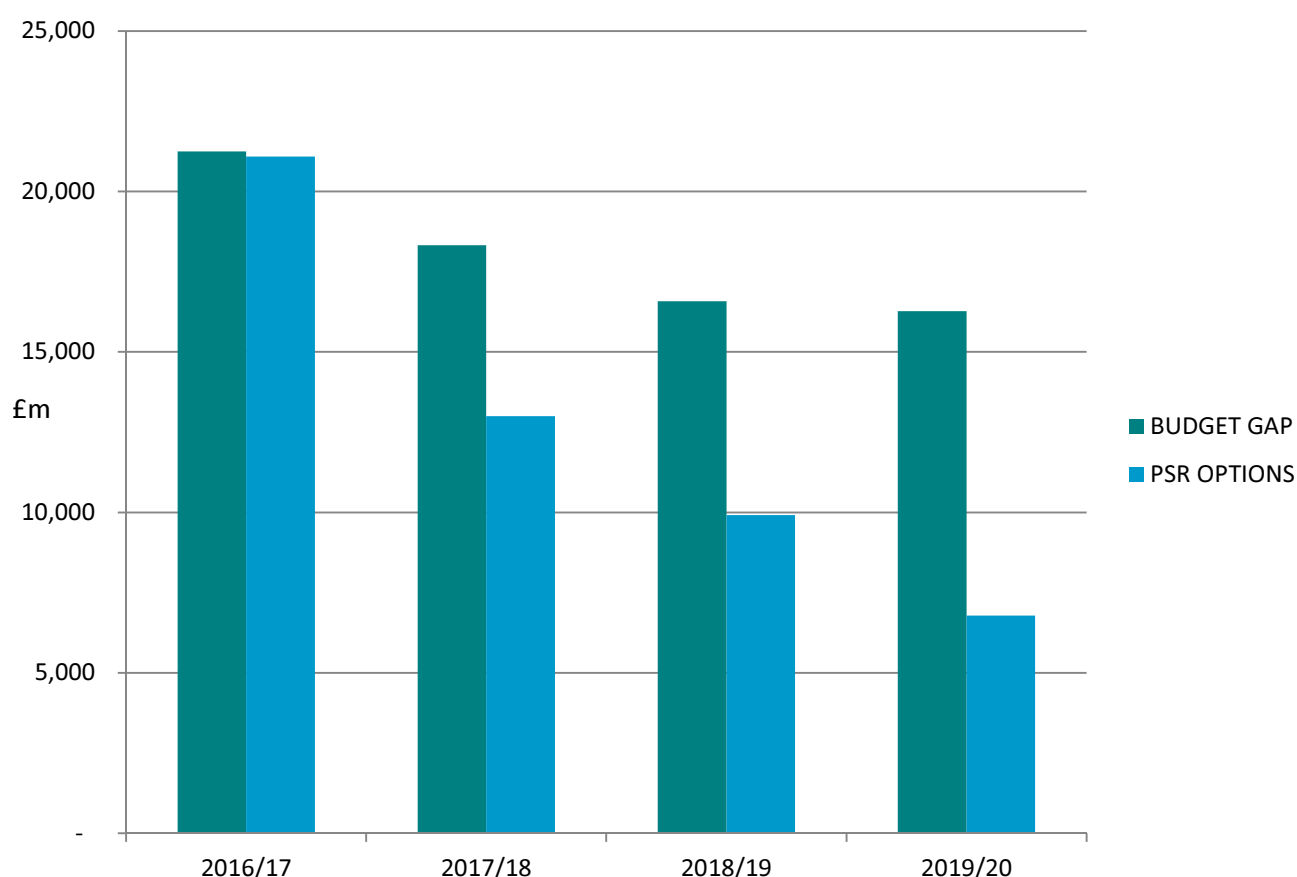
8.2 In terms of the expected **profile** of the savings and income options outlined, the graph illustrates that, if Council chose to implement the full package of PSR options outlined in this report, and assuming the total quantum of savings were to be realised, **the forecast budget gap of £21 million in 2016/17 would be eradicated** and **the forecast gap of £18 million in 2017/18 would also be substantially closed**, with a shortfall of £5.3 million in that year.

Table 2: Estimated gap if all PSR proposals were implemented and estimated quantum of savings achieved

2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
0	5.3	6.7	9.5	21.5

8.3 However, **the financial gap in the final two years of the decade remains significant at £6.7 million and £9.5 million respectively.** This suggests that, through the implementation of the options identified via the PSR – and assuming the maximum level of savings is achieved - **it is feasible for the council to reach a balanced budget position up to 2017/2018**, although this will require some very difficult decisions to be taken by elected Councillors.

8.4 Looking further ahead, it is clear that it is the **latter two years of the decade in particular – 2018/19 and 2019/20 – where a significant budget gaps remains.**



Closing the remaining budget gap to 2020

8.5 **The council will continue to innovate as it attempts to meet the shortfall** – going further in working with the wider public sector and other local strategic partners to co-locate and integrate services both at the local level and regionally. However, it is likely that other factors will need to come into play for the budget gap to be fully closed.

8.6 For example, **it will be for elected Councillors to determine the right balance between the scale of spending reductions and tax** increases that will be required to reach a balanced budget and, as part of this, **the appropriate level at which Council Tax is set in future years.**

8.7 The outcome of the PSR suggests that, although Barnet will leave no stone unturned as it seeks to unlock **further efficiencies, redesign and integrate services, and become more entrepreneurial** in order to maximise income, the council – and Local Government in general – **will require greater devolution and funding flexibility to be passed on by central Government in order to fully meet the scale of the challenge to 2020.**

8.8 The PSR has identified a number of issues which have an impact on Barnet's resources but provide limited benefit to the borough and over which the council has no control due to statutory requirements. One such example is the council's contribution to the **Lee Valley regional park**, to the east of Barnet, to which the council makes an annual contribution of £400,000 even though the park is not a part of the borough. Although reducing spending in this area would help the council to close its remaining budget gap, it is unable to implement reforms because of a **statutory requirement** placed on the council.

8.9 To fully close the gap, **Government will need to devolve more control and more funding to Local Authorities;** it will need to **loosen the reins on the Local Government finance system and provide more flexibility to promote integration and incentivise growth;** and it will need to be **more coordinated in the way it engages and works with Local Government.**

The need for greater financial devolution to Local Government

8.10 **Increased financial devolution** has the potential to significantly support Local Authorities as they deal with the on-going impact of austerity and rising demand. The financial sustainability of Local Government will increasingly be a function of **its ability to manage and share financial risk with other local public service partners** and, in so doing, **achieving savings and service reform 'across the system'**. It will also be the product of **local measures to achieve economic growth, so long as the benefits of that growth are retained locally to fund services and investment.** For this to happen, it will require **significant financial decentralisation.**

8.11 Opportunities to **promote economic growth, jobs and housing** that would arise from investments funded by **locally retained business rates** and the **removal of the Housing Revenue Account debt cap** suggest the need for **greater sub-regional working, particularly across London.**

8.12 London can learn from the experience of other regions and sub-regions when developing **appropriate financial governance arrangements** to support joint **'City Deal' type working at a sub-regional level.** Substantial sub-regional borrowing, investment, programme management

and benefits distribution require robust financial governance and this in turn implies the need for decision making entities that can bear financial risk and be accountable.

8.13 In Manchester, this joint working is enabled through a **Combined Authority** arrangement which has responsibility for transport, economic redevelopment and regeneration functions on behalf of the ten constituent authorities. It has also pooled transport funding to establish a £1.2 billion programme, mostly funded through Prudential Borrowing, with an initial levy on constituent authorities and the capture of future business rates income stream on an earn back basis.

8.14 **Combined Authority Arrangements are currently only available to authorities outside of Greater London.** In other words, London Boroughs are currently excluded from establishing Combined Authorities, thus reducing their ability to conceive and execute investment opportunities at a sub-regional level. Without reform, this is likely to become an increasingly limiting factor as London Boroughs develop plans for meeting the financial challenges ahead.

Next steps

8.15 **The publication of this report marks the end of the PSR process.** The council will now move into the 'business as usual' process of setting its budget, where elected Councillors takes decisions to set **a new Medium Term Financial Strategy** to the end of the decade, **with annual budgets agreed through the Finance and Business Planning Process.**

8.16 Barnet will move to a **Committee system of governance** from June 2014. This new system – which will **include representation from all locally elected political parties** – will ensure that the options available to the council to save money and maximise its income in a fair and legal way are **debated and agreed in openly and transparently**, with each Committee taking final decisions regarding the options for closing the council's overall budget gap.

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Appendix B: Information Pack

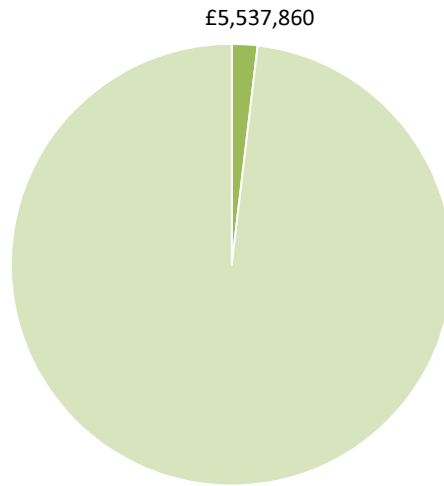
Contents
1.1 Summary of 2015/16 planned savings Medium Term Financial savings anticipated for the next two years and past savings already achieved
1.2 Overview of Finance Headline Budget Information including previous year spend comparison (with link to budget book 2014/15)
2.1 Assets, Regeneration and Growth An outline of the priorities for the year (Corporate Plan/Management Agreement) Scope of services provided by Delivery Unit (including client base for each service)
3.1 Past Spend and Performance Unitised spend against 2012/13 budget and most recent published performance benchmarking
4.1 Overview of Human Resources Current establishment (as at xx) and salary distributions
4.2 Contracts Total sum of contracts over £25k
5.1 Links to other information and data

1.1 Summary of Planned Savings

Type	2013/14	2014/15	2015/16
	(£000s)	(£000s)	(£000s)
Achieved savings total	(1,755)		
Savings through reduction in contract costs		(1,355)	(300)
Efficiencies total		(1,355)	(300)
Service Reductions total	-	-	-
Income total	-	-	-
Pressures total	-	-	-
Grand Total	(1,755)	(1,355)	(300)
Budget		5,538	5,189
% of Budget		24.5%	5.8%

1.2 Finance

Assets, Regeneration & Growth



	2014-15 net (£000s)	2015-16 net (£000s)
CSG	4,771	4,722
R ^e *	766	467
TOTAL	5,538	5,189

*R^e contract management fee paid by the Council per year is £14,365,676 for 2014/15.

Assets, Regeneration and Growth

Services outlined are provided by Regional Enterprise (Re) through an outsourced contract. The Re Joint Venture with Barnet and Capita is a partnership that aims to focus activities on the growth and regeneration of the borough. The joint venture will provide value for money services focusing on quality, compliance and the customer, the vision will lead to an improved borough through strategic support and major scheme management.

The following outlines all Corporate Plan Indicators and KPIs in the Re contract. The contract KPIs are also underpinned by the annual plan which summarises the commissioning priorities for the year ahead. Noteworthy, the delivery of asset management is through Re and the strategic element of asset planning is owned by Customer and Support Group (CSG).

The measures of success set out in the Corporate Plan for 2014/15 are:

Objective	Indicator	Most Recent Outturn
Create the right environment to promote responsible growth, development and success across the borough	Delivery affordable housing completions	161
	Number of empty properties brought back into residential use	624
	Increasing business satisfaction with Barnet as a place to do business	n/a
	Support business survival in the borough with 1.5 per cent increase in new businesses created and decrease of net loss by 50 units	n/a

Commissioning Priorities

Re Annual business plan 2014/15 outlines the commissioning priorities of the council that Re aims to deliver through the joint venture. Four commissioning priorities relating to Assets, Regeneration and Growth committee are:

- Take forward the creation of Brent Cross Cricklewood as an exemplar modern suburb
- Lead the transformation of Colindale to secure well designed private sites, and progress the regeneration of Grahame Park with the aim of creating Colindale as a thriving place
- Improve Barnet as a place to do business
- Growth

Re Contract KPIs

The full table of KPIs that are dealt with by the Re contract is outlined with the theme committee that oversees in appendix xx. Below are relevant KPIs to Assets Regeneration and Growth Committee:

	Re Key Performance Indicators
Environmental Health	Provide comprehensive support for businesses to meet the relevant EH standards (Note: this KPI requires the delivery of all sub-KPIs)
	Business license applications processed in a timely manner
Regeneration	Regeneration budgetary and financial controls (% of invoices sent within timescales)
	Delivery of Regeneration projects' deliverables and milestones to meet outcomes and achieve benefits
	Improving Employment opportunities – Achieving agreed deliverables and milestones
	Number of new affordable homes completed
	Implementation of Section 106 obligations for employment & training activities (percentage of milestones achieved)
Super KPI	Percentage of Community Infrastructure Levy (CIL) cases cleared annually -- payment of overall CIL obligations by developers to the Authority
	Increase business survival rate (compared against other boroughs)
	Reduction of vacant high street properties (compared against other boroughs)
	Increase Central Government funding success

The scope of services delivered and monitored by Assets Regeneration and Growth Committee are outlined below:

Service	Service base
New enterprises (2012)	22,110
Income Support Claimants (August 2012)	6,900
New homes (to be delivered)	
Assets	17,120
Shops (excl. long leaseholds)	92
Industrial units	31
Agricultural (incl. grazing land)	15
Offices (incl. retail used as offices)	21
Schools (incl. 1 leased in)	54
Land adj. schools	12
Pupil referral units	2
Depots (waste collection/recycling)	2
Allotments	46
Libraries (incl. 1 leased in)	15
Garden land parcels	33
Parks and open spaces circa	200
War memorials	6
Community Centres (excl. other buildings used by community groups)	14
Long leasehold retail with flats above	40
Civic Offices (incl. 3 leased –in)	4
Youth centres	15
Garages on council estates	2,269
Council housing	10,464
Council housing sold on long leases	3,605
Council housing – shared ownership	87
Residential properties bought back	44
Long leasehold shopping complexes	4
Day centre	3
Children’s home	1
Children’s Centres 9 (incl. 4 in libraries, 4 in schools (1 is in a leased in school) and 1 leased in)	11
Public car parks (incl. leased in of pt Hendon)	22
Leisure centres (1 is within an academy lease)	6
Cemetery	1
Mortuary	1

Asset Revenue Turnover (2013-14) (Income*)	£4,390,530.10
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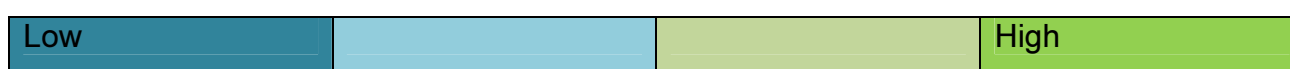
*Includes income from HRA.

3.1 Past Spend and Performance

The quartiles are calculated by dividing the data set into an equal number of authorities in each part of four to identify whether spend is high or low.

Quartile group one is the bottom/lower 25 per cent (a value less than 25 per cent) of the chosen comparison group. Quartile group two is in the range equal to or greater than 25 per cent but less than 50 per cent of the chosen comparison group. Quartile group three is in the range equal to or greater than 50 per cent but less than 75 per cent of the chosen comparison group. Quartile group four is in the top/higher 25 per cent (a value that is equal to or greater than 75 per cent) of the chosen comparison group.

Unitised estimated Spend¹



	Barnet	London Average
Estimated budget net expenditure – Planning and Economic Development per head (£) (2013-2014)	5,799	47,866

Performance



<u>New Homes and affordable homes</u>	Barnet	London Average	England Average
Number of affordable homes delivered (gross)(Latest) (Count) (2012-2013)	360	271	132
Housing affordability ratio - ratio of lower quartile house price to lower quartile earnings (Ratio) (2013)	11.27	11.39	7.70
Additional affordable homes provided by local authority area (2012 – 2013)	360	229	-
Average House price (March 2014) (£)	405,750	414,490	-

<u>Business and employment</u>	Barnet	London Average	England Average
Overall Employment rate (working-age) (2013 Q4 (rolling)) (Percentage)	73.1	70.1	73.3
Population- Number of people of working age who are unemployed (2013 Q4 (rolling)) (Count)	10,300	11,363	6,397
JSA claimant count , total claimants- number (resident population aged 16-64)	4,942	5,023	2,816

¹ See Appendix for expenditure lines included

<u>Business and employment</u>	Barnet	London Average	England Average
JSA total claimants: rate (resident population aged 16-64) (2014) (Percentage)	2.1	2.8	2.3
JSA number claiming over 12 months (April 2014) (Count)	1,280	1,531	834
JSA claimants per unfilled jobcentre plus vacancy (Nov 2012) (Per unfilled vacancy)	6.0	8.3	4.1
Access to employment by public transport (and other specified modes) (working age population) (2011) (Percentage of people economically active)	85	85	81
Working age people on out of work benefits (Raw value) (2013 Q4) (Percentage)	7.9	10.0	9.3
All persons employed in private sector as percentage of all persons in employment (2013 Q4 rolling) (Percentage)	75.4	79.3	77.8
All persons employed in public sector as percentage of all persons in employment (Raw value) (2013 Q4 rolling) (Percentage)	24.6	20.7	22.3
IMD- number of people in the area who are employment deprived (2010) (Rank)	56	71	163
New business registration rate per 10,000 resident population aged 16 and above (2012) (Per 1000 population)	104.2	96.7	61.9
Percentage of small businesses in an area showing employment growth (2008) (Percentage)	11.8	13.0	14.2
Number of active enterprises (2012) (Count)	22,110	13,208	6,351
Count of birth of new enterprises (2012) (Count)	2,995	1,975	736
Count of deaths of enterprises (2012) (Count)	3,175	1,557	687
Median gross weekly pay of employees working in the area (work base) (2013) (£Per week)	563.6	597.6	499.6
Median gross weekly pay of employees by residence (residence base) (2013) (£Per week)	613.3	622.7	523.4
Business rate (NNDR) defaults (no. of Liability Orders granted)			
Business 3 year survival rates (%) (Newly born enterprises in 2008)	53.4	52.6	57.9
Median gross weekly pay of employees by residence (£) (2013)	613.3	622.7	523.4
Median gross weekly pay of employees working in the area (£) (2013)	563.6	597.6	499.6

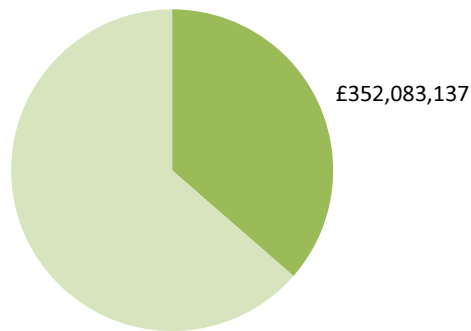
<u>Assets</u>	Barnet	London Average	England Average
Long-term borrowing: Long term assets ratio (2012-2013) (Ratio)	0.29	0.23	0.24
Working capital ratio (2012-2013) (Ratio)	2.65	1.89	2.63

4.1 Human Resources information

The services reporting to Assets, Regeneration and Growth Committee have been outsourced and are being run in a joint venture with Capita Symonds. Employment information is held by Re Delivery Unit and are not within the Council's remit.

4.2 Contracts information (contract value total of current contracts)

Assets Regeneration and Growth



5.1 Links to other information and data

Re contract KPIs

Service Area	DRS Key Performance Indicators	Committee
Building Control	Number of applications that meet statutory decision timescales - decisions in 5 or 8 weeks (depending on type of application)	None
Environmental Health	Appropriate response to service requests	
	Compliance with Environmental Health Service Standards (Priority 2 incidents and service requests). Total number of cases meeting the target/Total number of cases. Examples of Priority 2's include Health and Safety advice service, smoke free complaints, public health hazards.	Environment
	Compliance with Environmental Health Service Standards (Priority 1 incidents and service requests) The total number of cases meeting the target/Total number of cases. Priorities 1's are food alerts, infectious disease control, legionella investigations, and fatal accident reports.	Environment
	Provide comprehensive support for businesses to meet the relevant EH standards (Note: this KPI requires the delivery of all sub-KPIs)	Assets, Regeneration and Growth
	Safer work places - A higher level of compliance with health and safety legislation in the known most unsafe work places (Number of inspected businesses with health & safety rating or re-rating of B2 and C /Total number of businesses inspected)	Environment
	Meeting the Local Authority Pollution Prevention and Control (LAPPC) Part 2a and 2b processes intervention programme (inspection and risk-assessment) (Number of inspections completed/ Number of inspections planned)	Environment
	Conducting Food Hygiene Inspections (Number of inspections completed/ Number of due inspections)	Environment
	Conducting Food Standards Inspections (Category B) (Number of inspections completed/ Number of due inspections)	Environment
	Implementing the Food Sampling Plan (Number of inspections completed/ Number of inspections planned)	Environment
	Conducting Drinking Water Sampling for private distribution networks only (Number of samples completed/ Total Number of samples required)	Environment

Service Area	DRS Key Performance Indicators	Committee
	Implementing the Health & Safety Inspection Programme (percentage completion of programme milestones)	Environment
	Implementing the Animal Welfare Inspection Programme (Number of inspection planned visits completed/Total number of planned visits)	Environment
	Compliance with current Authority or DRS Enforcement Policy in relation to Environmental Health, Trading Standards and Licensing. Audit inspection passed or failed.	Environment
	Compliance with Licensing Requirements for Houses in Multiple Occupation (HMOs) - Licenced HMOs meeting legal standards	Housing
	Known licensable Houses in Multiple Occupation (HMOs) are licensed in a timely manner	Housing
	Business license applications processed in a timely manner	Assets, Regeneration and Growth
	Increased customer satisfaction by customers of statutory enforcement related cases	Environment
	Completion of projects to assist in meeting the key priorities of the Joint Strategic Needs Assessment priorities	HWBB
	Increase in the number of private sector units meeting minimum standards available for letting	Housing
	Number of empty properties brought back into residential use	Assets, Regeneration and Growth
	Number of private tenanted properties with Category 1 hazards (as defined by the Housing Act 2004) reduced to Category 2 (Cat 2) hazards	Housing
	Improvement in food hygiene in the highest risk premises	Environment
	Increase in the number of tenanted homes with burglary prevention measures in the borough	Housing
	Reduction of unit costs of disabled adaptations without reduction in quality of work to maximise the use of the allocated budget	Adults and Safeguarding
	Safer work places - A higher level of compliance with health and safety legislation in the known most unsafe work places (Number of inspected businesses with health & safety rating or re-rating of B2 and C /Total number of businesses inspected)	Assets, Regeneration and Growth
	Service plans, Sampling and Intervention programmes detailed in Schedule 4 to be submitted to the Authority for approval by 1st week of March each year.	Environment

Service Area	DRS Key Performance Indicators	Committee
Hendon Cemetery & Crematorium	Meeting religious burial request timescales	Environment
Highways network management	Programmes - completing tasks/works within agreed programmes and programme milestones	
	Implementation of the Annual programme relating to Highway Safety Inspections	Environment
	Annual Programme relating to Carriageway Resurfacing schemes (Number completed/Number of planned schemes).	Environment
	Annual Programme relating to Footway Relay schemes (Number completed/Number of planned schemes)	Environment
	Implementation of the Annual Programme relating to other highway improvement schemes	Environment
	Implementation of the Annual programme relating to Highway Condition Assessment	Environment
	Implementation of the Annual programme of weed prevention	Environment
	Implementation of the Annual programme of Gulley Cleansing	Environment
	Implementation of the Annual programme relating to Bridge Inspections	Environment
	Implementation of the Annual programme relating to Cyclic Bridge Maintenance	Environment
	Response Timescales	
	Number of Highways Emergency Defects Rectification completed on time	Environment
	Make Safe within 48 hours all intervention level potholes reported by members of the public (Category 1 Defects rectification)	Environment
	Number of Highways Category 2 Defects Rectification completed on time	Environment
	Highways Insurance Investigations completed on time	Environment
	Responses within timescales in dealing with complaints relating to weeds on the public highway	Environment
	Responses within timescales in dealing with Highway Licence applications	Environment
	Processing of Vehicle Crossover Applications within timescale for providing quotes	Environment
	Construction of Vehicle Crossovers within timescales	Environment
	Processing of Vehicle Crossover Appeals within timescales	Environment
Responses within timescales to complaints relating to a drainage malfunction and/or flooding event	Environment	

Service Area	DRS Key Performance Indicators	Committee
	Responses within timescales to weather reports/warnings (gritting in winter)	Environment
	Compliance with NRSWA, TMA and London Permit Scheme (LoPs)	
	Timely response to Highways works permit requests (Number of permits answered on time/Number of permit applications received)	Environment
	Ensure appropriate conditions are attached to Highways works Permits as per the London Permit Scheme (LoPS) (Total number of permits with appropriate conditions/total number issued)	Environment
	Appropriateness of approved and rejected Highways works permits extension requests as per the London Permit Scheme (LoPS) (Total number of appropriate responses/Total number granted and refused)	Environment
	Compliance with chargeable inspection regime to quality-check works on highways (New Roads and Street Works Act)	Environment
	Levels of passed and failed Highways works inspections - no more than 15% of the challenges to inspections with a "Failed" decision is upheld (based on the New Roads and Street Works Act - NRSWA) (Total number of challenges upheld/total number of failed inspections)	Environment
	Processing of Section 50 (S50) Highways Works Licences within timescales (as per the Traffic Management Act) (TMA) (Total number of licensing request processed within timescales/total number of licensed requests processed)	Environment
	Ensuring compliance with Section 74 (S74) and issuing sanctions on Highways works that are non-compliant as per the New Roads and Street Works Act (NRSWA) (Total number of S74 inspections carried out/total number S74 required)	Environment
	Number of interventions from the Department for Transport (DfT) or similar agencies regarding Traffic Manager Duties as per the Traffic Management Act (TMA)	Environment
Planning Development Management - Applications & Appeals	Compliance with planning application statutory timescales (for major, minor, other applications)	None
	Quality Assurance of Planning Developments (percentage of Appeals Dismissed)	None
Planning Development	Enforcement or breach of condition notices shall be service within timescales	None

Service Area	DRS Key Performance Indicators	Committee
Management - Enforcements	Prosecution and direct action implemented within timescales	None
Land Charges	Effectiveness of trading standards and licensing department interventions/obtaining compliance	Environment
Traffic & Development and Highways strategy	Delivery of Local Implementation Plan (LIP) documents - in accordance with agreed timeframes to meet Authority decision making requirements and TfL deadlines	Environment
Regeneration	Number of New Homes completed	Housing
	Regeneration budgetary and financial controls (% of invoices sent within timescales)	Assets, Regeneration and Growth
	Delivery of Regeneration projects' deliverables and milestones to meet outcomes and achieve benefits	Assets, Regeneration and Growth
	Improving Employment opportunities – Achieving agreed deliverables and milestones	Assets, Regeneration and Growth
	Number of new affordable homes completed	Assets, Regeneration and Growth
	Implementation of Section 106 obligations for employment & training activities (percentage of milestones achieved)	Assets, Regeneration and Growth
Strategic Planning	Percentage of Strategic Planning Documents completed and signed off by the Authority	None
	Percentage of Section 106 cases cleared annually (as per the Town and Country Planning Act 1990 as amended) – payment of Section 106 obligations by developers to the Authority	None
	Percentage of Community Infrastructure Levy (CIL) cases cleared annually -- payment of overall CIL obligations by developers to the Authority	Assets, Regeneration and Growth
Super KPIs	Increase business survival rate (compared against other boroughs)	Assets, Regeneration and Growth
	Reduction in youth unemployment (compared against other boroughs)	Children, Education and Libraries
	Reduction of vacant high street properties (compared against other boroughs)	Assets, Regeneration and Growth

Service Area	DRS Key Performance Indicators	Committee
	Increase Central Government funding success	Assets, Regeneration and Growth
	Improve customer satisfaction in DRS service	None
	Responses to Standard/Urgent information requests from the Authority (number of responses within timescales)	None
	Compliance with Authority Policies (number of instances of non-compliance with Authority policies)	None
	Business satisfaction with the Authority	None

Finance

RA cost breakdown

Planning and Economic Development
Building control
Development control
Planning policy
Environmental initiatives
Economic development
Community development

Revenue


[Click here to see detailed Budget breakdown for 14/15](#)

Capital

Re	Delivery Unit	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
		£000	£000	£000	£000	£000	£000	£000
HD54	Corridors, Neighbourhoods and Supporting Measures	619						619
	Local Implementation Plan	4,656	483					5,139
	Local Implementation Plan 2014/15		4,501					4,501
	Major Schemes	143						143
HD33	OTHER							
	Colindale Development Area Reconstruction of Railway Bridges	425	425					850
	Controlled Parking Zones	16	2					18
	Colindale Station interchange Improvement & Signalisation and Infrastructure	45	5					50
	Public Transportation Improvements	320	36					356
	Pedestrian Improvements programme	99	11					110
	Colindale CPZ Parking Review	262						262
	Feasibility Study-Colindale Hospital	14	2					15
HD39	Capitalisation of Planned Maintenance	147	11					158
-								
HS17	GF Regeneration	348	2,300					2,648
-								

Re	Delivery Unit	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
		£000	£000	£000	£000	£000	£000	£000
-	Mill Hill East	48	550					598
-	Outer London Fund - Cricklewood	1,639						1,639
-	Outer London Fund - North Finchley	1,159						1,159
-	BXC - Funding for land aquisition			26,000				26,000
-	BXC - Procurement		1,000					1,000
-	Graham Park Regeneration - Building works		2,500	1,250	1,250			5,000
-	Graham Park Regeneration - Infrastructure improvements	483	2,500	2,500	2,500	1,931		9,914
-	Colindale - Lanacre Ave/Aerodrome rd Junction			500	2,600	2,700		5,800
-	Colindale - Grahame park decant programme			5,000		4,600		9,600
-	West Hendon Highway Improvement		50	200	1,050	1,050	1,050	3,400
-	Town Centre		2,000		1,000		2,000	5,000
-	Thames Link Station		2,000	2,000				4,000
-	Housing Association Development Programme - New Affordable Homes		800	616				1,416
-	Housing Association Development Programme - Catalyst Housing		884					884

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	<p>Assets, Regeneration and Growth Committee 16 June 2014</p>
<p>Title</p>	<p>Brent Cross Cricklewood South Procurement and Delivery Strategy</p>
<p>Report of</p>	<p>Cath Shaw Enterprise and Regeneration Lead Commissioner</p>
<p>Wards</p>	<p>Childs Hill, Golders Green and West Hendon</p>
<p>Status</p>	<p>Report - Public Appendix 1 - Public Appendix 2 Not for publication by virtue of paragraph 5 of Schedule 12A of the Local Government Act 1972 as amended. Appendix 3 Not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended</p>
<p>Enclosures</p>	<p>Appendix 1 Procurement and Delivery Strategy Appendix 2 Eversheds Procurement Letter Appendix 3 Section 7 Procurement and Delivery Strategy</p>
<p>Officer Contact Details</p>	<p>Karen Mercer, Programme Director Re, Karen.Mercer@barnet.gov.uk, 0208 359 7563</p>

Summary

To report the Procurement and Delivery Strategy to procure a development partner for the Brent Cross Cricklewood South development and seek approval to commence the formal procurement process.

Recommendations

1. That the Committee approve the following

- a) To procure a partner for the Brent Cross Cricklewood South development through an OJEU Negotiated route in accordance with the Brent Cross South Procurement and Delivery Strategy attached at Appendices 1 and 3 of this report.
- b) To approve the Council’s requirements for the Brent Cross Cricklewood South opportunity as set out in Section 4 of the Brent Cross South Procurement and Delivery Strategy attached at Appendix 1

c) **Note the procurement timetable and that to meet this timetable an additional meeting would be needed to approve the selection of a preferred partner, which would be called in accordance with statutory requirements and the Council's constitution.**

2. That authority be delegated to the Chief Executive to finalise the Evaluation Criteria, Scoring Mechanism and marketing documentation in accordance with the Procurement and Delivery Strategy attached at Appendices 1 and 3.

3. That authority be delegated to the Chief Executive in consultation with the Leader to shortlist between three and five bidders for the Invitation to Negotiate stage in accordance with the Procurement and Delivery Strategy attached at Appendix 1.

1. WHY THIS REPORT IS NEEDED

- 1.1 This report seeks the Assets, Regeneration and Growth Committee's approval to commence the formal OJEU Negotiated procurement to select a preferred partner for the Brent Cross Cricklewood South opportunity, in accordance with the Procurement and Delivery Strategy attached at Appendix 1. Section 7 of the Strategy details the evaluation criteria and scoring mechanism for the Pre-Qualification Questionnaire and Invitation to Negotiate stages. It is attached at Appendix 3 as an exempt item due to the commercially sensitive nature of this information.
- 1.2 The Committee should note that the proposed timetable suggests final selection of a preferred partner would be decided by the Assets, Regeneration and Growth Committee in early February 2015, should an additional meeting be agreed to by Full Council. This would allow for announcing a partner at the leading property conference, which takes place in March 2015.
- 1.3 The Brent Cross Cricklewood South opportunity has previously been reported to Cabinet Resources Committee on 18 April 2013 and 16 January 2014 (reports attached at Section 6 of this report). These reports explained the new delivery approach to bringing forward the Brent Cross Cricklewood regeneration proposals. Hammerson UK and Standard Life Ltd (the Development Partners) will focus solely on the delivery of the shopping centre at Brent Cross and the significant infrastructure required to support the comprehensive regeneration proposals, with the Council taking the lead on the south side to deliver the southern parts of the Brent Cross Cricklewood Regeneration masterplan with a new development partner.
- 1.4 On 18 April 2013, Cabinet Resources Committee approved that the Director for Place (subsequently renamed Strategic Director for Growth and Environment) begin preparations to deliver the regeneration of the southern parts of Brent Cross Cricklewood Regeneration Area.

- 1.5 The Council's advisors were then instructed to provide strategic property advice on the delivery of the Brent Cross Cricklewood South (BXC South) masterplan, undertaking detailed technical due diligence and review of the overall infrastructure and development costs to inform scheme viability. This work identified a viable first phase market proposition that could bring forward some 2,400 residential units, plus some 17,650 sqm of retail accommodation to provide the new high street linking into the Living Bridge and Brent Cross Shopping Centre, thus creating the new town centre, over an 8-10 year period. Work is underway to ensure that the remaining 5,000 units and some 450,000 sqm of commercial space are made viable through the early delivery of the proposed Thameslink station.
- 1.6 On 16 January 2014, Cabinet Resources Committee approved the market testing of this opportunity through the issue of a Prior Information Notice (PIN). This allowed the Council and its advisors to speak directly to potential partners to inform the emerging delivery strategy for BXC South, before reporting the strategy back to Committee to commence the formal procurement process.
- 1.7 The PIN was issued on 12 March 2014. Section 3 of the Procurement and Delivery Strategy provides details of the market testing process and provides a summary of the feedback received. This process demonstrated that there is significant market interest in the Brent Cross South development opportunity.
- 1.8 The Procurement and Delivery Strategy recommends that the Council secure a partner based on a corporate, rather than a project specific relationship to jointly develop the BXC South opportunity in more detail. This would be subject to a range of performance measures and Key Performance Indicators as detailed in Section 2.3 of the Strategy. The Strategy defines the key requirements that the Council will be seeking in a development partner (see paragraph 2.2 below).
- 1.9 The Procurement and Delivery Strategy reflects the scale of the BXC South opportunity and the amount of work needed to jointly develop and implement the vision, alongside testing the viability and deliverability of the site. It is considered that this approach will create the right conditions for a long term relationship, and also create the flexibility that the Council requires to be able to approach this project and meet all of its objectives (see Section 5 the Procurement and Delivery Strategy).
- 1.10 The Strategy explains that a partner will be identified on the basis of its understanding of the Council's requirements, ability to work in Partnership, stated commitments and financial capacity to execute the required Business Plan. A more detailed vision will be developed jointly between the parties through the negotiation procedure, as detailed in Section 5 of the Strategy, before the creation of a formal joint venture partnership. This will allow the Partner a period of time to work with the Council and the key external stakeholders to finalise the masterplan and obtain the necessary consents.

- 1.11 The Procurement and Delivery Strategy outlines a formal four stage OJEU negotiated procurement process:
- 1) Pre-Qualification Questionnaire (to be issued July 2014)
 - 2) Invitation to Negotiate (three-five parties shortlisted by end of Sept 2014) and Evaluation
 - 3) Pre-Contract Business Plan Stage (single party selected in February 2015) followed by Contract Award
 - 4) Finalising and engrossing the contract (by March 2016).
- 1.12 Section 6 of the Strategy details the procurement methodology and lists the evaluation criteria and scoring mechanisms for stages 1 and 2. It is relevant to note that Stages 3 and 4 will run concurrently from March 2015 to March 2016.
- 1.13 This strategy has been developed in conjunction with the Council's legal advisors Eversheds, who have confirmed that the negotiated route is available in the context of this development.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Procurement of a corporate partner is essential to deliver the regeneration of the Brent Cross Cricklewood area and meet the Council's Corporate Priorities as set out in Section 5 of this report. The procurement of a partner through a formal OJEU negotiated process is considered by the Council's advisors to be an appropriate procurement route.
- 2.2 As part of this process, the Council needs to be clear in its requirements for the BXC South regeneration area but not so specific as to stifle the potential partners in their thinking. The Council's requirements are listed in Section 4 of the Procurement and Delivery Strategy. Subject to agreement of recommendation 1b above, these requirements will be incorporated into the marketing material.
- 2.3 In order to meet the proposed timetable, an additional meeting may need to be called in accordance with statutory requirements and the Council's constitution to approve the selection of a preferred partner as set out in Recommendation 1c. This would allow:
- 1) full and proper consideration of the bids to select a preferred partner; and
 - 2) for the option to announce a preferred partner at the leading property conference.
- 2.4 The Council has set an ambitious timeframe to select a preferred partner (February 2015). In order to maintain momentum, delegated authority is sought to enable the Chief Executive:

- a) to finalise the scoring mechanism and criteria for both the Pre-Qualification Questionnaire and Invitation to Negotiate stages; and
 - b) to review the recommendations of the BXC South Evaluation Panel and, in consultation with the Leader of the Council, shortlist between three and five bidders to be provided with the Invitation to Negotiate documentation.
- 2.5 The Chief Executive, through his Chairmanship of the Brent Cross Cricklewood Governance Board, will ensure that the evaluation criteria and scoring mechanisms are robust, that scoring is consistent and that the procurement progresses in line with the Procurement and Delivery Strategy. The Brent Cross Cricklewood (BXC) Governance Board was set up to enable Senior Council Officers to monitor and oversee the delivery of the Brent Cross Cricklewood programme and to ensure that the Council's objectives are achieved through the regeneration. The Board meets monthly.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Procurement via OJEU is necessary where a public body is seeking to procure goods and services above a specified threshold and this process needs to be undertaken in a fair and open manner. As Awarding Authority the Council will need to ensure the selected partner is the most economically advantageous of those involved in the process and can provide value for money in the delivery of the social, economic and environmental regeneration outcomes and outputs.
- 3.2 Eversheds has advised that of the formal OJEU processes, the Negotiated route is available for use by the Council at limited risk. The Negotiated route has a slightly higher, but still low, legal risk compared to the Competitive Dialogue route. Nonetheless it is preferred as it allows for the swifter identification of a preferred partner and reduced cost when negotiating the terms of the contract (as the procuring authority is not having to run two or three parallel negotiations). Eversheds' advice, which is set out in Appendix 2, is protected by legal professional privilege and is therefore exempt from publication.
- 3.3 In addition to this route Capita, RE and Eversheds have also explored the potential of a procurement methodology outside of the OJEU process through a tried and tested route referred to as the 'co-investor' route. If the co-investment partner approach were to be taken, and the investor partner were to be a true co-investor, then the selection of such a partner would not be subject to the EU procurement regime, as the Council would not be procuring works and/or services. The process would be treated as a transaction rather than a procurement of services. The benefits of this route are that it would potentially be quicker and cheaper than a formal OJEU route, and would therefore be perceived as preferable by the market.
- 3.4 However, this alternative route has been discounted for use by the Council as it specifically excludes the opportunity to obtain any 'services' from the investment partner. It has become apparent through the soft market testing

exercise that the demands of 'placemaking' as part of this process will require the partner to bring skills and services to the joint venture which, by definition, require an OJEU process.

4. POST-DECISION IMPLEMENTATION

- 4.1 The proposed Governance and Partner Selection Structure is set out in Appendix A of the Procurement and Delivery Strategy.
- 4.2 The next step is for the Chief Executive, through the BXC Governance Board, to finalise the Evaluation Panel and marketing material, including the Pre-Qualification Questionnaire, by the end of June.
- 4.3 In early July, the OJEU notice will be published and supporting information necessary for the procurement of a partner (including a Pre-Qualification Questionnaire) will be issued. Bidders will be required to return the questionnaire by the end of August 2014.
- 4.4 Throughout September, the BXC Evaluation Panel will review submissions and recommend a shortlist of between three and five bidders to be provided with the Invitation to Negotiate documentation. Subject to the delegated authority being confirmed, the shortlist will be approved by the Chief Executive in consultation with the Leader of the Council through the BXC Governance Board.
- 4.5 By the end of September, shortlisted bidders will be issued with the Invitation to Negotiate documentation. Bidders will then be provided with a three month period to develop their bids to deliver the Council's requirement. Further detail on this process is given in Section 7 of the Strategy, attached at Appendix 3. It is expected that bids will be returned by 31 December 2014.
- 4.6 Shortlisted bidders will then be invited to present their proposals to the Evaluation Panel, BXC Governance Board and key stakeholders throughout January.
- 4.7 The BXC Evaluation Panel will then review the bids and recommend the preferred partner in February 2015. The recommendation will then be considered by Assets, Regeneration and Growth Committee. It is anticipated that this report will also seek Committee approval to next steps, which are expected to be as set out below.
- 4.8 Once a preferred partner has been identified, a vision will then be developed jointly between the parties for recommending to Committee by March 2016, before the creation of a formal joint venture partnership. This will allow the Partner a period of time to work with the Council and the key external stakeholders to finalise the proposals and obtain the necessary consents in the pre contract business plan stage, before finalising and engrossing the contract by March 2016.

- 4.9 Subject to an appropriate scheme being established, and third party interests being aligned, the Partner will then have the opportunity to enter in to a formal Joint Venture with the Council through which the scheme may be implemented.

5. IMPLICATIONS OF DECISION

Corporate Priorities and Performance

- 5.1 The regeneration of Brent Cross Cricklewood supports the Corporate Plan 2013-2016 priority '*To maintain the right environment for a strong diverse local economy*', and the strategic objective under this priority to sustain Barnet by '*promoting growth, development and success across the borough*'.
- 5.2 The Growth Strategy for Barnet recognised that regeneration and growth are vital for ensuring the future prosperity of the Borough and maintaining Barnet as a successful London suburb. The scheme to transform Brent Cross Cricklewood will play a major role in delivering this prosperity, doubling the size of the shopping centre and linking seamlessly to a new town centre for Barnet and North London across the North Circular Road. Brent Cross Cricklewood is one of Barnet's priority regeneration areas, and will provide approximately 7,500 new homes over the next 20 years. It is a key part of the wider revitalisation of the A5 corridor, linking Brent Cross Cricklewood with developments at West Hendon, Colindale and Edgware and improvements to Cricklewood Town Centre, to create a series of high quality modern suburbs.
- 5.3 The first phase of the Brent Cross Cricklewood project includes the redevelopment of the shopping centre, creation of major new infrastructure, improved links to the existing tube station, and delivery of around 2,461 new homes over the next 8-10 years. This will create an estimated 3,000 construction jobs, and 4,000 permanent jobs.

Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.4 As set out in the Cabinet Resources Committee in January 2014, the Development Partners will provide funding up to £1.4m to meet the Council's costs in procuring the preferred partner for the Brent Cross South development and further technical due diligence work in accordance with the Co-operation Agreement.
- 5.5 Section 5 of the Procurement and Delivery Strategy proposes financial key performance indicators. Section 7 attached at Appendix 3 details the procurement methodology in relation to the financial criteria and scoring mechanisms. As shown in Appendix A to the Procurement and Delivery Strategy, a specific financial panel will be set up, chaired by the Deputy Chief Operating Officer that will report to the Evaluation Panel on financial matters.
- 5.6 Section 5 also details that at the point when the preferred development partner is selected, a mechanism for calculating the Council's financial return

will be agreed. The deal will be structured in a way which ensures that the Council receives best consideration for its land and also reflects the wider commitments and investment that have been and will be committed going forward.

Legal and Constitutional References

- 5.7 The Council's Constitution, Responsibility for Functions, Annex A states the terms of reference of Assets, Regeneration and Growth Committee, including to agree externalisation contracts, to oversee major regeneration schemes including those of key social housing estates and all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.
- 5.8 Council Contract Procedure Rules, Appendix 1, Table A sets out the framework for authorisation of tender stage for contract, including that authorisation to commence a procurement process for amounts of £172,514 and above by the relevant Thematic Committee and that the procurement be carried out by one of three methods. The Procurement and Delivery Strategy has been created in accordance with the Contract Procedure Rules.
- 5.9 The Procurement Code of Practice provides guidelines for Council officers to carry out effective and efficient procurement activities, which are compliant with Council Constitution and policies. The Procurement and Delivery Strategy has been created in accordance with this procurement code.
- 5.10 The Council has a general power of competence under Section 1 of Chapter 1 of the Localism Act 2011 and this empowers the Council to enter into joint venture arrangements for the development of the south side of the Brent Cross Cricklewood regeneration scheme. Section 1 of the Localism Act 2011 provides local authorities with a broad power to do anything that individuals can do subject to any specific restrictions contained in legislation.
- 5.11 The Council has the power to acquire and dispose of land in accordance with Sections 120 to 123A, and subject to obtaining appropriate consents and approvals Sections 128 to 131 of the Local Government Act to ensure value for money is secured.
- 5.12 The procurement of a partner and other advisers for the south side of the scheme will be carried out in accordance with the relevant European Union procurement regulations and public sector procurement principles.
- 5.13 The Public Services (Social Value) Act 2012 requires the Council to consider whether it can achieve an improvement to the economic, social and environmental well-being of an area as part of the procurement of these services. If so, the social value objectives identified must be written into the procurement process. All of this must be achieved with regard to value for money and in a way that is compliant with existing public procurement law. "Social value" objectives can include the creation of employment, apprenticeship and training opportunities for local people, trading

opportunities for local businesses and the third sector; and the promotion of equality and diversity through contract delivery.

5.14 Section 111 of the Local Government Act 1972 provides that a local authority has power to do anything which is calculated to facilitate, or is conducive or is incidental to, the discharge of its functions.

5.15 The public sector equality duty referred to in Section 5 also required consultation to ensure the Council complies with its duties under the Equality Act 2010.

5.16 **Risk Management**

5.17 The key risks can be summarised as follows:

5.18 Procurement risk. There is the risk that any procurement of a partner could be subject to challenge. To mitigate this risk, the Council has retained specialist legal advice on the scheme as a means of ensuring that all actions taken by the Council accord with the provisions of relevant national and international laws, regulations and directives. Eversheds advise that the negotiated route is available to the Council within the context of this development as detailed in their letter attached at Appendix 2 and as such consider the likelihood of a challenge being brought successfully to be low.

5.19 Lack of responses to the Pre-Qualification Questionnaire and rejection of the opportunity at the Invitation to Negotiate stage. The market testing has confirmed that there is strong appetite for the Brent Cross South opportunity and therefore it is considered that this to be low risk.

5.20 Objections to the evaluation criteria and scoring mechanisms. This is considered likely given that this is a high profile opportunity and the level of market interest to date. To mitigate this risk, the Council has retained specialist legal and professional advice to prepare the documentation. Furthermore the Evaluation Panel and the BXC Governance Board will ensure robust scoring mechanisms are in place and that there is a consistent approach to scoring.

5.21 Failure to agree a business plan, which would prevent the creation of the joint venture and halt the procurement process. The likelihood of this is considered low. There is significant market interest in this opportunity. An outline business case will have been prepared in line with the Council's requirements as part of the Invitation to Negotiate process. This will have been reported to the Assets, Regeneration and Growth Committee as part of the selection process. Consequently, the Preferred Partner will have declared their programme of work for the business plan and fixed many of the commercial aspects.

5.22 Failure to agree commercially acceptable terms during the pre-contract business plan and finalising contract stages. As indicated above, many of the

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key commercial aspects will have been fixed at the end of Stage 2 – the selection of the preferred development partner. Sections 6.2 of the Procurement and Delivery Strategy details the likely commercial fixes as part of the Invitation to Negotiate stage which seeks to mitigate this risk.

- 5.23 Failure to agree on a viable first phase scheme, thus preventing delivery. This is considered to be low risk given the due diligence undertaken to date to inform the delivery strategy. Nonetheless the partner will be invited to describe a backstop for Phase 1 and agree a deadlock process for resolving any disagreements.
- 5.24 Failure to secure finance for Thameslink Station. Most parties consider the train station essential for securing the delivery of Brent Cross South. The delivery of the station will help drive land values, thereby enabling the regeneration of the Brent Cross Cricklewood area. The Council together with public sector partners (Greater London Authority, Network Rail and Transport For London) are exploring strategies to bring forward the station. This includes continuing design work in respect of the station itself, including a review of the station output, functional specification and technical due diligence work to provide a detailed cost estimate. Funding options and strategy are being developed throughout 2014 and the results of this work will be reported to Committee later this year / early next.
- 5.25 There is the risk that Hammerson and Standard Life (the Development Partners) do not progress the shopping centre scheme, or deliver part of the scheme but fail to deliver the critical infrastructure needed to facilitate the comprehensive regeneration of the area. In this regard, the commercial agreements with the Development Partners require the delivery of critical infrastructure to enable the Brent Cross Cricklewood South development to come forward in advance of the shopping development. This will ensure that the regeneration of the southern land is progressed.

Equalities and Diversity

- 5.26 The public sector equality duty under section 149 of the Equality Act 2010 (“PSED”) requires the Council to have due regard to: (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; and (ii) the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it. ‘Protected characteristics’ are: gender, race and disability, sexual orientation, age, religion or belief, pregnancy and maternity and gender reassignment.
- 5.27 The Council is committed to improving the quality of life for all and wider participation in the economic, educational, cultural, social and community life in the Borough.
- 5.28 The development proposals for the Brent Cross Cricklewood scheme will make a significant contribution to the provision of additional, high quality affordable housing units in the Borough as well as providing employment

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through the creation of a new town centre with leisure, health and educational facilities. The delivery of the Thameslink Station will enhance public transport provision and improve accessibility and provide greater choice for all. It should be emphasised that a fully integrated and accessible town centre will be created as part of these proposals.

- 5.29 An Equalities Impact analysis was carried out in respect of the Outline Planning Application granted in 2010, which took fully into account the demographic makeup of the regeneration area and addressed the impact on the protected characteristics. This anticipated a significant positive impact from the regeneration proposals.
- 5.30 The Council's requirements for the Brent Cross South development are set out in Section 4 of the Procurement and Delivery Strategy. These requirements state how Brent Cross Cricklewood is an opportunity to extend Barnet's success as a desirable and attractive suburb, by creating a new urban village for London which sets the tone for future evolution of the borough more widely and emphasises the need to create a place that makes residents, workers and visitors feel good – inviting people to meet and spend time in the spaces, and to walk or cycle.
- 5.31 Importantly, the requirements highlight that Brent Cross Cricklewood will be place for people of all ages, with housing mix that reflects different life stages, a range of housing tenures, and public spaces which are accessible to all. It emphasises that promoting health and wellbeing and reducing dependency will be ingrained in the place.
- 5.32 Equalities and diversity have been incorporated into the procurement process. The bidders will be asked through the Pre-Qualification Questionnaire to provide company policies in relation to equalities and diversity, and will also be asked as part of their approach to and understanding of "Placemaking" to demonstrate their understanding of how places influence wider objectives (for example public health).
- 5.33 The equalities implications will be reviewed as part of developing the vision further and updated as plans take shape, whether through an Equalities Impact Assessment Plan or by other mediums during the life of the project.

Consultation and Engagement

- 5.34 Extensive consultation has and will continue to be undertaken with key stakeholders and the community to ensure that the Brent Cross Cricklewood scheme reflects local needs including the needs of those with protected characteristics, as well as securing the future of North London's only regional shopping centre.
- 5.35 The Governance and Partner Selection Structure attached at Appendix A of the Procurement and Delivery Strategy refers to Stakeholder Panels to include key interested parties, including community groups, that will have the opportunity to receive presentations from the bidders in January 2015 and

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provide comments that will be reported back to the Evaluation Panel. This approach will be developed further over the coming months.

6. BACKGROUND PAPERS

- 6.1 Cabinet, 26 April 2004 (Decision Item 8) – approved the adoption of the Cricklewood, Brent Cross and West Hendon Development Framework as Supplementary Planning Guidance.
- 6.2 Cabinet, 29 March 2005 (Decision Item 6) – agreed to enter into a Collaboration Agreement with the development partnership (Cricklewood Regeneration Limited, Hammerson and Standard Life).
[<http://barnet.moderngov.co.uk/Data/Cabinet/200503291900/Agenda/Document%204.pdf>]
- 6.3 Cabinet, 5 December 2005 (Decision Item 7) – approved, amongst other matters, that 1) the Eastern Lands Addendum be adopted as Supplementary Planning Guidance; and 2) the Eastern Lands Supplementary Guidance is incorporated into the Cricklewood, Brent Cross and West Hendon Development Framework.
[<http://barnet.moderngov.co.uk/Data/Cabinet/200512051900/Agenda/Document%204.pdf>]
- 6.4 Cabinet Resources Committee, 25 March 2008 (Decision Item 16) – approved the outline terms so far agreed with the Brent Cross partners and Cricklewood Redevelopment Limited, including the proposals for the finalisation of the financial terms, be approved in principle subject to the outcome of Counsel's advice on procurement issues, and that the finally agreed terms for the Development Framework Agreement and the Principal Development Agreements be reported to a future meeting of the Cabinet for approval.
<http://barnet.moderngov.co.uk/Data/Cabinet%20Resources%20Committee/200803251900/Agenda/Document%2015.pdf>
- 6.5 Cabinet, 21 October 2009 (Decision Item 7) – approved the terms and conditions of entering into the Development Framework Agreement and the Principal Development Agreements, subject to approval of the Brookfield Europe and Hammerson Guarantor companies by the Director of Finance and the Leader of the Council, and the approval of the appropriate land transaction and financial arrangements by the Secretary of State. The approval was also subject to agreement of the plans, the historic costs and the form of the legal documents.
<http://barnet.moderngov.co.uk/CeListDocuments.aspx?CommitteId=120&MeetingId=306&DF=21%2f10%2f2009&Ver=2>

- 6.6 Cabinet Resources Committee, 19 October 2010 (Decision Item 5) – approved the changes to the terms and conditions of the Development Framework Agreement and the two Principal Development Agreements regarding Brent Cross Cricklewood (as considered and approved by Cabinet in October 2009)
[<http://barnet.moderngov.co.uk/Data/Cabinet%20Resources%20Committee/201010191900/Agenda/Document%203.pdf>]
- 6.7 Cabinet Resources Committee, 18 April 2013 (Decision Item 14) - noted that the Brent Cross Cricklewood Development Partners wished to modify the existing planning consent to allow re-phasing; approved that the Director for Place begin preparations to enable the Council to procure a development partner to deliver the regeneration of the southern parts of Brent Cross Cricklewood Regeneration Area and confirmed the continued appointment of the external advisors for the Brent Cross Cricklewood Regeneration project, and the procurement of appropriate additional advice, and to delegate authority to the Director for Place to deal with necessary contractual issues or arrangements.
[<http://barnet.moderngov.co.uk/mgConvert2PDF.aspx?ID=8369&ISATT=1#search=%22Brent%20Cross%20%22>]
- 6.8 Cabinet Resources Committee, 16 January 2014 (Decision Item 6) - approved the changes to the terms of the Brent Cross Principal Development Agreement (as considered and approved by CRC in October 2010) and the terms for the Co-operation Agreement as set out in Section 9 of this report; authorised the Chief Executive in consultation with the Leader of the Council to agree the detail of the Brent Cross Principal Development Agreement and Co-operation Agreement; approved commencement of market testing through the issue of a Prior Information Notice to inform the delivery strategy for the Brent Cross Cricklewood South area; and approve that the Council enter into negotiations with landowners to acquire land required in advance of any Compulsory Purchase Order, subject to approval of the bid for capital funding by Cabinet on 25 February 2014; and approved that the Council continue the design and development work to develop the business case and funding strategy for delivery of the Thameslink Station, subject to approval of the capital funding bid by Cabinet on 25 February 2014; and delegate authority to the Strategic Director for Growth and Environment to procure the necessary advice and consultants to progress the Brent Cross project workstreams and deal with the related contractual issues and arrangements.
[<http://barnet.moderngov.co.uk/mgConvert2PDF.aspx?ID=12505&ISATT=1#search=%22Brent%20Cross%20%22>]

REPORT CLEARANCE CHECKLIST

(Removed prior to publication and retained by Governance Service)

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Brent Cross South

Procurement and Delivery Strategy
May 2014

Quality Management

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1. Executive Summary

This report provides a proposed methodology and plan for the procurement of a development Partner for the London Borough of Barnet at Brent Cross South. In doing so this report describes and advocates a four stage OJEU Negotiated Route, the intention being to have identified a preferred Partner through a procurement process by March 2015. The finalisation and engrossment of formal contractual arrangement with the preferred Partner will be subject to certain obligations that the bidding parties will, to an extent, themselves describe through the bidding process.

This paper also describes the need for the creation of an Evaluation Panel, with appropriate delegated authorities to commence a procurement programme and to report on a preferred Partner.

The processes advocated in this report are intended to respond to the Council's need for a long term but flexible arrangement to deliver the best physical, social and economic outcomes for both the current and future residents and business at Brent Cross and the wider borough.

2. Introduction

This report details the procurement methodology that is recommended to form the basis of the London Borough of Barnet's process for procuring a development Partner to realise the potential of Brent Cross South.

In simple terms, although the Council has outline consent for the land and control over much of the property there are a number of 'moving parts' over which the Council is not likely to be able to demonstrate to the market that it has full control by end of Q2 2014. These include the

- implementation of the Shopping Centre proposals (including the delivery of early infrastructure),
- delivery of the train station,
- viability of the whole scheme.

However, the routes to managing these issues are clearly identified and generally the market seems very excited by the project.

The challenge then facing the Council is to procure a Partner to work closely with it to deliver Brent Cross South over a prolonged period of time (20 years or more).

2.1 The opportunity

'Brent Cross South' (BXS) is a constituent part of the wider 'Brent Cross Cricklewood' (BXC) site which extends to 151ha and represents a significantly underused area of brownfield land. The planning consent aims to deliver a comprehensive redevelopment of the area including more than 7,500 homes and over new 25,000 jobs.

Planning Permission (Ref No: C/17559/08) for the comprehensive regeneration of the BXC site was granted on 28 October 2010, and revised through a s.73 application in 2013/4. Subject to the signing of the Section 106 agreement, the subsequent planning application has been designed to facilitate phased delivery, starting at the existing Shopping Centre.

To date the Brent Cross Cricklewood scheme has been jointly promoted by the London Borough of Barnet ("LBB"), Hammerson and Standard Life Investments ("HSL"). In 2014 the LBB and HSL will sign a 'co-operation agreement' that will result in the Council taking lead responsibility for delivery of land to the

south of the North Circular and a commitment from HSL to deliver the infrastructure with which to service the Primary Development Package (PDP, – see Appendix B for detail) of the consented scheme. This package of work describes the key infrastructure that must be delivered before the shopping centre development can commence. This infrastructure includes a range of cost items south of the North Circular.

The southern section of the consented BXC masterplan (i.e. Brent Cross South) is equivalent in gross floor area to that of Mayfair (some 15million sqft) and has the potential to become a significant new destination for London.

Capita has been working with Re and LBB since January 2014 to consider how best to identify and secure a Development Partner to help realise the potential of the southern section of the wider Cricklewood masterplan. It is acknowledged that the new partner may wish to revisit the detail, content and phasing of the consent.

In arriving at a recommended process, the consultant team has produced what it understands the Council's key requirements to be in a partner. It is important that these requirements are considered, and if appropriate, approved. Through a procurement process, it is essential that the procuring body is specific about what it wants to achieve and is consistent throughout the process. The Council will need to confirm that it is satisfied that the requirements below are accurate. No further testing of these requirements will be possible for the duration of the procurement process.

2.2 Key requirements

We believe that the following characteristics should form the key requirements in a Development Partner (i.e. what 'good' looks like)

1. Experience in delivering (financing and constructing) 'Placemaking' through large scale, phased development
2. Track record of working successfully in partnerships with the public sector and other third parties
3. Experience in appointing and managing large professional teams to conceive and produce large scale masterplans and to secure detailed planning consents for mixed use development within them

4. A well established internal team with the human and financial resources to be a long term development Partner

The Council has set itself an ambitious time frame within to identify a preferred development Partner through a procurement process (March 2015 – timetable at Appendix A). We believe that this should be possible to achieve by keeping the objectives of the procurement strategy proportionate to the current status of the opportunity so that the Council and its Partner retain the flexibility to adapt the strategy as progress is made.

We believe therefore that any 'project level' financial commitments will have to be agreed first at a 'Partnership level' (corporate or contractual). i.e. the Partners agree to a programme of work with future activity guided by a set of agreed financial and economic parameters which will have been established through a competitive tender process.

2.3 Project vs Corporate level Partnerships

In simple terms, when entering in to Joint Ventures, parties can choose to structure the relationship around either project specific agreements or broader corporate agreements. For example, a project specific example would be where one party commits a plot of land, with detailed planning permission, against which the partner would commit the build costs to implement the consent and share in the value created. The alternative approach might be that two parties enter in to an arrangement to go and buy an as yet unspecified opportunity. In doing so they would make 'corporate' commitments to generate value using their combined resources.

In most cases, a procuring land-owning authority will seek to invite parties to enter in to 'project' level commitments through the bidding process, perhaps on a conditional basis (subject to planning consent, for example). In this scenario, bidding parties would be invited to describe an indicative development scheme, provide a schedule of build costs and an assessment of value. This will result in a 'price' for the land being agreed, subject to a range of variables. The benefit of this approach is that the competitive tension assists in minimising and holding down build costs. Perversely, this process often delivers up the party that also submits the most ambitious sales values. The gap between sales prices and build costs is what generates the largest land value and profit. The pressure between driving down costs and boosting sales values can often come at the expense of overall scheme quality. This is where a 'corporate' relationship is beneficial. Having both parties aligned at a level detached from the project specifics can facilitate closer working and better regeneration outcomes.

On balance and due to the scale of the Brent Cross South opportunity, the amount of work required to fully form the vision and test the viability and deliverability of the site, we do not consider that procuring at a 'project' level in a competitive (bidding) environment is conducive to achieving the best outcomes for the Council. We believe that the time required will be substantial, as would the costs and in a competitive environment it will be off-putting to a range of parties and reduce the field of potential Partners.

We believe that the Council is better positioned in the long run by finding the right Partner with which to develop the proposals in more detail (subject to a range of performance measures and Key Performance Indicators (KPIs)). In summary, we propose that the Council procure a Partner based on a corporate, rather than project specific, relationship. We believe that this will not only ensure the broadest range of interest in the opportunity but will also help create the right conditions for a long term relationship. This route will create the flexibility that the Council require to be able to approach this project and meet all of its objectives.

3. Soft Market Testing

'Soft market testing' is an approved methodology for engaging with private sector companies to understand their views on a scheme and the potential procurement processes available to the Council.

To commence a process of soft market testing a Prior Information Notice (PIN) was placed in the Official Journal of the European Union (OJEU) on 12th March 2014 to coincide with MIPIM which took place between 11th and the 14th March. 26 expressions of interest were received from the PIN and MIPIM and all were invited to meet with representatives from Capita. Acceptances were received from 15 of these parties. Following these 'first stage' meetings two parties have confirmed that the opportunity is not right for them at this stage. Of the 13 remaining parties that met Capita a cross section was identified that provided the Council with a good range of experiences and views. The shortlisted parties were invited to attend meetings with lead Officers on the week commencing 27th April. These meetings were held to further explore how these companies might approach this opportunity and what their opinions are. For the avoidance of doubt, the Council is not obliged to speak to all parties as long as the process is handled fairly and no advantage is conferred on any party through the process. The Cabinet Office has made it clear that local authorities are free to "speak to a proportionate number of potential suppliers in relation to the market size. This will help to ensure that the process is not overburdened by speaking to every conceivable potential supplier." Those chosen had specific experiences which were felt to be directly relevant to forming an appropriate procurement structure for this opportunity.

3.1 Feedback to date

In terms of the first round meetings, the key comments from developers can be summarised as follows

- This is a major opportunity and the actual nature of any procurement option (Negotiated, Competitive Dialogue, Co-investor) will not in itself affect their decision to pursue it. Having said that, the vast majority would prefer it not to be Competitive Dialogue due to cost and time concerns.
- In procuring a development partner it is essential that the Council present a clear vision and set of corporate objectives against which Parties are able to tender against. The Council needs to be specific and consistent with these objectives.
- All but one of the parties agreed that the introduction of a new train station is vital to the success of the scheme

- Capita has described to the parties the idea of procuring a partner based on a Business Plan, rather than a 'priced' masterplan and this has been received with interest.
- Keeping it simple is a mantra that is widely supported. Acknowledging that the partnership will need to be capable of establishing a long term business model will be crucial to success. The partnership will need to be flexible to cope with unforeseen events and circumstances.
- The key individuals from both sides will need to be committed to the project. All Parties asked after Officers' delegated authorities or mentioned that the lead individuals need to be able to take key decisions.
- "Placemaking" is key, but difficult to test. A common suggestion is that at PQQ the Council ask where the Parties have done it before and where can we see the results of their approach. The idea of a Placemaking Workshop during the procurement and selection process was cautiously welcomed provided the Council is able to adhere to procurement legislation and not cherry pick ideas from the Parties.
- Bidders are not likely to look at the project on the basis of an overall investment. I.e. they will not be making decisions based on overall Internal Rate of Return (IRR), for example, due to the uncertainties on delivery and the ordering of phases. The project will be viewed as a series of standalone, individually viable phases.
- Parties felt that viability 'hurdle rates' are a useful way of ensuring phased delivery over time. Questions arise as to how the partners will agree the content for Phase 1 and how the partner can demonstrate intent to commence.
- Financial capacity testing of bidding entities is a matter which draws out diverse opinions. Large and well capitalised firms are of the opinion that it is fair to require evidence of funds whereas smaller firms maintain that the 'ability' and 'track record' in raising finance will suffice.
- Securing finance is likely to be done on a phase by phase basis. When drawn in to commenting in more detail, the general view is that debt will be secured against the title for each phase with the partner placing equity in as required. On this basis, it was felt that the returns to both parties need to be able to reflect varying levels of financial commitment throughout the project. This might best be achieved through a series of wholly owned Special Purpose Vehicles.
- If the Council can proceed with CPO then it should not wait for the Partner if it doesn't have to.
- Key Performance Indicators (KPIs) will be a useful way of managing the partnership. The question arises of what are the penalties for failing to meet the commitments?

4. The Council's objectives

In initiating the procurement of a development partner we have been informed that the Council's objectives are as follows:

- The Council sees Brent Cross Cricklewood as an opportunity to extend Barnet's success as a desirable and attractive suburb, by creating **a new urban village for London which sets the tone for future evolution of the borough more widely**. Brent Cross Cricklewood will be a place that makes residents, workers and visitors feel good – inviting people to meet and spend time in the spaces, and to walk or cycle. It will be animated at street level and connect with high quality parks, green spaces and nearby waterways.
- Brent Cross South will complement the expanded Brent Cross shopping centre, and invite visitors to the shopping centre to cross into the new town centre. The site is at risk of being seen as an island, and the new development will need to tackle this risk, **integrating effectively with the surrounding neighbourhoods**.
- Brent Cross Cricklewood will be a place for **people of all ages**, with housing mix that reflects different life stages, **a range of housing tenures**, and public spaces which are accessible to all. **Promoting health and wellbeing and reducing dependency** will be ingrained in the place – for example by incorporating dementia friendly design. It will maintain Barnet's tradition of educational excellence.
- As a growing, successful suburb of a growing successful world city, Barnet benefits from a strong local economy as well as providing a home to many people who work in central London. This emphasis on **a strong local economic base is a key requirement for Brent Cross Cricklewood** – it cannot simply be a dormitory. The Borough's economy is predominantly made up of small and micro businesses, including many home based businesses, and the new Brent Cross Cricklewood will cater for this entrepreneurial community which increasingly blurs the distinction between home and work.
- The Council expects this blurring between home and work life to extend to the design of the new development, with **strong integration between the residential and commercial areas**, and no areas that are seen as 'dead' at particular times.

- Brent Cross Cricklewood will have excellent public transport links, allowing people to reach other parts of Barnet, London and the Country easily. While many people are likely to own cars they are unlikely to be needed on a day to day basis and the space will **not be dominated by the car**.
- Many residents are under financial pressure, and the Council is committed to taking account of this in its actions. This means that **low energy bills** and responsible service charges will be important aspects of the new community.

To meet these requirements the Council will require a long term partner with

1. Experience in delivering (financing and constructing) 'Placemaking' through large scale, phased development
2. Track record of working successfully in partnerships with the public sector and other third parties
3. Experience in appointing and managing large professional teams to conceive and produce large scale masterplans and to secure detailed planning consents for mixed use development within them
4. A well established internal team with the human and financial resources to be a long term development Partner

5. Procurement strategy

Based on the considerations above, the following procurement strategy has been devised to meet the Council's objectives;

- A Partner is to be identified on the basis of its understanding of the Council's objectives and requirements, ability to work in Partnership, stated commitments and financial capacity to execute the required Business Plan. The stated commitments will include a range of placemaking, commercial and financial matters.
- A vision will be developed between the parties through the negotiation procedure and before the creation of a formal joint venture partnership.
- The Partner is afforded a period of time to work with LB Barnet and the key external stakeholders (Network Rail, Hammerson, GLA etc) to set the vision, finalise a masterplan and obtain the required consents. This time will be as described and specified in the second round bidding stage. Note that due to Hammerson's position it is unlikely that delivery on BXS can commence prior to 2016 which provides a natural window for this work.
- Subject to an appropriate scheme being established, and third party interests being aligned, the Partner will then have the opportunity to enter in to a formal Joint Venture with the Council through which the scheme may be implemented. This Joint Venture (or a wholly owned subsidiary) will receive land from the Council and investment and expertise from the Partner.
 - It is expected that the Partner will work 'at risk' (unsecured) until such time as implementation becomes feasible. This means that the party will incur costs for which the returns are only guaranteed if it satisfies both itself and the Council that its plan meets all the stated requirements and is viable. As part of the bidding process, Parties will be invited to submit what tests they consider to be the appropriate criteria for defining 'feasible' and how the Joint Venture should be formalised. We expect criteria to include the implementation of Hammerson's PDP and confirmation on the train station funding and timing.
 - Note: we do not expect the Council's costs to be met during this period. Some parties have expressed concern that the balance of power in this time sits

entirely with the Council. It will be important to demonstrate to the market that the Council is as aligned as possible with the preferred Partner during this time. Incurring costs is a good way of doing this.

- At the point that the preferred partner is selected, a mechanism for calculating the Council's financial return will be agreed. This methodology will have been set out at ITN stage - as part of the bidding process, Parties will be invited to describe how this process will work. We suggest that this is based on an open book formal valuation, on a phase by phase basis. This process involves the independent assessment of the build costs and values of a phase which, less all fees and profit requirements, delivers a land value to the Council. This is a well understood and established approach that will also allow the Council to satisfy s.233 if the Town and Country Planning Act 1990. A detailed explanation of why s.233 is to be relied on was delivered to the Council by Eversheds in October 2010. The deal will be structured in a way to ensure that the Council receives best consideration for its land and also a reflection of the wider commitments and investment that have been and will be committed going forward.
- Failure to implement the scheme (or particular phase), despite meeting the stated criteria may be used by the Council as an opportunity to render the agreement void and to allow the Council to tender the specific opportunity.

5.1 Securing and managing delivery

It is proposed that the Council and a Partner enter in to an equally controlled Joint Venture (JV) to establish and own a Business Plan for Brent Cross South. We propose that the two parties are to enjoy equal voting rights on the form and content of the Business Plan, subject to dispute and deadlock resolution controls. A suggestion from the soft testing process is that this company may benefit from an independent Chairman whose role is to ensure that decisions are made in the interests of the JV and not one or the other member. The Business Plan will describe the actions required to meet the vision shared by the parties, and through this route the JV will guide the activity, roles, responsibilities and obligations of the two institutions.

Subject to adhering to the Business Plan, the procured Partner will essentially be free to implement the scheme in line with its own skills and expertise. This freedom to operate on a 'day to day' basis has been reported through the soft market testing process to be an essential feature for such a relationship to be a

success. The Business Plan will also describe the processes for managing and 'curating' the scheme to deliver on the Placemaking agenda.

The Business Plan needs to

- set the vision for the project,
- a strategy of how this will be realised,
- roles and responsibilities, including voting rights
- financial commitments
- Priority returns, returns on investment
- a programme for delivery
- detailed plan of action
- key performance indicators
- dispute resolution

The Business Plan will be a live document capable of being reviewed as required.

The actual returns to the Council will be agreed on a phase by phase basis, probably through a series of wholly JV-owned 'Special Purpose Vehicles' (SPVs). The returns are likely to vary over time and by phase although, at the outset, no bidding party will be able to accurately specify what returns the Council might expect. As such, we suggest that the procurement of a Partner can in part be informed by the nature and extent of performance indicators and financial tests that the prospective parties are willing and able to commit to as part of the initial bidding process. Note the distinction between equal voting rights to inform and guide the business plan as compared to the junior role that the Council should expect through the actual phase by phase delivery process.

Example performance indicators and 'tests' could include

- target profit on cost,
- priority returns,

- share of surpluses (overage)
- development management fees,
- timing/longstops,
- caps and collars on expenditure,
- corporate guarantees and
- the definition of 'viable'.

We believe that it will be reasonable to expect shortlisted Parties to produce an outline Business Plan as part of their selection process to become the Council's preferred Partner. The proposed key performance indicators (development management fees, returns, longstops, obligations for the SPVs) would be taken in to a contract with the Council. We suggest that the Council should provide shortlisted bidding Parties with a partially completed Business Plan that includes detail on the Council's requirements, delegated authorities and suggested KPIs.

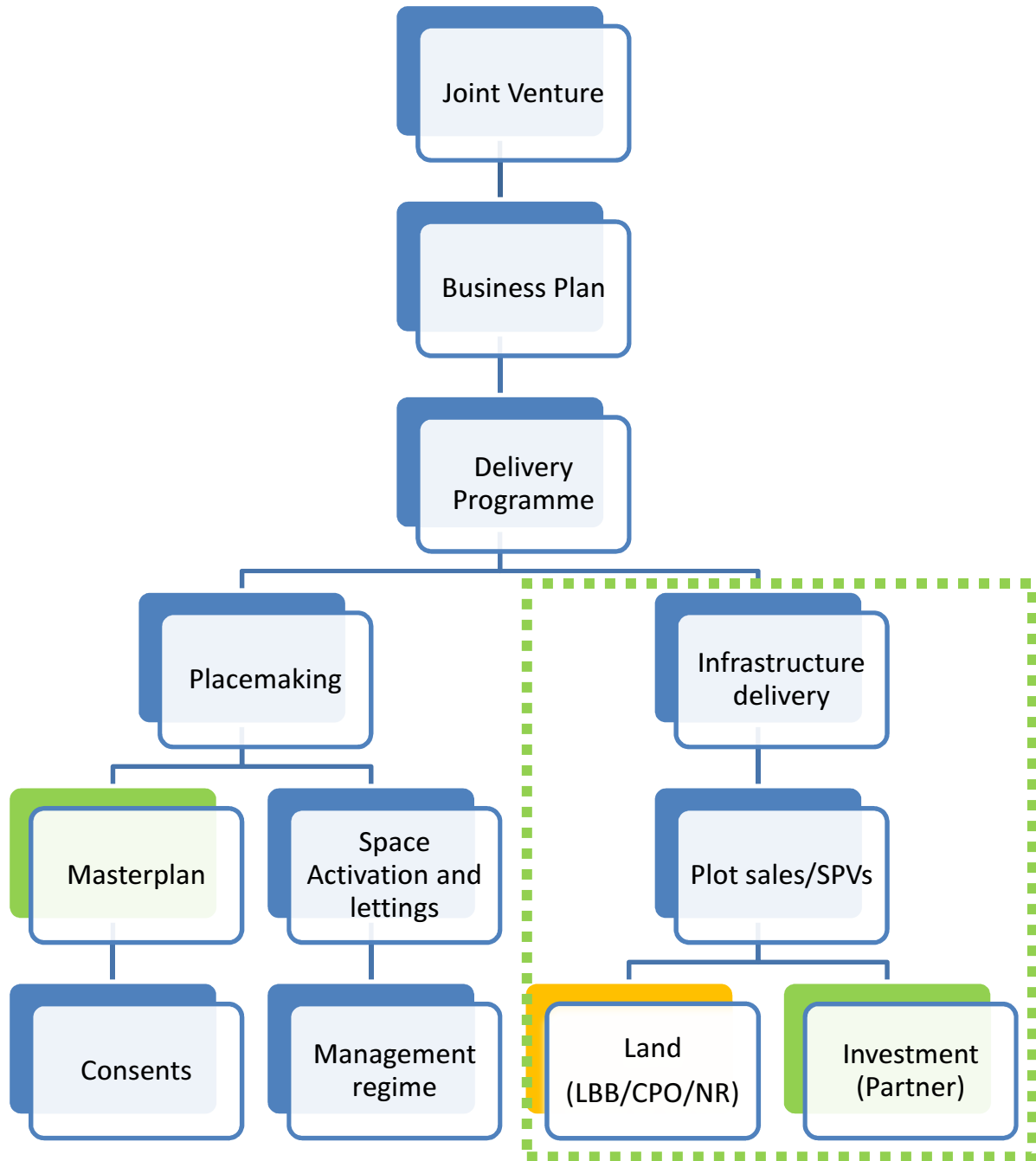
5.1.1 Backstop provision


Given the need to maintain progress and momentum, we suggest that a 'backstop' position is introduced to the Business Plan. This backstop position would be created by inviting the bidding teams to identify what a first phase would comprise, based on the extant outline consent. The Parties would be invited to declare what they would implement in the event that their alternative plans proved unrealistic or too complex to progress in a timeframe that is acceptable to the Council.

Further consideration on the implications of failing to meet KPIs is required. It may be that a certain amount of priority return can be placed 'at risk', if any or all of the KPIs are not met. It might also be that the Partner will be expected to revert to the backstop provision in the event that key dates and processes are not undertaken.

The Board of the Joint Venture will be made up of representatives from both the Council and its Partner and receive regular progress reports from both Parties. Failure to meet the objectives of the Business Plan will carry contractual and/or financial penalties.

The diagram overleaf suggests how delivery and Placemaking might be structured under such an arrangement.



 Delivery Partner's responsibility, subject to conforming to the Business Plan

6. Procurement route selection

In February, Capita and Eversheds reported to Governance Board that LBB “may have other lawful options beyond the [OJEU] Negotiated Procedure or Competitive Dialogue”. The alternative was referred to as the ‘co-investor’ route and it was suggested that, subject to confirmation that Barnet’s requirements can be fully satisfied through this route, it is a viable option. At the time of reporting, it was stated that a decision on the route to be taken was not required at that stage.

Through the PIN, MIPIM and soft market testing exercise the team has sought the market’s view as to the optimum procurement route to minimise risk and maximise the benefit to the Council. It has become clear in this process that although the ‘co-investor route’ is an option, the importance of ‘Placemaking’ activity is likely to demand a development management ‘service’ from the Partner. The ‘co-investor’ route would demand that any ‘services’ be separately procured. An OJEU route specifically allows for the provision of services and therefore it is suggested that the Council’s best interests are likely to be served through the OJEU procurement route. This should enable the Partner to bring and engage its skill and experience in Placemaking, without the need to revert to a further procurement process.

In terms of OJEU procurement, Eversheds have advised that based on the approach described above, that the Negotiated Route will be available (as opposed to Competitive Dialogue) but it is not without some procurement risk. This route should not only allow the process to be undertaken in the required time frame but also aligns with feedback received during the soft market testing process.

Essentially, the procurement will comprise a four stage process.

1. Pre-qualification Questionnaire (PQQ)
2. Invitation to Negotiate (ITN) (3-5 Parties)
3. Pre-contract business plan (single Party)
4. Finalising and engrossing the contract

The detail of this methodology is covered in the next section.

The key risks and options for mitigation are addressed in section 10.

7. Procurement methodology

As stated above, essentially, the procurement will comprise a four stage process.

1. Pre-qualification Questionnaire (PQQ)
2. Invitation to Negotiate (ITN) (3-5 Parties)
3. Pre-contract business plan (single Party)
4. Finalising and engrossing the contract

This section details the evaluation criteria and scoring mechanism for the Pre-Qualification Questionnaire and Invitation to Negotiate stages. Due to commercially sensitive nature of this information, it is attached at Appendix 3 of the main Committee report as an exempt item.

8. The Evaluation Team

The Governance and Partner Selection structure is attached at appendix A of this report.

The Evaluation Panel will be set up in June and will report to the Chief Executive through the Brent Cross Cricklewood Governance Board as shown on the Governance and Partner Selection diagram. It is suggested that the Chief Executive is provided with delegated authority to

- 1) finalise the scoring mechanism and criteria for both PQQ and ITN, and
- 2) to identify and recommend to a future Committee meeting a preferred partner that meets the Council's long term aspirations for the land at Brent Cross Cricklewood.

The Evaluation Panel will be required to undertake the following and report to the Chief Executive through the BXC Governance Board;

1. To finalise the scoring mechanism and criteria for both PQQ and ITN,
2. To review all PQQ submissions and to nominate preferred shortlist for ITN stage. It is envisaged that this process will require a commitment of not less than two working weeks (in September '14). Capita's Development Agency team, in conjunction with your lawyers, will provide a summary report against which the Panel members will be invited to review against each submission. The Panel will convene to meet (over perhaps two working days) and agree scores and selection to ITN.
3. Provide a report with recommendations to the Brent Cross Cricklewood Governance Board to shortlist between three and five bidders at the ITN stage. The update will be supported by a written statement by your lawyers that the scoring process has been robustly undertaken and with a highlight report on any risks apparent.
4. In preparation for the ITN stage, the Evaluation Panel will work with Placemaking consultants, Mindfolio, who will facilitate a workshop to create a Balanced Scorecard for future use in the evaluation process. This process will help the individuals on the panel to understand what matters are important to the Council and how to look for appropriate evidence in the eventual submissions. This will be reviewed by the Chief Executive through the Brent Cross Cricklewood Governance Board.

5. At ITN stage it is proposed that Mindfolio, the Council, RE and Capita's Development Agency team will hold a single meeting with each of the shortlisted bidders to help them understand the Council's Placemaking agenda. The Parties will not be guided to a solution but the sessions will be used to convey the details of what the Council is hoping to achieve.
6. At the point that submissions are invited, the Panel is to review all submissions in detail and score against pre-defined criteria. The Panel is to receive presentations from each of the shortlisted parties and deliberate on the preferred partner. The Panel will make a formal recommendation to the Chief Executive through the BXC Governance Board to the appropriate committee and be based solely on the evaluation criteria. It is suggested that the time commitment at this stage will be not less than two working weeks (January/February '15).

A series of presentations may also be given to a Stakeholder Panel or Panels which may comprise a wider range of Officers and Members from the Council and key stakeholders and community groups. The Panel(s) will be free to ask questions and their comments will be provided to the Evaluation Panel, but will play no part in the formal decision-making process. The market will expect to understand this process and that the Brent Cross Governance Board has the authority to ensure momentum through to the nomination of a preferred party. The Panel should not be too widely drawn as to become unwieldy and should comprise individuals with a detailed working knowledge of the project and with experience in the delivery of major development projects.

At the point of nomination to Committee, it must be recognised that the Committee only has the power to approve or reject the Panel's recommendation. A rejection at this stage will essentially close the procurement process and require a fresh start.

It has been proposed that for the purpose of identifying a preferred partner, the Governance Board be supplemented by the addition of a third party expert ('critical friend') who may be able to comment on any procedural or procurement risks through the process.

9. Timetable

Date	Activity/Milestone
June 2014	Committee Approval for marketing campaign and delegated authorities. Marketing material approved. Committee meeting date TBC.
Early July '14	OJEU notices/adverts placed, marketing material issued.
End of August '14	Pre-Qualification Questionnaires returned
End of September '14	Shortlist agreed and between three and five parties provided with Invitations to Negotiate (ITN)
End of Dec '14	Tender submissions received by London Borough of Barnet.
End of January '15	Presentations to the Council and Stakeholders by tendering companies
Feb '15	Selection of preferred bidder by Assets, Regeneration and Growth Committee
March 10-13 2015	Property industry conference – target deadline for announcement of preferred bidder
March 15 – March 2016	Pre-contract business plan (single Party) Finalising and engrossing the contract

10. Risks

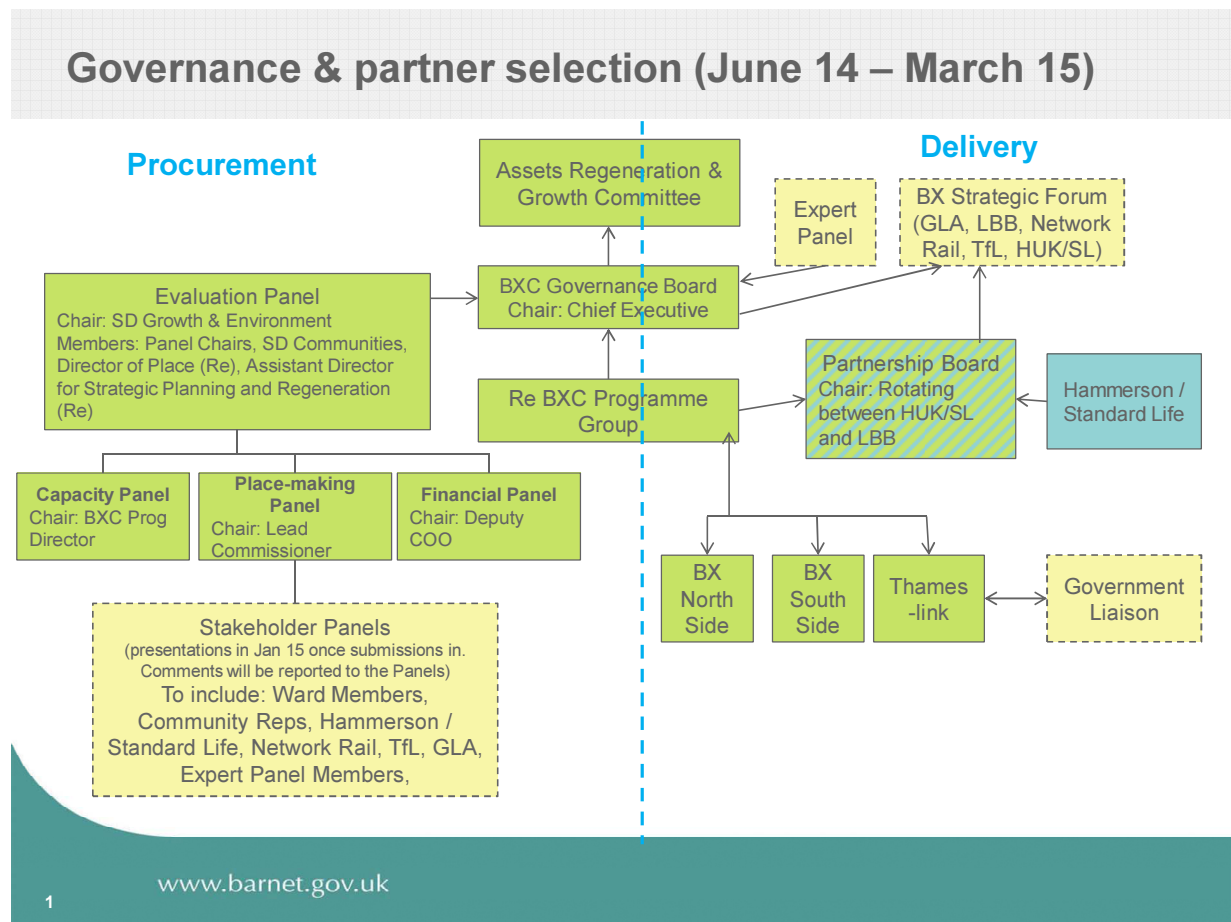
All procurement processes carry a certain element of risk

In terms of the process presented within this paper the key risks are considered to be as follows

	Risk	Impact	Likelihood/Mitigation
1	Objection to the use of Negotiated Route and not Competitive Dialogue	Developer of a competing scheme or vexatious landowner could seek to halt the process on grounds of route selection.	Low likelihood. Eversheds confirmation that the negotiated route would be available.
2	Lack of responses to PQQ	Insufficient number of parties express an interest in the opportunity.	Low likelihood. PIN and soft market testing has confirmed strong appetite
3	Rejection of the opportunity at ITN	Insufficient number of parties express an interest in the opportunity to maintain competitive tension	Low likelihood. PIN and soft market testing has confirmed strong appetite. Details of the ITN process to be made public at PQQ stage.
4	Objections to method for process/scoring/outcomes	Rejected firm questions the basis that they are not selected.	More likely. This is a high profile opportunity and no party will be content with being de-selected. Evaluation Panel to ensure robust mechanism and consistent approach to scoring.
5	Failure to agree on a business plan	Would prevent the creation of the JV and halt the procurement process.	Low likelihood. The preferred partner will have declared their programme of work for the Business Plan and have already fixed many commercial aspects.
6	Failure to agree commercially acceptable terms for the Council	Reduced competitive tension at the creation of the JV could undermine the achieving of best value	Low likelihood as key financial measures will have been fixed through the bidding process and subsequent appointments will be tendered in the interests of the JV.
7	Failure to agree on a viable scheme	If parties cannot agree on a jointly supported scheme there will be no delivery	Low likelihood. The partner will be invited to describe a backstop for phase 1 and a deadlock process for resolving

			disagreement.
8	Failure to secure finance for the new train station	Most parties are of the strong view that the train station will be an essential infrastructure item for the delivery of Brent Cross South.	Medium risk, subject to ongoing work with GLA and Treasury. TIF funding through 'enterprise zone' is probably the most robust way to secure this.
9	Reliance on Hammerson/Standard Life Investments to implement Brent Cross North consent and works to the south of the North Circular	No scheme. The southern development cannot proceed unless Brent Cross North goes unconditional.	Low/medium risk. All reports are that Hammerson/Standard Life will implement the consent. There is also a potential risk of Judicial Review.

Appendix A – Governance Structure




Appendix B – Primary Development Package

An Indicative Primary Development Package Layout Plan is shown on Parameter Plan 019

Key elements of this PDP include the following:

- Redevelopment of areas of surface level car parking to the east and west of the shopping centre for new retail and mixed use plots, and a multi storey car parks;
- Creation of new Brent Cross and Market Squares (Ref M2 and M3 on Parameter Plan 003) to act as anchors to the development, linked by the new A406 Bridge (B1) and the Living Bridge (B7);
- Removal of Clarefield Park, compensated by improvements to Claremont Park and Clitterhouse Playing Fields and temporary open space;
- Modifications and improvements to the River Brent as well as beneath the two internal vehicular roundabouts, and associated Brent Riverside Park works including the Nature Park (ref NP4 on Parameter Plan 003);
- Re-provision and expansion of Claremont Primary School;
- Residential development adjacent to Brent Terrace;
- Creation of a new foodstore, representing a replacement to the existing facility in the Eastern Lands;
- Replacement of A406 Templehof Bridge (B1);
- Living Bridge (B7);
- A406 Brent Cross Ingress/Egress junction works;
- A41/A406 junction works;
- M1/A406/A5 junction works;
- Brent Cross Bus Station;
- Improvements to BX pedestrian underpass;
- Diversion of Prince Charles Drive;
- The entire mixed use development in Brent Cross East Zone;
- 1,998 sq.m of flexible community space within Brent Cross East and 1,000sq.m in Market Quarter zones;
- Temporary health centre in the Market Quarter zone;
- Neighbourhood policing unit in the Market Quarter;
- Brent Terrace Green Corridor (Ref GC7 in Parameter Plan 003);
- Claremont Avenue linking Claremont Road with Tilling Road;
- Claremont Road junction north;
- Cricklewood Road/Claremont Road junction works;
- Scheme wide CHP facility (where individual buildings are brought forward in advance of this facility, individual CHP or other facilities may be employed and connected to the scheme wide facility at a later date). The building will have a maximum and minimum footprint of 60 x 60m and 20 x 20m respectively;
- Cricklewood Lane A407/A5 junction works;
- WHF and new junction with the A5

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	AGENDA ITEM 7 Assets, Regeneration and Growth Committee 16th June 2014
	Title Stonegrove and Spur Road regeneration Scheme: Cost Recovery
Report of	Director of Place (Re:), Stephen McDonald
Wards	Edgware
Status	Public
Enclosures	N/A
Officer Contact Details	Tony Westbrook, Head of Regeneration (Re) - 020 8359 7381

Summary
<p>The Development Agreement governing the Stonegrove and Spur Road Regeneration scheme allows for certain development costs incurred by the Council to be recovered from development partner, Barratt Homes.</p> <p>The cost recovery mechanisms within the Development Agreement have proved difficult to utilise in practice. In particular, Barratt Homes have disputed recovery of certain LB Barnet staff costs going back over the five years of the scheme to date.</p> <p>This report seeks authority for the Strategic Director, Growth & Environment to;</p> <ul style="list-style-type: none"> • Agree a settlement of the outstanding historic costs owed to the Council • Negotiate variations to the Development Agreement relating to the scheme in order to establish simplified cost-recovery mechanisms for the final years of the scheme. This will ensure that the costs of the staff team going forward are covered. • Negotiate variations of the Development Agreement to address anomalies with regard to the mechanism for cost recovery and allow for the possibility of an early

'overage' payment from Barratt Homes to the Council.

Agreeing the recommendations in this report will allow the authority to negotiate settlement of outstanding historic costs, secure resources to support the staffing of the Re: team going forward and allow for the possibility of an early overage payment from Barratt Homes.

Recommendations

- 1. That the Committee approve that to negotiate and agree a settlement of outstanding historic costs associated with the Stonegrove and Spur Road Regeneration Scheme be delegated to the Strategic Director, Growth & Environment in consultation with the Chair of the Assets, Regeneration & Growth Committee.**
- 2. That authority to negotiate the commercial terms/ costs recovery mechanism associated with the variation of the Principal development Agreement (PDA) for the scheme be delegated to the Strategic Director, Growth & Environment in consultation with the Chair of the Assets, Regeneration & Growth Committee.**

1. WHY THIS REPORT IS NEEDED

- 1.1 This report seeks authority for the Strategic Director, Growth and Environment to agree, through negotiation with Barratt Homes, a settlement of outstanding historic costs owed to the Council and variations to the Principal Development Agreement (PDA) relating to the Stonegrove and Spur Road (SGSR) Regeneration scheme. This will:
 - a) Resolve long-standing issues relating to the recovery of certain historic development costs from the developer;
 - b) Establish simplified cost-recovery mechanisms for the final years of the scheme and;
 - c) Address anomalies within the PDA with regard to the mechanism for cost recovery and allow for the possibility of an 'advanced overage' payment from Barratts to the Council.
- 1.2 The SGSR Principal Development Agreement (PDA) allows for certain development costs incurred by the Council to be recovered. However, the cost recovery mechanisms within the PDA have proved difficult to utilise in practice. In particular, Barratt Homes have disputed recovery of certain LB Barnet staff costs.
- 1.3 **Historic Staff Costs**
 - 1.3.1 In mid-2013 LB Barnet invoiced and received in payment from Barratt Homes £1,239,422 to cover costs incurred in the delivery of the Stonegrove and Spur

Road scheme. However, there remain outstanding sums relating particularly to staff costs.

- 1.3.2 Given the uncertainty of the PDA with regard to recovery of staff costs, Officers have entered into negotiation with Barratt Homes. Given the precedent set by agreement with Barratts of the more recently concluded West Hendon Development Agreement, Officers are recommending that £100,000 per annum should be paid by Barratt Homes in order to cover staff costs over the past 5 years of the programme. This would see Barratt Homes pay the Council £500,000 in settlement of the outstanding costs.
- 1.3.3 Barratt Homes are currently considering this proposal. They will also be testing the impact of paying this sum on the Financial Viability Model for the scheme. Depending on the outcome of the viability testing, it is possible that there will be further negotiation with regard to the final settlement sum.
- 1.3.4 Any agreement reached with Barratt Homes is likely to be on a 'full and final', settlement basis with a commitment from the Council that no further claims for historic costs will be forthcoming. Whilst the Council has expended costs beyond what has been recovered so far over the lifetime of the scheme, it was always understood by the Authority that a contribution to the cost of the scheme may be necessary in order to progress a project in, what were at the outset of the project, challenging economic circumstances. The complicated mechanisms and imprecise financial definitions within the PDA together with incomplete cost records would also hamper attempts to recover further historic costs. Officers therefore believe that the figure of circa £500,000 being negotiated with Barratt Homes in full and final settlement of the historic costs owed is reasonable in the circumstances.

1.4 Simplified Cost-Recovery Mechanisms

- 1.4.1 In order to clarify the position with regard to staff costs going forward, officers are negotiating with Barratt Homes with a view to varying the PDA. This will make future cost settlements more straightforward.
- 1.4.2 Specifically, Officers are seeking commitment from Barratt Homes in line with the more recently agreed West Hendon PDA. This allows for recovery of staff costs expended in legitimate support of the project upto £100,000 per annum and as evidenced by timesheets. This will provide a greater degree of certainty with regard to recoverable costs during the final years of the scheme.
- 1.4.3 Barratt Homes have indicated that they are 'in-principle' open to discussion on these matters. However, they have indicated that, as the scheme is at an advanced stage, a 'taper' may be appropriate for the level at which staff costs are capped. This will be the subject of negotiation between the parties.

1.5 Overage Payments

- 1.5.1 The PDA makes it clear that outstanding Council costs should be recovered from Barratt funds held on account by the Council. However, this has proved impossible to put into practice as the funds are held in a capital account

whereas the costs are a revenue item. Variation of the PDA is required to address this anomaly. In amending the agreement, officers will seek to ensure that the funds held on account can potentially be taken instead as overage payments.

- 1.5.2 The PDA includes provision for overage payments to the Council, once Barratt Homes have received their reasonable return from the scheme. Given rising property prices and the attractiveness of the development, the Council is already showing overage in the viability model.
- 1.5.3 Barratt Homes have indicated that there is a possibility of converting money held on account by Barnet Council (see 1.5.1) into an advanced overage payment to the Council. This would require amendment of the PDA as there is no provision within the existing agreement for this to happen.

2 REASONS FOR RECOMMENDATIONS

- 2.1 The negotiated approach set out above is recommended as it will settle outstanding historic cost issues and provide greater certainty with regard to recovery of future staff costs during the final four (estimated) years of the Stonegrove and Spur Road Regeneration programme.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 *Take legal action against Barratt Homes to recover costs* – very unlikely to be successful as the Principal Development Agreement does not specify ‘staff costs’ as recoverable. Instead, it uses generic descriptions such as ‘project monitoring’ which are not defined clearly. This would also damage a positive relationship established over six years of collaborative working.
- 3.2 *‘Write off’ outstanding staff costs* – whilst the Council accepted at the outset that costs were likely to be incurred in support of the scheme, it did not anticipate having to cover the full cost of staff who have participated in developing the regeneration programme.

4 POST DECISION IMPLEMENTATION

- 4.1 Officers will seek to conclude negotiations with Barratt Homes as quickly as possible in order to give certainty going forward.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Stonegrove and Spur Road Estates (SGSR) regeneration project contributes to the delivery of the Corporate Plan 2013-2016. A strategic objective under the above priority is: To maintain the right environment for a strong and diverse local economy.
- 5.1.2 A Sustainable Community Strategy for Barnet (2010-2020) – Growing Successfully – the Stonegrove and Spur Road Regeneration Scheme will

provide 937 new homes designed to a high standard as well as quality open spaces, improved parking provision, a community hall and employment opportunities. The scheme will establish a new and sustainable neighbourhood in which people want to live, work and prosper within a growing, mixed strong community.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 Successful conclusion of negotiations with Barratt Homes will result in a £500,000 payment from Barratts to the Council to cover outstanding historic staff costs over the past 5 years. Given the precedent set by other regeneration schemes, several of which allow the Council to recover up to £100,000 per annum in 'Council costs', this represents a reasonable sum.
- 5.2.2 Successful conclusion of negotiations with Barratt Homes will result in certainty with regard to the Council / Re's ability to cover staff costs over the final four years of the programme.
- 5.2.3 Variation of the PDA will ensure regularisation of the way in which costs are recovered 'direct' from Barratt Homes rather than from an 'on account' payment.

5.3 Legal and Constitutional References

- 5.3.1 The Council has a general power of competence under Section 1 of the Localism Act 2011. The recommendations in this report fall within the Council's general power.
- 5.3.2 Constitution, Responsibility for Functions, Annex A – Membership and Terms of reference of Committees includes overseeing regeneration strategy and asset management i.e. all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.

5.4 Risk Management

- 5.4.1 Failure to agree settlement with Barratts with regard to historic costs will result in the scheme costing LB Barnet more than originally anticipated. Given that the costs have already been expended by the Council there will be no direct impact on the authority.
- 5.4.2 Failure to successfully agree a mechanism for recovering staff costs will result in the Council / Re: having to continue funding the staffing of the project. The cost-centre for the Stonegrove and Spur Road project could potentially show a loss of upto £100,000 per annum over the final four years of the programme. In order to mitigate the loss, Re: may be forced to reduce staff resources on the project. This could particularly impact on the regeneration and monitoring activities that the team undertake e.g. support for vulnerable residents, liaison with local residents, support of the Partnership Board, Community Trust,

general community engagement, etc.

5.5 Equalities and Diversity


- 5.5.1 SGSR will deliver a mix of 937 affordable, intermediate and private sale flats and houses which should assist in fostering community cohesion in an area with a highly diverse population. Delivery of the regeneration scheme is being conducted in consultation with the Stonegrove and Spur Road Partnership Board which represents the interests of all residents of the Stonegrove and Spur Road Estates. The Partnership Board is consulted on all aspects of delivery including the planning process, scheme design, and decanting and estate management issues.

5.6 Consultation and Engagement

- 5.6.1 Discussion and negotiation has taken place with the Councils development partner Barratts.
- 5.6.2 Amendments to the PDA will need to be formally agreed with Family Mosaic, the Registered Social Landlord partner on the scheme.

6 BACKGROUND PAPERS

- 6.1 Cabinet, 18 June 2007 (Decision item 17), approval, amongst other matters, of the Masterplan and terms of the PDA. Subject to successful planning approval and signing of the PDA, approval to make a Compulsory Purchase Order (CPO) for the acquisition of all non-Council property and other propriety interests in the Stonegrove and Spur Road Regeneration Area and to take all necessary action to secure the confirmation and implementation of the CPO.
- 6.2 Planning and Environment Committee, 3 March 2008 (Decision item 7), approval of the outline planning application for the redevelopment of the Stonegrove and Spur Road Estates.
- 6.3 Cabinet Resources Committee, 25 March 2008 (Decision item 15), approval, amongst other matters, of the financial terms of the PDA.
- 6.4 Cabinet Resources Committee, 24 May 2011 (Decision item 11), approval to vary the PDA.

	AGENDA ITEM 8
	Assets Regeneration and Growth Committee 16 June 2014
Title	Hardship Acquisition Buyback Scheme
Report of	Lead Commissioner Enterprise and Regeneration
Wards	Colindale, Burnt Oak, West Hendon and Golders Green
Status	Public
Enclosures	None
Officer Contact Details	Tony Westbrook, Head of Regeneration, Tony.Westbrook@barnet.gov.uk . 0208 359 7381 / Angela Latty, Senior Regeneration Officer, angela.latty@barnet.gov.uk , 0208 359 7188

Summary

This report seeks approval for the reinstatement of a Hardship Acquisition Buyback Scheme on the West Hendon, Grahame Park and Whitefield Estates.

Recommendations

1. That committee approve the re-instatement of a Hardship Acquisitions Buyback Scheme on the West Hendon, Grahame Park and Whitefield Estates and delegate to the s151 Officer the authority to approve individual acquisitions under the scheme
2. That the committee approve the use the remaining £2.478 million already budgeted for in the Capital programme for the Hardship Acquisition Buyback Scheme.
3. That the committee approve that the acquired properties under the Hardship Acquisition Buyback scheme can be used as temporary accommodation for people in housing need, where appropriate, and delegate to the Strategic Director for Growth and Environment the authority to approve the use of these individual acquisitions under the scheme.

1. WHY THIS REPORT IS NEEDED

- 1.1 This report seeks the Assets, Regeneration and Growth Committee's approval to re-instate the Hardship Acquisition Buyback Scheme on the West Hendon Grahame Park and Whitefield Estates.
- 1.2 The original scheme was first approved by members in June 2005, it operated on the Grahame Park, Dollis Valley and Stonegrove Estates, and at the time prudential borrowing was authorised to support the scheme. Under the scheme, the Council was able to purchase residential properties from owner-occupiers who need to sell their properties due to financial and/or medical hardship, but were unable to do so because of the regeneration proposals.
- 1.3 The Hardship Buyback Scheme was suspended in 2007 as priority was been given to acquiring properties in the first phase on Stonegrove/Spur Road. Following concerns expressed by owner occupiers on the Whitefield, West Hendon, Grahame Park Estates, it is now considered appropriate to revive the Hardship Acquisition Buyback Scheme.
- 1.4 There are a number of hardship cases on these estates that in urgent need, combined with the shortage of homes for people in housing need, who can be rehoused on a temporary basis in the purchased properties.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Owner-occupiers in regeneration schemes have been experiencing difficulties in selling their properties, as some mortgage lenders are reluctant to lend against large panel construction and on properties that are situated above a certain floor level. In addition, with the proposed regeneration of these estates some owner-occupiers have been finding it difficult to secure loans as lenders are reluctant to lend for properties that are due to be re-developed.
- 2.2 Purchasing these properties is of benefit to the Council as they can be re-let and will help the supply of housing for temporary accommodation. It is also of benefit to those residents who may be experiencing hardship because of difficulties selling their properties as a direct consequence from the uncertainty of the scheme proposals.
- 2.3 The financial justification is that these properties can be re-let to generate rent or equivalent Housing Benefit subsidy to cover the rent. This income, after deducting management and other revenue cost can be used to repay the interest on the prudential borrowing.
- 2.4 All properties under the Hardship Acquisition Buyback Scheme will be purchased at open market value with no payment for home loss, disturbance or solicitor fees. The acquired properties will then be brought up to reasonable standards to be re-let under the Private Sector Leasing (PSL) Programme. These properties will provide temporary accommodation for homeless families and provide a regular income stream.

2.5 The acquisitions of these properties will be managed by Re and it is anticipated that Barnet Homes will carry out the works and manage these properties.

2.6 The proposed rental income per property per week is shown in the table below:

No of Beds	Per week
1 bed	£183.97 to £258.06
2 bed	£233.01 to £299.00
3 bed	£300.00 to £350.00
4 bed	£360.00 to £412.89

Source: LHA rates up to March 2015

2.7 Therefore, it is assumed that the Council could generate a rental income of up to £18,200 per year, and this would be sufficient to cover the management fees and costs associated with the on-going maintenance of these properties. However, the Council may choose to review the rent levels in the future and this may have some impact on the amount of rent that can be charged on these properties

2.8 The recommendation to resume the Hardship Acquisition Buyback Scheme will be subject to any revisions made to the existing Housing Strategy. In addition, the scheme re-introduction is also dependent on outcome from the Housing Revenue Account Report.

2.9 It is worth noting that the Dollis Valley Estate and the Stonegrove Estate has not been included within this scheme due to the length of the build programmes. Dollis Valley has a 6 years build programme, which is relatively short when compared to the other schemes, where the build programmes will take between 15 and 20 years to complete. Also, the Dollis Valley Estate is subject to a Compulsory Purchase Order (CPO) which is currently being considered by the Secretary of State.

2.10 With regards to the Stonegrove Estate, the development partners are undertaking the final phases in the development, which is subject to a CPO.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

Advanced Acquisition Scheme

3.1 The council considered introducing an Advance Acquisition Scheme for owner-occupiers who wished to sell their properties, and this would also cover hardship cases. However, this decision was deferred as part of a wider review of the HRA and other potential investment routes.

3.2 Officers are currently preparing an Outline Business Case, for housing investment to support this scheme, and if approved, the Council will acquire

an agreed number of properties on the Grahame Park, West Hendon and Whitefield Estates.

- 3.3 The combined total of owner-occupiers that will fall within the next development phase (across Grahame Park, West Hendon and Whitefield Estates) is 173, as illustrated in the table below:

Regeneration Estates	Owner- Occupiers (Next development phase)
Grahame Park Estate	45
West Hendon Estate	52
Whitefield Estate	76
Total	173

- 3.4 However, it is unlikely that all owners-occupiers will express an interest in this scheme as some may wish to exercise their Shared Equity Option, whilst others may choose to wait until a CPO is in place. The Outline Business Case will provide further details on this scheme and a report will be presented to the Policy and Resources Committee in July 2014.

Option 1 - Not to reinstate the Hardship Buyback Scheme

- 3.5 The hardship acquisition scheme was specifically designed to address the needs of owner-occupiers who are in financial or medical hardship, and who were unable to sell their properties. It is highly likely that if a scheme was not in operation there would be complaints from owner-occupiers and several quarters. In the past, the Council has taken legal advice and been counselled that there would be grounds for such complaints to be taken to the level of the Ombudsman.

- 3.6 The Council has been exposed to criticism mainly because of the delays that have occurred in bringing these regeneration schemes to a position where there is relative certainty of implementation. The delays and the uncertainty has had an adverse effect on owner-occupiers homes, and those who wish to sell may be facing financial and other distress due to their inability to sell their homes in particular during the recession and property slump. The Hardship Acquisitions Buyback scheme was a means of redressing this balance.

Option 2 – To introduce a general property purchase scheme to buy back properties on the regeneration estates

- 3.7 The Hardship Acquisition Buyback Scheme is specifically designed to help people in genuine hardship. A more general advance purchase scheme on the regeneration estates to expand the number of properties available for rent is being considered by the Policy and Resources Committee in July 2014.

4. POST DECISION IMPLEMENTATION

- 4.1 This scheme will be delivered by Re within the terms of the DRS contract, and elements which fall outside the contract will be covered through a SPIR (Special Project Initiation Request). It is anticipated that Barnet Homes will take responsibility for refurbishing any homes purchased, prior to letting, as part of their service level agreement with the Council.
- 4.2 Meetings will take place between the relevant officers in Re, CSG, HB Public Law and Barnet Homes to review and agree the application procedures, the criteria and the acquisitions and management process.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Hardship Acquisition Buyback Scheme supports the Corporate Plan 2013-2016 priority '*To maintain the right environment for a strong diverse local economy*' and the strategic objective under this priority is to sustain Barnet by '*promoting growth, development and success across the borough*'. This scheme facilitates the early acquisition of properties, which has benefits for both the council and its development partners. The council can generate rental incomes on these properties and the development partners can acquire these properties directly from the council without the use of Compulsory Purchase Order, thus reducing the development costs to the scheme. Therefore, the Hardship Acquisition Buyback Scheme is a tool to facilitate the successful delivery of these Regeneration schemes, which will promote *growth and development*.
- 5.1.3 These Regeneration schemes also supports the corporate priorities and the Sustainable Community Strategy 2010-2020 through the following core values:
- '*Sharing opportunities for success*' and '*choice and responsibility*' – the new development will provide good quality homes. The development will also offer more choice by providing a number of different housing options, such as shared equity, shared ownership and private homes for sale to residents and those in the wider community.
- 5.1.4 The Hardship Acquisition Buyback Scheme will also support Barnet's 'Health and Well-being Strategy 2012-2015' through its core value of '*wellbeing in the community*' which is *creating circumstances that better enable people to be healthier and have greater life opportunities*. By acquiring these properties from residents who are experiencing hardship, this will enable them to have better life opportunities.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 If a Hardship Acquisition Buyback Scheme was introduced, it is estimated that the Council could acquire up to 7 properties with the remaining funds. The breakdown of potential acquisitions is shown in the table below, which has been based upon enquires to date:

Regeneration Estates	Owner-Occupiers
Grahame Park Estate	2
West Hendon Estate	2
Whitefield Estate	3
Total	7

5.2.2 The Capital programme has £2.478 million already budgeted for hardship acquisitions, and officers would like to the Committees authority to expend this money during 2014/5 .

5.2.3 All reasonable costs including capital work costs to bring the properties up to PSL re-let standards should be recoverable under the respective PDAs. However, the Council can only recover its costs when the property has been transferred over to the developers for demolition.

Acquisitions Costs

5.2.4 The Council's costs on each acquisition will include Stamp Duty Land Tax at 1% on purchases between £125,001 and £250,000 (the rate is 3% for purchases between £ 250,001 and £500,000) and also Land Registration fees of about £70 to £270 per transaction, depending on value.

5.2.5 Any applicable 'Right to Buy' (RTB) discount repayment will operate on a sliding scale for any property re-purchased where the RTB was exercised within the five years prior to re-purchase. If applicable, owner-occupiers will have to repay a percentage of their discount back to the Council.

Performance and Value for Money:

5.2.6 The application procedures are designed to ensure that application process is transparent, and seen to be fair and equitable. 'Value for money' is also a key component, as the Council needs to ensure that it can re-coup the costs through the rental income generated from the hardship properties and/or from the development partners.

5.2.7 In addition, by acquiring properties at the bottom of the market, the Council are making purchases for a reasonable price.

Property:

5.2.8 It is intended that these properties will be sold to the development partners as and when they are required for redevelopment. The Council should be able to

recover its costs but only once the properties have been transferred over to the development partners for redevelopment.

3.5 Legal and Constitutional References

- 5.5.1 Local authorities have a general power under section 120 of the Local Government Act 1972 to acquire by agreement any land/property within their geographical area for the purpose of any of their functions or for the benefit, improvement or development of their area. A local authority also has a general power of competence under the Localism Act 2011 to do anything which an individual can do..
- 5.5.2 Constitution, Responsibility for Functions, Annex A –Membership and Terms of Reference of Committees – terms of reference for the Assets, Regeneration and Growth Committee includes all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.
- 5.5.3 Constitution - Management of Asset, Property and Land Rules provide the governance structure within which the Council may acquire, lease, act as landlord, licence, develop appropriate change of use of, or dispose of assets within its portfolio.

3.6 Risk Management

- 5.4.1 There is a small risk that if, for whatever reason, the properties acquired on any of the schemes are not sold to the partner organisations for the regeneration schemes. However, the Council could still benefit from this arrangement, if it continues to re-let the properties to generate income. Alternatively, these properties could be sold on the open market.
- 5.4.2 The recovery of Council costs on property acquisitions is also subject to conditions within the Principal Development Agreements (PDA) for each scheme. There is a commitment within the Grahame Park, Dollis Valley PDAs to recover these costs. However, the Grahame Park PDA does specify that the development partners will pay the purchase price minus any rental income that has been generated on these properties. If the scheme is reintroduced, the Council wish to renegotiate the terms of the PDA relating to this Scheme. This would allow the Council to not off-set rental income against the capital cost of the property as has been the case to date.
- 5.4.3 There is currently no provision within the West Hendon PDA to recover costs from buyback properties, but the development partners have agreed in principle to this agreement. Therefore, the Council may need to consider a Deed of Variation to the West Hendon PDA to ensure that all costs incurred on acquired properties in preparation for a development phase and/or under a Hardship Buyback Scheme are recoverable.
- 5.4.4 The commercial agreements for the Brent Cross Cricklewood Regeneration Scheme due to be finalised within the next few weeks. The development partners have already indicated their intention to make provision for advanced acquisitions when the appropriate funding has been identified. The inclusion

of the Whitefield Estate into this scheme will also be dependent on whether the Council can recover their acquisition costs.

5.5 Equalities and Diversity

- 5.5.1 The scheme is open to all owner-occupiers who can demonstrate a genuine case of hardship and those whose properties fall within the next development phase. The original scheme appeared to achieve its objectives by assisting residents who were looking to the Council to help resolve their difficulties. The new scheme will continue to meet the same objectives.
- 5.5.2 Pursuant to the Equality Act 2010 (“the Act”), the Council has a legislative duty to have ‘due regard’ to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between those with a protected characteristic and those without; and promoting good relations between those with protracted characteristics and those without. The ‘protected characteristics’ are ages, race, disability, gender reassignment, pregnancy and maternity, religion or belief and sexual orientation. The ‘protected characteristics’ also include marriage and civil partnership, with regard to eliminating discrimination.
- 5.5.3 The Council is committed to improving the quality of life and wider participation for all the economic, educational, cultural, and social and community life in the Borough. This is achieved by pursuing successful regeneration of the Borough’s regeneration areas. This will benefit all sections of society and the Borough’s diverse communities who are seeking housing and contribute to addressing the shortage of housing in the Borough across all tenures.
- 5.5.4 A diversity monitoring form will be included within the Hardship Acquisition Buyback Application pack. This form will be used to collect data to ensure that Council meets its ‘legislative duty’ on the ‘protected characteristics’. The Council will also take the ‘protected characteristics’ into account when making decisions on these cases and the outcomes will be evaluated. It is important to note that the equalities implications will be regularly reviewed and updated whether through an Equalities Impact Assessment Plan or by other mediums during the life of the project.

5.6 Consultation and Engagement

- 5.1 The Council and the Development Partners have appointed a Resident Independent Advisor to work with the residents on the Whitefield Estate within the regeneration area, and have established the Whitefield Estate Steering Group. The Council meets with the Steering Group on a bi-monthly basis, and the next meeting is due to held on 05th June 2014.
- 5.2 The Council has also held special surgeries for homeowners on the Whitefield on 29th April 2013 and on the 8th May 2013, to help to address some of the issues raised at the public open meetings and at other consultation events.

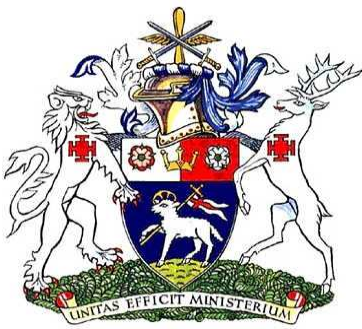
- 5.3 The Council and Development Partners will continue to consult with residents at public open meetings and at Steering Group meetings.

6 BACKGROUND PAPERS

- 6.1.1 Cabinet Resources Committee 16th June 2005 (Decision 6b) approved the hardship buyback scheme on Stonegrove/Spur Road and Grahame Park housing estates with prudential borrowing to finance the acquisitions on Grahame Park. The numbers of properties acquired to be capped at 45. <http://barnet.moderngov.co.uk/Data/Cabinet%20Resources%20Committee/200506161900/Agenda/Document%205.pdf>
- 6.1.2 Cabinet Resources Committee 30 March 2006 (Decision 15) approved the inclusion of Dollis Valley housing estate into the Scheme, with the same conditions as set out in the previous report for Stonegrove and Grahame Park. [\[http://barnet.moderngov.co.uk/Data/Cabinet%20Resources%20Committee/200603301900/Agenda/Document%2014.pdf\]](http://barnet.moderngov.co.uk/Data/Cabinet%20Resources%20Committee/200603301900/Agenda/Document%2014.pdf)
- 6.1.3 Cabinet Resources Committee 28 November 2006 (Decision 12) considered a progress report on the hardship scheme with the number of properties now been acquired to be capped at 58. [\[http://barnet.moderngov.co.uk/Data/Cabinet%20Resources%20Committee/200611282000/Agenda/Document%2010.pdf\]](http://barnet.moderngov.co.uk/Data/Cabinet%20Resources%20Committee/200611282000/Agenda/Document%2010.pdf)
- 6.1.4 Cabinet Resources Committee 23 February 2009 (Decision 6), Council Budget and Council Tax 2009/10.
- 6.1.5 Cabinet Housing and Regeneration Committee 1 December 2009 (Decision 9), progress report on the Hardship Buyback Scheme and set out alternative options for discussion. [\[http://barnet.moderngov.co.uk/Data/Cabinet%20Housing%20and%20Regeneration%20Committee/200912011900/Agenda/Document%207.pdf\]](http://barnet.moderngov.co.uk/Data/Cabinet%20Housing%20and%20Regeneration%20Committee/200912011900/Agenda/Document%207.pdf)

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AGENDA ITEM 9



**Assets Growth and Regeneration
Committee
16th June 2014**

Title	An option to purchase the freehold interest in Barnet House, 1255 High Road, whetstone, N20
Report of	John Hooton – Deputy Chief Operating Officer
Wards	Totteridge
Status	Public with accompanying exempt report
Enclosures	None
Officer Contact Details	Judith Ellis - Valuation Manager Judith.ellis@barnet.gov.uk Michael Sudlow - Property Director, CAPITA Michael.sudlow@capita.co.uk

Summary

The Council holds an underlease with 18 years unexpired in Barnet House, which is currently partially occupied as part of the civic estate. The property is also subject to a headlease with 69 years unexpired. The freehold interest was recently marketed inviting offers on a number of bases, which were considered and resulted in an offer for an option agreement being submitted. The freeholders have accepted the Council's offer and authority is now sought to complete the option agreement.

The Council's office accommodation is currently under review to ensure an appropriate and financially efficient estate is achieved. Barnet House forms part of the current estate and ownership of the freehold would give greater control over the long term opportunities available to the Council, whether continuing in occupation or vacating the building. Completion of the option agreement is the first step towards potentially acquiring the freehold.

Should, the Council decide to acquire the freehold during the two year option a further report will be submitted. If the Council does not acquire the freehold during the two year period the option agreement will expire with no further financial liability on the Council.

Recommendations

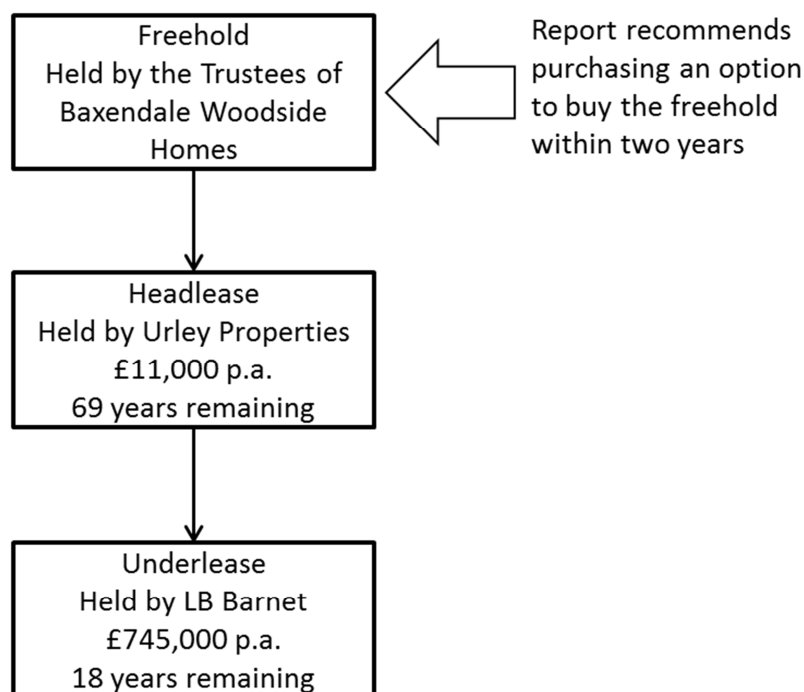
1. That the Committee approve the completion of an option to purchase the freehold interest in Barnet House on the terms detailed in this and the accompanying exempt report.

1. WHY THIS REPORT IS NEEDED

1.1 Barnet House has three principal property interests as follows:

- Freehold Interest: Held by the trustees of Baxendale Woodside Homes.
- Subsidiary Head leasehold interest; held by Urley Properties for 120 years expiring in 2083 at a passing rent of £11,000 per annum. Subject to increases at 2% of the rack rent.
- Sublease held by London Borough of Barnet for a term of 35 years, expiring in September 2032, without break clauses, and subject to 5 yearly rent reviews at a passing rent of £745,000 per annum

Barnet House ownership structure



- 1.2 The freeholder, a charitable trust has offered the freehold interest for sale by informal tender through their retained agents Maunder Taylor. Offers were invited on three alternative bases as follows:

1. An outright purchase of the freehold
 2. A conditional purchase of the freehold
 3. An option to purchase
- 1.3 Given that the Council's occupational lease has 18 years un-expired the potential future liabilities up to lease expiry can be broadly summarised as follows:
1. Rental £12.6 million assuming no uplifts on review.
 2. Current running costs £1.2 million per annum.
 3. Current repairing liability £5.4 million estimated with the potential for a similar sum before lease expiry.
 4. Holding costs if vacant circa £660,000 per annum (plus rental).
- 1.4 While the Council is considering its future operational requirements, the potential to either vacate Barnet House or relocate and fully utilise the building are options being considered. In the light of the onerous holding costs set out above, it is considered that the authority should consider taking steps to secure ownership / control of the freehold interest in order to protect the authority from future increases in holding costs
- 1.5 The freehold contains an absolute bar against any change of use by the subsidiary interests, and therefore limits the head lessee to let/occupy Barnet House for B1(office) uses. Under current market conditions BI is unlikely to be sustainable, and as a result, whoever holds the freehold will control future use of the site in the long term, and benefit from the change of user.
- 1.6 As a result it is considered that the Council should take any reasonable proactive steps to improve its position in relation to the long term liability and that the possible ownership of the freehold interest would, in the long term, be advantageous. The options considered and rejected are detailed in paragraph 3 of this report and the preferred route detailed below was pursued;
- 1.7 A conditional purchase / option to purchase - Following discussions with the freeholder, this was considered the optimum way forward and would enable the Council to submit a proposal to the charitable trustees without having to commit to an immediate capital payment, and would provide a window of opportunity to conclude the accommodation strategy and to open discussions with the Head Lessee to determine whether a development opportunity is available to all parties, should this be considered as the preferred option.
- 1.8 An option was submitted to the freeholder on 7th March 2014, the closing date for offers, on the terms detailed below and in the accompanying exempt report.
- a) An option for a period of 24 months with an initial payment of £25,000 for the first 12 month period with a further payment of £25,000 if the Council chooses not to exercise its right of termination at expiry of the first year.
 - b) A payment towards the trustee's legal costs in the sum of £12,500 plus VAT at the applicable rate, on signature of a binding option agreement.

- 1.9 The Council's offer was accepted by the freeholder and authority is now sought to complete the option agreement on the terms detailed in this report, and accompanying exempt report.

2. REASONS FOR RECOMMENDATIONS

- 2.1 To ensure the Council proactively seeks to protect its interests and optimise the opportunities available for the building which it currently occupies.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Do nothing. If the freehold is acquired by a third party control over the future opportunities would be lost, and the Council could be required to pay to release its obligations if it wished to vacate the building.
- 3.2 Submit an unconditional bid. This was not considered to be a viable or realistic alternative given that there is no guarantee that conversations with the head lessee will be productive.

4. POST DECISION IMPLEMENTATION

- 4.1 Following approval of this report the option agreement will be completed, and the opportunities for the building will be examined as part of the accommodation strategy. Officers will also engage with the head lessee. A further report will be submitted to Assets, Regeneration and Growth Committee if it is recommended that the option to buy the freehold should be exercised.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Corporate Plan 2013-16 has a strategic objective to "promote responsible growth, development and success across the Borough "
- 5.1.2 The Council's Estates Strategy 2011-2015 sets out our commitment to continually review the use of council assets so as to reduce the cost of accommodation year on year.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 Following the acceptance of the Council's proposed option by the freeholder, there is a financial commitment of £25,000 in year 1 plus £12,500 fees, and a further £25,000 in year 2 if the Council chooses not to exercise its right of termination at expiry of the first year. Should the council not secure a satisfactory outcome in terms of the future opportunities for the building, the option will expire, without any financial benefit to the Council, or further liability.

5.2.2 Details of the proposals to implement the option are set out in the exempt report.

5.3 Legal and Constitutional References

5.3.1 The Council has the power to acquire land interests under s120 of the local Government Act 1972.

5.3.2 Due diligence will be carried out on the legal title prior to conclusion of a binding option agreement.

5.3.3 Council Constitution, Management of Assets, Property and Land Rules, Appendix 1, Table A sets out the authorisation thresholds for asset acquisition or disposal. Paragraph 8.1 states that “the method by which an Asset is acquired or disposed of should be based upon market testing to ensure that Best Consideration is obtained wherever possible”.

5.3.4 Council Constitution, Responsibility for Functions, Annex A sets out the terms of reference of the Assets Regeneration and Growth Committee.

5.4 Risk Management

5.4.1 The Council’s proposed option imposes a financial commitment of £25,000 in year 1, plus £12,500 fees and a further £25,000 in year 2 if the Council does not exercise its right of termination at expiry of the first year. Should the Council not secure a satisfactory outcome the option will expire, without any financial benefit to the Council.

5.4.2 Failure to complete the option to secure the freehold interest, will limit opportunities to control the future of the site, share in any potential development value should this be available, and limit the Council’s ability to negotiate suitable terms to vacate the building before expiry of the under lease should this be the preferred option.

5.5 Equalities and Diversity

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

5.5.2 At this stage the proposal does not raise any issues under the Council’s Equalities Policy and does not have a bearing on the Council’s ability to demonstrate that it has paid due regard to equalities as required by the legislation. No immediate equality impacts are anticipated as a result of this proposal. There may be a future equalities impact for example, on staff, community partners or customers should the council decide to vacate the

building. This impact will be assessed and considered in decision making at the appropriate time as proposals take shape to allow members to take account of this in decision making.


5.6 Consultation and Engagement

5.6.1 None

6 BACKGROUND PAPERS

6.1 PREVIOUS DECISIONS

6.1.1 Leaders Report (Executive Function) 7th March 2014 (Exempt report) approval to the submission of an option to acquire the freehold interest in Barnet House.

	AGENDA ITEM 10
	<p>Assets Regeneration and Growth Committee</p> <p>16 June 2014</p>
Title	Assets Regeneration and Growth Committee Work Programme
Report of	Cath Shaw, Enterprise and Regeneration Lead Commissioner
Wards	All
Status	Public
Enclosures	Committee Work Programme June 2014-June 2015
Officer Contact Details	Kirstin Lambert, kirstin.lambert@barnet.gov.uk 020 83592117

Summary
The Committee is requested to consider and comment on the items included in the 2014/15 work programme

Recommendations
1. That the Committee consider and comment on the items included in the 2014/15 work programme

1. WHY THIS REPORT IS NEEDED

- 1.1 The Assets Regeneration and Growth Committee's Work Programme 2014/15 indicates forthcoming items of business.
- 1.2 The work programme of this Committee is intended to be a responsive tool, which will be updated on a rolling basis following each meeting, for the inclusion of areas which may arise through the course of the year.
- 1.3 The Committee is empowered to agree its priorities and determine its own schedule of work within the programme.

2. REASONS FOR RECOMMENDATIONS

- 2.1 There are no specific recommendations in the report. The Committee is empowered to agree its priorities and determine its own schedule of work within the programme.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 N/A

4. POST DECISION IMPLEMENTATION

- 4.1 Any alterations made by the Committee to its Work Programme will be published on the Council's website.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Committee Work Programme is in accordance with the Council's strategic objectives and priorities as stated in the Corporate Plan 2013-16.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 None in the context of this report.

5.3 Legal and Constitutional References

- 5.3.1 The Terms of Reference of the Assets Regeneration and Growth Committee is included in the Constitution, Responsibility for Functions, Annex A.

5.4 Risk Management

5.4.1 None in the context of this report.

5.5 Equalities and Diversity

5.5.1 None in the context of this report.

5.6 Consultation and Engagement

5.6.1 None in the context of this report.

6. BACKGROUND PAPERS

6.1 None.

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**London Borough of Barnet
Assets Regeneration and
Growth Committee Work
Programme
June 2014 – 29 May 2015**

Contact: Kirstin Lambert - kirstin.lambert@barnet.gov.uk

Subject	Decision requested	Report Of	Contributing Officer(s)
16 June 2014			
Business Planning	<p>To consider a report approved by the Policy & Resources Committee on 10 June 2014 on the process for setting a new Medium Term Financial Strategy (MTFS) to 2020.</p> <p>To consider a report from the Strategic Director for Growth and Environment to agree the scope and process for developing savings proposals to meeting the financial targets set out in the Medium Term Financial Strategy as they relate to the Assets, Regeneration & Growth Committee.</p>	Strategic Director for Growth and Environment	John Hooton, Assistant Director - Strategic Finance
Brent Cross Cricklewood (South)	To approve the approach to selection of a delivery/investment partner for the Brent Cross (South) regeneration scheme.	Enterprise & Regeneration Lead Commissioner	Stephen McDonald, Interim Lead Commissioner – Enterprise & Regeneration
Advanced Hardship Schemes Regeneration	To approve a scheme to buy properties from leaseholders on regeneration estates.	Stephen McDonald	
Stonegrove Spur Road Regeneration Project	To decide on recovery of historic costs, and arrangements for cost recovery going forward.	Enterprise & Regeneration Lead Commissioner	

Subject	Decision requested	Report Of	Contributing Officer(s)
Acquisition of an option to acquire the freehold interest in Barnet House, 1255 High Road, Whetstone, London N20	Approval is sought, to secure an initial two year option agreement from the freeholders of Barnet House, to acquire the freehold interest in the building on the terms detailed in this report.	Deputy Chief Operating Officer	Judith Ellis, Valuation Manager
Assets Regeneration and Growth Committee Work Programme		Cath Shaw	Kirstin Lambert, Business Governance Team Leader
9 July 2014			
Enterprise Strategy	<ul style="list-style-type: none"> • To approve a draft strategy for promoting enterprise in Barnet, for consultation • To approve consultation on the establishment of a social enterprise to promote business engagement in Barnet • To consider proposals in relation to town centre improvement • Update on the delivery of the Skills, Employment and Enterprise Action Plan 2012 – 2015 	Enterprise & Regeneration Lead Commissioner	

Subject	Decision requested	Report Of	Contributing Officer(s)
Strategic Asset Management Plan	<p>To approve the Council's Strategic Asset Management Plan</p> <p>To approve a strategy for rationalising the council's office accommodation</p> <p>To approve a pipeline of developments on the council's land</p>	Deputy Chief Operating Officer	
Colindale Compulsory Purchase Order	To seek a resolution from the Committee to authorise officers to make a Compulsory Purchase Order (CPO) in respect of a non-Council owned property at 146 Colindale Avenue.	Enterprise & Regeneration Lead Commissioner	
Assets, Land and Property Transactions for Approval	<p>To approve transactions relating to individual buildings and sites, including:</p> <ul style="list-style-type: none"> • Church Farm Museum 	Deputy Chief Operating Officer	

Subject	Decision requested	Report Of	Contributing Officer(s)
<p>The Finches, Woodhouse College, Woodhouse Road, North Finchley N12. Surrender of the Council's 99 year lease.</p>	<p>The surrender of the lease is sought because the premises are no longer needed by the Council and are currently occupied by BEAT, a charity providing the schools music service in the borough. The Council is liable for a service charge in respect of the running costs of the premises which have varied in recent years between £10,000 and £11,000 per annum the liability for which will cease when the surrender takes place. Woodhouse College were claiming service charge arrears of £85,400 up to April 2014. This claim will be dropped in return for the lease surrender. Following this, BEAT will be given an agreement to occupy the premises for a 10 year period subject to a break clause.</p>	<p>Lesley Meeks</p>	
<p>8 September 2014</p>			
<p>Enterprise Strategy</p>	<p>To approve an Enterprise Strategy for Barnet.</p>	<p>Enterprise & Regeneration Lead Commissioner</p>	
<p>Brent Cross Cricklewood (Thameslink)</p>	<p>To approve the approach to delivering a new Thameslink Station at Brent Cross and make recommendations to Policy and Resources Committee.</p>	<p>Deputy Chief Operating Officer</p>	

Subject	Decision requested	Report Of	Contributing Officer(s)
Business Planning	To consider five year commissioning priorities, proposals for meeting financial targets set out in the MTFs and proposed Management Agreements.	Strategic Director for Growth and Environment	
Assets, Land and Property Transactions for Approval	To approve transactions relating to individual buildings and sites	Deputy Chief Operating Officer	
15 December 2014			
Grahame Park Stage B	To approve the Heads of Terms of a variation to the Principal Development Agreement with Choices for Grahame Park.		Stephen McDonald, Interim Lead Commissioner – Enterprise & Regeneration
Grahame Park Stage B	To approve the Supplementary Planning Document for the regeneration of Grahame Park.	Enterprise & Regeneration Lead Commissioner	
Assets, Land and Property transactions for approval	To approve transactions relating to individual buildings and sites, and note decisions taken under delegated powers	Deputy Chief Operating Officer	

Subject	Decision requested	Report Of	Contributing Officer(s)
16 March 2015			
Annual Regeneration Report	To approve the Annual Regeneration Report including an update report on the Growth & Regeneration Programme	Stephen McDonald	
Commissioning Priorities	To agree commissioning priorities for 2015/16.	Strategic Director for Growth and Environment	
Management Agreements	To review management agreements for the commissioning and delivery of services within the remit of the committee.	Strategic Director for Growth and Environment	
Brent Cross Cricklewood (South)	To approve the appointment of an investment / development partner	Enterprise & Regeneration Lead Commissioner	
Fees and Charges relating to Assets, Regeneration and Growth	To make recommendations to the Policy & Resources Committee on Fees and Charges relating to Assets, Regeneration and Growth for 2015/16.	Strategic Director for Growth and Environment	
Community Asset Strategy	To approve the Community Asset Strategy.	Deputy Chief Operating Officer	
Assets, Land and Property transactions for approval	To approve transactions relating to individual buildings and sites	Deputy Chief Operating Officer	

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AGENDA ITEM 13

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AGENDA ITEM 14

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