Public Document Pack

Resources and Public Realm Scrutiny Committee

Tuesday 10 January 2017 at 7.00 pm
Boardrooms 7&8 - Brent Civic Centre, Engineers Way, Wembley HA9 0FJ

Membership:

Members
Councillors:

Kelcher (Chair)
Davidson (Vice-Chair)
Aden
S Choudhary
Ezeajughi
M Patel
Stopp
(Vacancy)

Substitute Members
Labour Councillors:

Chan, Harrison, McLeish and Naheerathan

Conservative Councillors:

Colwill and Kansagra

For further information contact: Bryony Gibbs, Governance Officer
020 8937 1355; bryony.gibbs@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit: **http://democracy.brent.gov.uk**

The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members.

to ensure their continued vitality and viability through maintaining a suitable range of uses. Finally it identifies that although in its early stages, the Council is looking to improve its future strategy for high streets through detailed development and implementation of action and investment plans in nine identified priority high streets, with a view to enhancing the opportunities in the shorter and longer term.

7 Capital Programme and Investment Strategy 43 - 98

This report provides an overview of the whole Capital programme in Brent, current performance and an update on the Investment Strategy.

8 Committee Forward Plan 99 - 102

To consider any changes or updates to the Committee's forward plan.

9 Any Other Urgent Business

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or his representative before the meeting in accordance with Standing Order 64.

10 Date of Next Meeting

The next scheduled meeting of the committee is on **Wednesday 8 March 2017**

- Please remember to ***SWITCH OFF*** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.

This page is intentionally left blank

MINUTES OF THE RESOURCES AND PUBLIC REALM SCRUTINY COMMITTEE
Tuesday 8 November 2016 at 7.00 pm

PRESENT:

Councillors Kelcher (Chair), Davidson (Vice-Chair), Aden, Ezeajughi, McLeish, M Patel and Tatler

Also Present: Councillors Duffy, McLennan and Miller

Apologies were received from: Councillors S Choudhary

1. **Declarations of Interests**

   There were no declarations of interest received from Members.

2. **Deputations**

   There were no deputations.

3. **Minutes of the Previous Meeting**

   The minutes of the previous meeting held on 6 September 2016, were approved as an accurate record and signed by the Chair.

4. **Matters Arising**

   There were no matters arising.

5. **Income Generation**

   Althea Loderick (the Council's Strategic Director for Resources) introduced the report which provided the Committee with an update on the delivery of the Council's Civic Enterprise Strategy. The strategy was initially approved by Cabinet in June 2016 and formed part of the Council's 2016/2017 budget strategy. The Committee heard about the role of Civic Enterprise in delivering better outcomes for residents in Brent and maximising income generation for the Council in the face of diminished funding from central government. It was noted that the Council had a specific budget target of £5.7million in additional income to achieve by the 2018/2019. Althea Loderick outlined that the Council needed to work more innovatively to achieve this aim and that cultural change across the Council was required across five civic enterprise work streams. She stated that a high degree of staff engagement and market research had taken place to inform the following six key income generating projects being taken forward:

(i) Energy;
(ii) Trading with Schools;
(iii) Consultancy Services;
(iv) Weddings;
(v) Make the best use of assets; and
(vi) Investment in Businesses.

As an example, Althea Loderick spoke in greater detail about the energy development project and how it was aimed to generate income but also aligned with wider objectives such as reducing carbon emissions across the Borough and thereby providing the local community with better value energy services. She also drew attention to weddings being of increased significance because of the substantial opportunity for generating income, and possible opportunities for the Council to hold weddings externally at different venues across the Borough. The Committee also heard an overview of the achievements of income generating activity such as: a 10 year contract with Argiva to place wireless cells on lampposts; a tendering exercise now taking place to buy space on Council assets; the implementation of an in-house bailiff service; and income generating initiatives increasingly taking place on Wembley Park event days.

The Chair noted the need for culture change across the Council to make these aims achievable and asked how this would be measured. Althea Loderick stated that it was significant that the six key projects had been drawn from over 400 staff ideas for income generation. She stated it was very important that the Civic Enterprise Strategy was established using staff expertise from the bottom up, rather than from senior management having driven change from the top down. The Committee heard that this year's 'Your Voice' staff survey asked specific questions on how involved staff were in innovative and entrepreneurial projects and whether they felt their ideas were being listened to. Althea Loderick stated that one way of measuring cultural change would be to see the responses to this survey reflecting progress made year on year. However, she did emphasise to the Committee that achieving this change would take time and was an ongoing process. She said that she believed staff would respond positively to seeing the projects achieve their aims and the favourable outcomes to residents arising from these in future. Councillor McLennan (Deputy Leader) added that cultural change would also require significant political leadership to ensure that staff knew that the Council was heading in a much more entrepreneurial direction in order to mitigate against further central government funding cuts.

Questions arose surrounding the 'Investment in Businesses' project and whether there had been any detectable scepticism from central government or other local authorities on the concept of lending to small businesses. Althea Loderick stated that at this point there had not been, however conversations were ongoing with colleagues in the Finance Team to ensure that the Council maximised its return on any investment. The Chair also questioned whether this project would see the Council using 'Funding Circle' (a peer-to-peer lending platform often used by Local Authorities as a safe way of lending to small businesses). Althea Loderick confirmed that Brent was currently planning to use Funding Circle and hoped to use it to invest around £200,000 into small businesses across the Borough.

On specific issues relating to larger events at the Civic Centre, such as weddings, Members questioned whether ongoing issues surrounding both a lack of parking and the inflexibility of catering arrangements were being addressed. Althea Loderick agreed that there was a need for the Council to look in greater detail at the parking options available for larger events. On catering, the Committee heard that the Council was currently looking at re-negotiating its existing catering contract to ensure that there was greater flexibility particularly in terms of providing for different religions which had more specific dietary needs. It was noted that the Council was had not waited until the end of the current contract, but was re-negotiating mid-way through in order to try and address this quickly.

Discussions moved to the ‘Trading with Schools’ project, where a Member asked for greater detail on how this was expected to generate income when school budgets were likely to be frozen in the coming years. Althea Loderick responded that the idea was to offer schools advice on human resources issues, legal assistance and strategic financial planning. She told the Committee that the work of other Councils in this area had highlighted the potential for success but that the Council would need to tailor its offer specifically to each individual school’s needs. The Committee also heard that the initial plan would be to initially focus on offering services to independent schools in the Borough as secondary schools within academy chains and primary schools within multi-academy trusts were likely to have their own in-house services relating to these areas.

Members raised questions on the pricing structure of events taking place at the Civic Centre and also what the publicity strategy was for advertising this as a venue. Althea Loderick and Councillor McLennan agreed that the general view tended to be that, at present, the Council was not utilising the space and facilities at the Civic Centre to its maximum in terms of generating income. On pricing, the Committee heard that the Civic Centre was deemed as a premier venue and it was important not to undervalue event prices. However it was acknowledged that there was also a need for a degree of balance between also making it available to community and voluntary sector organisations’ for social value events. Althea Loderick and Councillor McLennan both noted that the Council needed to decide what market it was ultimately aiming to be in, in terms of generating income from Civic Centre events. On publicity, Althea Loderick stated that the plan was to raise the profile of the different types of service that the Council could offer (including conferences and television adverts etc.) and this would generally come through a multitude of online channels. She also noted that the Council had also spoken to partners such as Quintain and the Football Association in terms of what the Council could offer in conjunction with some of its respective hospitality events.

RESOLVED that the content of the report be noted.

6. **Update on the Community Access Strategy**

Margaret Read (the Council’s Director of Customer Services) introduced the report which provided the Committee with an update on the progress of the Community Access Strategy since it was agreed by Cabinet in October 2014. She stated that the strategy had been driven by the following four key aims:

(i) Improving residents’ experience;
(ii) Redesigning access arrangements to meet differing needs of residents;

(iii) Extending and improving services available on line to increase self-service; and
(iv) Making access arrangements more efficient, eliminating duplication and better managing customer demand.

The Committee heard some of the key achievements in relation to these aims. One of the most successful aspects of the Community Access Strategy had been the digital 'My Account' service, which allowed residents to access a host of different Council services online. It was noted that 54,000 residents had created an account and that there were future plans to incorporate ten additional Council services onto the online platform by the end of 2017. Margaret Read also outlined that this had contributed to a significant reduction in calls received from 3 million to 1.8 million. It was also noted that published telephone numbers on the Council's website had been successfully reduced in order to allow residents to have a more direct route to the services that they were looking for. Progress had also been made in redesigning the Customer Services Centre with a more effective integrated triage system to again lead residents more efficiently to the correct service area. Overall, this had allowed the Council to make an annual saving of £1.5 million.

Margaret Read also discussed next steps in the strategy in addition to the ten services being incorporated into the 'My Account' system. This included reviewing and re-launching Brent's customer promise plus a new customer promise score card which would measure performance against published standards. The Committee heard that the Community Access Team had worked closely with the Human Resources Team to ensure that a resident focus was ingrained within the organisation going forward. This had involved talking to commercial brands such as John Lewis on their techniques for instilling a resident focus in new staff through recruitment, training and performance management. She also mentioned that customer satisfaction would be benchmarked across a number of indicators across all service channels and that a tool kit was being developed for managers on the best methods of incorporating resident feedback into future service planning.

Members noted the strategy's aim to ensure more residents were self-sufficient in using online services, however a point was raised that there remained a lot of residents who weren't confident using online services for all elements of customer experience and would still rely on telephone services being available. Margaret Read acknowledged that Brent residents had different needs and that this was factored into service planning under the second aim of the strategy. She stated that, at present, there were no plans to cut off any existing communications channels but emphasised that the Council would need to consider ultimately what its channel shift plans should look like going forward. This was particularly prominent because of the ongoing financial pressures facing the Council.

In addition, questions arose on the use of interactive voice response (IVR) telephone handling on the Council's switchboard and how effective this system had been in recognising the wide variety of different accents within the Borough. Margaret Read responded saying that IVR was an effective tool because of the high volume of calls which were successfully routed within human intervention. She outlined that it would be extremely difficult to have staff answer these calls without impacting on overall answer rates because of the sheer number of calls received. The Committee heard that around 80% of calls to the switchboard were directly routed to the correct team that the customer wanted to speak to. This suggested that the system was working effectively. She also emphasised that it was actually possible to train the IVR technology to be receptive to different accents, which the Council had taken into account. If Members have experienced any issues or residents have reported issues to them, it was specified that these can be reported to serviceImprovementteam@brent.gov.uk and they would be investigated with a view to improving recognition rates. Members were also asked to note that if a call was correctly routed but the staff member did not answer the phone, this was a telephone cover issue rather than an automated switchboard issue. Margaret Read said that the re-launch of the Customer Promise principles was aimed at helping to improving answer rates and residents' experience when they contact the Council.

A Member of the Committee also questioned what was planned to improve the Council's email response time to residents. Margaret Read stated that the Council had sought to address this in a number of ways with a key point being to rationalise the number of email inboxes. She also added that the generic customer services email inbox, which a lot of residents used to email the Council, was currently very inefficient as trained customer service staff had had the time consuming task of filtering through a high volume of emails to ensure they were being sent to the correct teams. Margaret Read outlined that ideally the Council would want to move to a model of online forms with drop down menus relating to different service areas which residents could use to raise issues. Once submitted, this form would then land in the correct inbox relating to the resident's issue to be dealt with more quickly and efficiently.

The Chair questioned whether the Community Access Strategy had taken into account 'ghosting' as a technique of testing how accessible different Council services were. He outlined that this process involved following a real-life journey of a service user through the different parts of the Council's system which related to them and identifying any access problems along the way. Margaret Read said that the Council still tended to use 'mystery shopping' to test service access but that the team would be very interested in understanding more about how it could be utilised.

RESOLVED that:

(i) The progress being made in implementing the aims of the Community Access Strategy be noted;

(ii) The creation of a new Digital Board to oversee the development of a new Council wide Digital Strategy be noted; and

(iii) The Community Access Team liaise with relevant contacts at the Salvation Army for more information about 'ghosting' and the role it could play in designing service access pathways.

7. **Devolution of Business Rates Task Group**

As Chair of the Task Group, Councillor Davidson introduced the report which had been put forward to review the background to the Government's planned devolution of business rates policy and consider how Brent was currently placed to respond to both the risks and opportunities arising from this. Councillor Davidson stated that the Task Group was very pleased with the outcome of the report, and thanked his fellow task group members for the cross-party effort to address this very important issue facing the Borough.

Councillor Davidson stated the review was effective in looking comprehensively at quite a vague policy concept, and that the Task Group had taken the view that this was a tremendous opportunity for the Council to be proactive in connecting to local businesses and joining up the array of skills which residents in the Borough possess to ensure economic prosperity in Brent for future years. He explained that the review had considered questions on various broad themes, including: central government policy; financial risk; possible impact to Brent and growth in business rate income. From the research into these specific areas, five discovery themes were established and from this the Task Group was able to make eleven key recommendations on the steps Brent should be taking to prepare for this policy coming into effect. He noted that one of the most significant of these was recommendation one within the report which specified the Council developing a robust business rates growth strategy for the whole Borough. The Committee heard that a clear strategy would help act as an incentive to attract businesses to invest in the Borough.

A Member of the Committee asked whether the policy would have a significant impact on the planning developments in the Borough. Councillor Davidson commented that the policy would likely have an impact on the planning strategy but again that it was important to consider potential opportunities. He noted that in particular the Old Oak Common Development may provide opportunities of securing development funding for surrounding areas such as Harlesden. This investment in turn may boost business activity and thereby also boost the Council's business rates tax base. Councillor Miller added that the Council would need to think about the future level footing of business rates and council tax rates relating to planning space within the Borough. He emphasised that the income generated from business rates being devolved was expected to be higher than the income generated from council tax collection when this policy took full effect. He noted that the recommendation of a business strategy being drawn up would include the full implications for planning in Brent.

There were wider discussions from Members at this point about working closely with the Mayor of London on the direction of the spending generated from the 2% Community Infrastructure Levy, and the role this could have in rejuvenating London's high streets, such as ones in Brent. How the proceeds of the levy were spent was noted as potentially having a significant impact on business activity and could thereby have an effect on the business rate base. Members also agreed that Brent should seek closer ties with neighbouring boroughs and collaborative organisations such as the West London Alliance and London Economic Prosperity Board as developments of this policy took shape further.

A question was also raised from a Member on whether, in terms of staff resources, the Council was in position to ensure that business rates could be collected. Councillor Davidson stated that, as it stood, he would not say the Council was adequately prepared in terms of staffing resources. He continued that the report had identified this and that one of the five discovery themes outlined the need for this to be addressed and it was vital that the Council was adequately resourced internally for when this policy came into effect. The Committee heard that the Task Group believed that the income received from the full devolution of business rates would be as important as the income received from council tax from properties across the Borough. Especially as the Revenue Support Grant from central government was in the process of being phased out. Councillor Davidson proposed an idea, rather than a formal recommendation, that the Cabinet create a specific position for Business in order to oversee this process as it took place.

The Chair asked for additional detail on what would be deemed as *'evidence based'* in the third recommendation of the report for any future increase or decrease in the business rate tax. Councillor Davidson outlined that the current proposal was that Councils could reduce the business rate multiplier by two pence in a pound, and it was suggested that if this were planned in future then Cabinet should be transparent and produce evidence based proposals on why this was being put forward. He noted that any changes of this kind would inevitably be very significant because of the effect on the Council's revenue.

Councillor McLennan (Deputy Leader) offered her thoughts on the Task Group report's findings, stating that she agreed with the content. She noted that many of the areas were already being embraced by the Council in preparation for the devolution of rates coming into effect.

RESOLVED that the Task Group's 11 recommendations, contained within the report, be recommended to Cabinet at a future Cabinet meeting.

8. **Annual Complaints Report 2015/2016**

Peter Gadsdon (the Council's Director of Performance, Policy and Partnerships) introduced the report which provided the Committee with an overview of complaints received by the Council between April 2015 and March 2016. He explained the different stages to the complaints process according to the complaint type and a summary of the corporate complaints process (first stage followed by second stage, before being escalated to the Local Government Ombudsman). It was noted that the Community and Wellbeing Scrutiny Committee would hear greater detail about Adult Social Care, Children and Young People and Brent Housing Partnership Complaints (attached as appendices to the report).

Peter Gadsdon emphasised the headline statistics from within the report which were that the number of overall complaints and referrals to the Local Government Ombudsman had decreased, however the number of stage two cases had increased alongside a higher level of compensation being paid by the Council to complainants. He stated that it was a key aim for the Council to improve on resolving issues at the first stage of the complaints process. The Committee noted page 46 of the agenda pack which outlined that the highest number of first stage complaints had arisen from the Regeneration and Environment directorate, however these were usually the most straightforward to resolve. Peter Gadsdon stated that complaints relating to BHP were also at a high level but were often considerably more complex. The Committee was directed to the table under point 3.22 of the report to give an overview of the most common reasons for complaints to arise within the different service areas. Peter Gadsdon concluded that, on the whole, the Council had been doing a lot of things right as the number of complaints had decreased overall however it was still a priority to address the number of stage two complaints and learn from the mistakes in not satisfactorily dealing with issues at the first stage.

A Member of the Committee questioned the extent to which the Council fed back complaints data to respective departments on any patterns that had emerged and how plans were drawn up to address them quickly. Peter Gadsdon stated that the Council had developed various ways in which to do this. This included working closely with Strategic Directors and Heads of Service in regularly reviewing complaints data, with the data also being discussed at Corporate Management Team meetings on a quarterly basis. He also noted that the Council had recently introduced ‘portfolio meetings’ with Lead Cabinet Members to look at complaints data from within their portfolio. Peter Gadsdon noted that a clear recent example of the Council being receptive to complaints was the recent review of Housing Management Options which had been in part initiated by the noticeable levels of complaints originating from Brent Housing Partnership tenants and leaseholders.

Questions arose from a Member on what the Council’s plans were for reducing the level of compensation being paid out to complainants. Peter Gadsdon outlined that the Local Government Ombudsman set the framework for levels of compensation recommended according to the complaint type. This was factored in to what the Council prepared and then proposed to pay out if necessary when a complaint had been escalated. He stated that this arrangement usually resulted in the Ombudsman agreeing with the Council’s proposed compensation package to complainants. The Committee heard that it was this Ombudsman framework which guided the compensation levels being paid out by the Council.

A question arose on the report specifying that the baseline satisfaction rate from email responses was often lower than telephone responses, which may represent a problem for the Community Access Strategy’s plans to have more residents using online services. Peter Gadsdon responded by stating that, as was mentioned in the Community Access Strategy item, the ideal situation would be a move to online workflow forms with drop down menus relating to the issue being raised by the resident. This would ensure that the email would be directed to the correct team and allow them to be dealt with quicker and more satisfactorily.

RESOLVED that the Committee notes:

(i) The Council’s performance in managing and resolving complaints;

(ii) The actions being taken to improve response times to complaints and reduce the number of complaints which escalate to stage 2; and

(iii) The ongoing measures to improve services as a result of complaints and improve the customer experience.

9. **Programme of Work/Forward Plan**

The Chair made Members aware that there had been one change to the Committee’s programme of work in that the Brent High Streets item which had been due to be heard at this meeting, would now be heard at the meeting on 10 January 2017. The change had occurred because of additional fact-finding work that the Committee was undertaking in visits to local high streets around the Borough.

10. **Any other urgent business**

There was no other urgent business.

11. Date of next meeting

The date of the next meeting was noted as 10 January 2017.

The meeting closed at 9.02 pm

COUNCILLOR MATT KELCHER
Chair

This page is intentionally left blank

Brent	**Resources & Public Realm Scrutiny Committee** 10 January 2017 **Report from the Director of Performance, Policy & Partnerships**
For Information	Wards Affected: ALL
Budget Scrutiny Panel Report	

1. Summary

1.1 The Budget Scrutiny Panel was led by Brent's Resources and Public Realm Scrutiny Committee Chair, Councillor Matt Kelcher. In October 2016 the panel convened to analyse the Council's 2017/18 – 2018/19 budget proposals.

1.2 The Panel have scrutinised the Cabinet's plans and offered suggestions and recommendations for improvements where appropriate.

1.3 This was a joint Panel comprising of members from both Scrutiny Committees with the chair of the Resources and Public Realm Committee chairing the group to reflect that Committee's responsibility for resources and budgetary issues. The confirmed members from Resources and Public Realm are: Councillors Kelcher, Patel and Tatler (Councillors Ezeajughi and Davidson acted as a substitutes on one occasion). The members from Community and Wellbeing are: Councillors Sheth, Colwill and Chohan (Councillor Kansangra acted as a substitute on one occasion).

2. Recommendations

That the Resources and Public Realm Scrutiny Committee review and agree the Budget Scrutiny Panel report.

3. Details

3.1 The Panel met twice formally and further corresponded by email and telephone when producing this report. The Panel interviewed the Council's Chief Executive and Chief Financial Officer in person. The Panel also met with Strategic Directors and Cabinet members where it sought to explore key lines of enquiries.

3.2 This report is the beginning, and not the end, of the budget scrutiny process. It is not designed to be a comprehensive account of all of the panel's concerns and queries about the draft Council budget. Instead, it summarises some of the panel's broad thoughts about the direction and content of this budget.

3.3 This report is designed to provoke a discussion and further debate at future meetings of the Scrutiny Committee, where all Councillors will be able to question the Deputy Leader of the Council, and senior officers, about any aspect of the budget.

4. Financial Implications

4.1 Scrutiny is an important part of the budget development process. The report does not have direct financial consequences per se, since decisions on the budget will be taken by council. However, if any recommendation to adjust the budget by amending savings proposals was accepted then the financial consequences of this would have to be matched in finalising the budget.

5. Legal Implications

5.1 None arising from the panel's review of the budget proposal.

6. Diversity Implications

6.1 None

7. Staffing/Accommodation Implications (if appropriate)

7.1 None

8. Background Papers

8.1 The budget papers referred to in this report were submitted to the Brent Cabinet meeting for 24 October 2016 and can be found on the ModernGov or the Councils website, Link Below
Agenda for Cabinet on Monday 24 October 2016, 7.00 pm

Contact Officers

Pascoe Sawyers
Head of Strategy and Partnerships
020 8937 1045
pascoe.sawyers@brent.gov.uk

Report of the Budget Scrutiny Panel

Part One: Introduction

Methodology

Brent has two scrutiny committees:

- Community and Wellbeing which focuses on issues such as health and housing, and;
- Resources and Public Realm which focuses on issues such as customer service and crime.

An issue as broad and cross cutting as the budget obviously affects all area of the Council's work and cannot be scrutinised by a single committee. It was therefore decided to establish a time-limited Budget Scrutiny Panel comprised of three members representing each permanent Committee.

These were:

- Representing Community and Wellbeing: Councillor Ketan Sheth, Councillor Colwill, Councillor Chohan (Councillor Kansangra and Councillor Davidson both acted as a substitute on one occasion)
- Representing Resources and Public Realm: Councillor Kelcher, Councillor M Patel, Councillor Tatler (Councillor Ezeajughi acted as a substitute on one occasion)

	Councillor Kelcher		Councillor Ketan Sheth
	Councillor M Patel		Councillor Chohan
	Councillor Tatler		Councillor Colwill
	Councillor Ezeajughi		Councillor Kansangra
	Councillor Davidson		

This composition was politically balanced in line with the makeup of the Council, with one member representing the Conservative opposition group and five the ruling Labour group.

As the latter committee leads on subjects like Council resources, investment and regeneration, the Chair of this Committee, Councillor Kelcher, chaired the Budget Scrutiny Panel and is the author of this report.

The work of the Panel was particularly supported by scrutiny officers Kisi Smith-Charlemagne and Pascoe Sawyers and the Panel thanks them for their characteristic diligence and dedication throughout this process.

The Panel held four formal meetings in addition to informal conversations, telephone calls and emails.

The first of these meetings consisted of the panel scoping the areas they felt needed closer investigation and coming to a collective view on which of the proposed savings and cuts they felt might be inappropriate.

The second meeting focused on broad discussions around key themes identified in the budget and the Council's broader financial position. Several senior officers including the Chief Executive and Chief Financial Officer were present to share their expertise.

The third meeting was held to allow the Panel to question Cabinet members on specific areas of concern within their portfolios, particularly cuts they were responsible for bringing forward and implementing.

The fourth meeting brought together the Panel for a final time to agree on its recommendations and the content of the final report which will go forward to the next meeting of the Resource and Public Realm Scrutiny Committee to be responded to by the Deputy Leader of the Council.

First Thoughts

The Panel were very encouraged by much of the information presented in the budget and the clearly diligent process by which it was set.

Last year, the Budget Scrutiny Panel felt that the role of Scrutiny in setting the Council's budget was a bit of an afterthought with the publication of the Panel's report not even being noted on the budget timetable.

However, this year there certainly seems to have been an improvement with senior officers and cabinet members keen to participate in our (sometimes lengthy) discussions and the work of the Panel included on the Forward Plan and the Leader of the Council's report to his Group.

Similarly, it was clear that the extent of savings required this year – whilst still deeply alarming – are not as severe as in previous years and certainly not on the scale of some other London boroughs. This is testament to the medium and long term planning built into recent budgets, for example the breathing room of 10 per cent "slippage" built into anticipated savings.

It is our opinion that the budget proposed is balanced and that it should move forward for further scrutiny and consultation.

Part Two: Major Themes

Four-year settlement

The Panel endorses the decision by Cabinet to accept a four-year grant settlement from central government. To be clear, this statement does not mean we believe the settlement is adequate or appropriate, just that it is the best plausible option on the table for the Council to take.

By accepting a deal of this nature – rather than renegotiating a new grant every year as has previously been the norm – the Council can plan for the future with a relative degree of certainty. Certainty is thin on the ground in a world with Brexit dominating the news and should be welcomed wherever it is found.

Furthermore, the Panel felt it was unlikely that, if central government were to find itself with far more funds than anticipated within the next four years, these would be passed down to local government. The pattern of previous years has been for governments of all stripes to prioritise funding to the NHS or schools and certainly not to Councils.

Council Tax

The Panel believes that the Council should continue to consult on plans to increase the Council Tax over the next couple of years.

Until Business Rates become more fully devolved to local government and Brent's Civic Enterprise policies fully mature, Council Tax will remain our primary lever by which to generate significant new income. When any organisation, particularly a Council which provides services to the most vulnerable in society, faces overwhelming cuts to its budget it is duty bound to look at such levers.

The maximum a Council may increase its Council Tax by without recourse to a referendum is 4.99 per cent (a 1.99 per cent general increase plus 3 per cent set aside for social care).

Councils were previously allowed to raise council tax by up to 2 per cent per year under the social care precept. However, from next year local authorities will be allowed to use the social care precept to raise council tax bills by 3 per cent in 2017-18 and a further 3 per cent 2018-19. The net increase of the social care precept would need to remain at 6 per cent over the next three financial years, meaning if councils chose to levy 3 per cent in both 2017-18 and in 2018-19, they would not be able to raise a precept in 2019-20.

As these are very recent central government changes, Brent Cabinet have not yet formed a view on how this change will impact on Brent's council tax rates.

Increasing Brent's Council Tax by 4.99 per cent in the next couple of years could have a significant impact on the Council's ability to continue to deliver these services as clearly demonstrated in the table 1 below.

Table 1

	2016/17	2017/18	2018/19	2019/20
In year Savings required	0.0	10.5	6.6	16.8
Additional council tax @ 4.99% for two years, then 1.99% for one	0.0	(5.1)	(5.9)	(3.1)
Savings required with @ 4.99% for two years, then 1.99% for one	0.0	5.4	0.7	13.7

Of course, the Budget Scrutiny Panel was also acutely aware that it would be the ordinary residents of Brent who would have to pick up this tab.

The median income for residents of Brent is £33,482, significantly lower than both the outer London (£37,366) and inner London (£41,428) medians. We therefore have a special responsibility to ensure that the level of our Council Tax is not punitive.

Fortunately, it seems that Brent has so far met this obligation as our Council Tax is at the lower end of the spectrum in comparison to other London boroughs (Table 2).

We recommend that over the long-term Brent keeps a close watch on its position in this table to ensure that our Council Tax level does not rise out of kilter with the rest of London.

However, in the short term we believe that a Council tax rise would be affordable for most of our local residents, particularly with Council Tax Support which ensures those on eligible benefits only pay 20 per cent of the tax.

To put into context:

- A typical Band D property will currently be charged £1101.24 a year in 2016/17 (this is the Brent charge and excludes the GLA precept)
- A rise of 4.99 per cent would add £55.07 to this bill
- This would cost the tax pay a little over a pound per week

Table 2: London Councils Council tax Band D Monitoring

LONDON COUNCILS	2015-16 Council Tax for the authority	2015-16 Council Tax for area of billing authority (incl GLA precept)	2016-17 Council Tax for the authority	2016-17 Council Tax for area of billing authority (incl GLA precept)
	(Band D)	(Band D)	(Band D)	(Band D)
	£	£	£	£
INNER LONDON				
City of London	857.31	943.44	857.31	931.2
Camden	1,042.10	1,337.10	1,083.66	1359.66
Greenwich	981.04	1,276.04	1,020.18	1296.18
Hackney	998.45	1,293.45	1,018.42	1294.42
Hammersmith & Fulham	727.81	1,022.81	727.81	1003.81
Islington	981.22	1,276.22	1,020.37	1296.37
Kensington & Chelsea	782.58	1,077.58	782.58	1058.58
Lambeth	943.7	1,238.70	981.35	1257.35
Lewisham	1,060.35	1,355.35	1,102.66	1378.66
Southwark	912.14	1,207.14	930.38	1206.38
Tower Hamlets	885.52	1,180.52	920.85	1196.85
Wandsworth	388.42	683.42	403.91	679.91
Westminster	377.74	672.74	392.81	668.81
OUTER LONDON				
Barking & Dagenham	1,036.67	1,331.67	1,078.03	1354.03
Barnet	1,102.07	1,397.07	1,121.07	1397.07
Bexley	1,150.53	1,445.53	1,196.43	1472.43
Brent	**1,058.94**	**1,353.94**	**1,101.24**	**1377.24**
Bromley	1,030.14	1,325.14	1,071.27	1347.27
Croydon	1,171.39	1,466.39	1,218.13	1494.13
Ealing	1,059.93	1,354.93	1,059.93	1335.93
Enfield	1,100.34	1,395.34	1,144.17	1420.17
Haringey	1,184.32	1,479.32	1,208.01	1484.01
Harrow	1,234.36	1,529.36	1,283.61	1559.61
Havering	1,219.00	1,514.00	1,267.64	1543.64
Hillingdon	1,112.93	1,407.93	1,112.93	1388.93
Hounslow	1,079.77	1,374.77	1,079.77	1355.77
Kingston-upon-Thames	1,379.65	1,674.65	1,407.24	1683.24
Merton	1,106.45	1,401.45	1,106.45	1382.45
Newham	945.63	1,240.63	964.54	1240.54
Redbridge	1,095.53	1,390.53	1,139.22	1415.22
Richmond-upon-Thames	1,287.39	1,582.39	1,306.39	1582.39
Sutton	1,163.60	1,458.60	1,210.03	1486.03
Waltham Forest	1,152.21	1,447.21	1,198.18	1474.18
Greater London Authority	295		276	
GLA - City of London	86.13		73.89	

Reserves
The Council currently has unallocated reserves of around £12m. The Panel are comfortable with this level and do not propose taking money out of reserves to make up for losses in the Council's grant.

The Council still faces many financial risks, from global factors in an uncertain political world, to local issues such as the increasing demand generated by the ageing population of Brent and the potential increase in demand for social care.

Should all of these risks to come to fruition the Council would only have reserves to cover the attendant costs for a couple of years. This is of course unlikely but reserves exist to cover the unlikely and we believe it would be imprudent to reduce them.

Front-line/back office distinction
For entirely understandable and even laudable reasons, the Council have so far prioritised savings in back office functions ahead of cuts to frontline staff. However, it was the strong impression of the Panel that we have now reached the point where no further cuts could be made in this area without directly impacting the front line.

We therefore would suggest that in future years any proposed reductions in spending should not be targeted to meet a strict ratio which guarantees more back office cuts. Instead we think all cuts should be evidenced-based with a clear understanding of what changes service users will experience being at the heart of any suggestions.

Parking
Within the budget the Cabinet are announcing a 'demand-led' review of Controlled Parking Zones (CPZs) in Brent. This essentially means that if local Councillors or residents raise an issue with a CPZ in their locality it can be reviewed.

This is welcome in itself, and we are in no doubt that the Council will be inundated with suggestions from local people. However, this also provides the potential to prioritise the views of those people who are most plugged into the system and have the skills, confidence and experience required to respond to a public consultation. The Overview and Scrutiny Committee has previously recommended that the Council undertake a large project – which locally elected Councillors should be ideally placed to assist with – of building up a database of every resident's association in the borough. This would be a valuable tool in seeking to ensure that people in every area of Brent are encouraged to participate in this consultation.

A complete reassessment of parking in every area of Brent could overcome this and allow areas without CPZs currently to be treated to the same scrutiny as those with them. Furthermore, the Panel supported the idea of mid-day windows in CPZs to protect local people from commuter parking near stations, but to allow them to welcome visitors, deliveries and trades people in the middle of the day.

We also feel that the review could have been even more ambitious with the aim of devising a new parking policy to last twenty years. This would provide even greater financial certainty in a key area of fees and charges for the Council as well as resolving a range of long-standing concerns raised by local residents.

Areas of overspend
The Panel identified the Community and Wellbeing, specifically Adult Social Care and Children and Young People's Departments as the areas where the risk of overspend is greatest as a proportion of the budget.

This is not least because, the demand for social care is unpredictable and in times of national austerity the Council can only do so much to limit this demand.

The Adult Social Care Department, the Council faces challenges of a changing demography with our residents living longer and developing more complex needs.. As a result, the last three years has seen this department deliver care to an increasing number of users and also find funds for more complex and expensive care packages.

The Panel broadly supported the mechanisms with which the Adult Social Care team are managing this increasing demand. These include promoting New Accommodation for Independent Living (NAIL) and introducing new equipment to minimise the need for two carers to provide care.

Despite finding new ways to meet demand, the pressure is still growing. There is a gap and we would urge the Council to continue to work innovatively to fill this gap

Within the Children and Young People's Department there seem to be two clear factors which cause this.

Firstly, the costs of children's placements has been increasing in Brent. This is particularly due to the high number of unaccompanied asylum-seeking children. The generally accepted target for the number of children's placement in a borough is 0.07 per cent of the population, which would account for 50 children in Brent. We currently have 150 CYP, 90 of whom are in placement, and 60 of whom are care leavers for which we have a continuing and ongoing responsibility.

Secondly, many social workers still prefer to work through agencies rather than being direct employees of a local authority. This brings a significant extra financial burden to Brent. It is good news that the percentage of social workers who come from an agency has decreased from 65 per cent to 35 per cent since 2014, but more progress needs to be made, particularly amongst senior social workers and Social Work Managers where 54 per cent remain on agency contracts.

All of this contributes to an overspend of £0.8m in the department which the Council has been able to meet in previous years due to an underspend in other areas.

There is some hope that changes in IR35 legislation will remove a tax loophole which currently allows agency workers who do not meet the HMRC's definition of self-employed to claim additional expenses. The additional monetary expenses encourages social workers not to take full time employment with a Council.

However, as a report written to be read in the real world, it would be remiss of us not to acknowledge that the recent record of the government successfully closing tax loopholes has been patchy at best, therefore we are cautious about Brent relying on this reform to address the issue.

Encouragingly, we heard that one of the Council's partners – impower, who work with many local authorities to reduce placement costs – have stated that from their experiences there are not any large or obvious inefficiencies in Brent's operations and that other boroughs have actively copied some of our efficiency drives.

The Panel does not think that underspends elsewhere can be relied upon continually, nor would we like to see cuts to the frontline in this most important of departments. We therefore hope the Council can continue with its efforts to drive down costs through efficient working and continually reducing the number of agency staff.

Need for a philosophical shift

Fundamentally, the Panel believes that there needs to be a shift in cultural thinking throughout the local government sector, in order to adapt to the revolution in funding which will soon be upon us. The government have committed to removing the block grant to councils by 2020 and instead letting the local government sector keep all income generated from business rates instead. This will be the biggest change to local government finance in thirty years.

We are pleased to see that Brent is ahead of the curve when it comes to gearing up for this change. In 2016 the Resources and Public Realm Committee commissioned a cross-party task group to thoroughly investigate this new policy and come up with proposals on how the Council should adapt to these changes. Our research indicates that we are the only Council in London, and perhaps the country, to undertake such a move, and our report has already been presented to the wider London Scrutiny Network.

But, of course, there is still much more to be done. The report on budget assumptions which went to Cabinet in October 2016 refers many times to the anticipated growth in the Council Tax base which will come with additional house building in the borough. But come 2020 a square metre of domestic property would be worth less to the Council than a square metre of highly-rateable non-domestic property. This will represent a huge change which will require a deep shift in philosophy throughout the sector.

The Panel was impressed with the Council's Civic Enterprise strategy which seeks to lead such a cultural shift and questioned cabinet members and officers at length about the work we do to attract business to the borough.

We want to ensure that there is cross-departmental work to promote more mixed developments through the planning system so that all housing developments feature some areas for business use and vice versa. This will secure local jobs and diversify our local tax base.

To begin this process we ask that a report outlining all large-scale developments in the recent and upcoming years is brought to the appropriate Scrutiny Committee in three months' time. This should emphasise what proportion of the developments were given over to either category and allow members to take a view on whether the balance has been done correctly.

Furthermore, we believe that there should be a specific focus in any regeneration and development work on our local tube stations and transport hubs. These are the windows to our borough and convenient places to shop. The Council should be forceful when dealing with TFL and seek to maximise business space in tube stations and use every development of a tube station as a potential to attract a new business to Brent.

More broadly, we believe that there is the potential to go much, much further when it comes to growing our local private sector. The Panel were attracted to the idea of creating a single post, or small team, whose sole role would be to attract business to the borough. We believe that this could be funded through incentives with the additional rates brought into the borough used to pay costs and wages, it would therefore not represent a significant new financial burden.

We would also emphasise that significant private sector experience be essential for anyone applying for this position or team, and that the role not be specifically tied to any one department within the Council. Instead the business manager or business team should have free reign to float between departments identifying areas where the work of the Council may be making things unnecessarily (we would very much emphasise the word "unnecessarily") difficult for businesses and suggesting improvements.

Of course, they should not have the only or final say and the Council should never simply become a tool of business, but with such huge changes to the financing of local government soon to be upon us we feel that creating a new point of view within our structures could be essential in ensuring Brent takes a lead in adapting to life after the central government grant.

In other countries, such as Germany, membership of a Chambers of Commerce is compulsory for registered businesses ensuring that these Chambers are much more powerful and authoritative voices for businesses in their areas and that they have a semi-formal relationship with public bodies. The option suggested by the Panel for Brent could replicate some of the best features of this system.

Such reforms to the machinery of government – local or national – to support our own businesses are long overdue in this country. The head of the US Small Business Administration reports directly to the US President whereas none of the 15 direct reports to the permanent secretary in BIS is responsible for small British businesses. No wonder 45 per cent of US Federal procurement spend goes to home grown American small businesses - a figure represents roughly eight times the lending rate of the UK Enterprise Finance Guarantee scheme after taking into account the relative sizes of the two economies.

Brent should not be afraid to think big, and realise the huge role it can play in creating a virtuous cycle where local businesses are supported to grow and then contribute back into the community and council coffers.

One in every seven pounds in the UK is spent by the state, making procurement one of the key levers that any public sector body has to boost business, employment and the economy.

Currently many businesses feel frustrated and locked out of the public sector procurement process. All public sector bodies set their own pre-qualification test for procurement contracts, so in any given area the Council might ask for copies of accounts dating back five years and a biography of the CEO, the Fire Service might ask for six years of accounts and a biography of every director, the CCG for something different altogether.

Brent Council is ideally placed to act as a central coordinator bringing together all public sector bodies who procure services in Brent and get them to synchronise their pre-qualification policies. This would give a strong message that Brent is open for business and encourage businesses to base themselves here so that they can access many different procurement opportunities, and in the long term pay more business rates back into Brent.

We would emphasise that within in this there would also be a golden opportunity to ensure further Living Wage payment within local supply chains if such a commitment became a more regular requirement to secure local procurement opportunities.

To truly adapt to the changing world of local government finance we must not only think openly but big and learn from the best practice around the world.

Part Three: Detailed Policy Options

The Budget Scrutiny Panel considered all of the detailed cuts and savings brought forward by the Cabinet. Before reaching a collective conclusion on any single proposal we sought further information, initially by email and then in meetings with the relevant officers and cabinet members.

On a broad note, we found that the way the proposals were laid out in the Cabinet papers meant a lot of detail was lacking. When we questioned officers and cabinet members it was clear that a lot of thought had gone into the proposals. However, the very short format of the document of proposals led to a lot of initial misunderstandings and the need to ask further questions. As these are public documents we feel that local residents wanting to know about changes to council spending might also be confused by them and the lack of detail which might lead to confusion about what is being cut. We recommend the format is rejigged to give more latitude to officers writing them in future years.

1718BUD1 – Adult Social Care
We support the principle of providing more information about sexual health services online as an end in itself, and we hope this will also have the desired effect of reducing the number of people who feel compelled to present themselves at clinics to find the information they need.

However, we would ask that more mitigation work is done to ensure that those who do not have easy access to the internet are still able to get the information they need. For example, those who regularly use public libraries to surf the web might not feel comfortable about accessing this information in a public arena, and it might even get blocked by some particularly zealous servers.

1718BUD2 – Adult Social Care
Following further questioning of officers, the Panel were broadly comfortable with the idea of bring forward charges which would be incurred in any case.

1718BUD3 – Adult Social Care
The Panel agreed with the concept of using Brent Council assets, including buildings more widely. This is a more efficient and effective way of working.

1718BUD4 – Adult Social Care
Moving people towards supported living is a laudable goal as many people prefer to live in an independent setting. This should be an aim of the Council in any circumstances and so we believe it is regretful that it may be seen by some as a purely financial reform by being presented in this budget.

However, we would like every effort to be made to identify those users who may be fearful of change at the earliest possible stage to ensure work is done to reassure than and help them to adapt.

1718BUD5 – Adult Social Care
As noted above, we believe that moving people with care needs to more permanent and independent settings is generally a laudable aim. This was one policy where we felt it might be a stretch for the Council to achieve the level of saving anticipated due to the general housing pressures in the borough, but hope that the general precautions built into the budget will mean that this would not unbalance the overall budget in any case.

1718BUD6 – Environmental Improvement
The Panel had severe concerns about this proposal, primarily focused around the potential reputational damage to "Brand Brent" for what is a relatively small saving.

We understand that this proposal is designed to offer a "gold standard" option for people who wish to dispose of bulky waste items. In essence rather than wait the current standard period of time of around six weeks for a free collection they can pay to have the items removed sooner. However, as the policy is stated on the detailed options paper this is less than clear and could be interpreted as restricting the right of local people to have their bulky waste collected by the Council. This is a sensitive political area and we feel that when speaking about this subject the Council needs to be extra careful to get its messaging right so no misinformation gets into the public arena.

We are not confident that the Council has fully modelled the potential cost of an increased level of illegal rubbish dumping which may occur if people come to believe that they will have to pay new costs to have their bulky waste taken away. This could undermine the overall level of savings.

Overall, the Panel felt that similar savings may be achievable by better sign posting people to other agencies who collect waste for free, including the growing number of furniture and electrical charity shops, or charities which provide furniture and white goods to people on low incomes.

This will not be a simple task. Council staff will have to be trained to give absolutely accurate information to ensure that residents do not become frustrated or feel they are being misinformed.

An example would be a local person ringing the Council to ask them to take away a sofa. The resident would be informed that they can wait up to 6 weeks for the Council to take it away, or call their local British Heart Foundation store who could take it away more quickly and for free. The Council operative would have to be sure from the call that it was an item of furniture the charity shop would take, and have the correct number for the shop as well as knowing the areas it collects from etc.

Similarly, Council departments would need to work together even more closely to ensure that products offered for collection to the environmental teams are passed to the benefits teams when people are in need of second hand goods for their homes.

We believe that this investment in time and training would be worthwhile as it would not only reduce the number of collections the Council needs to carry out but also reduce the amount of waste going into landfill which incurs a Landfill Tax charge to the Council. It would also have the wider social benefit of promoting re-use and recycling as first options in even more circumstances.

1718BUD7 – Regeneration
Overall the Panel agreed that this saving was sensible and achievable. However, we noted that this was a strange area in that the budget item was shared by two lead members. This reflected some wider confusion about exactly who on the cabinet has final responsibility for regeneration projects. We would recommend that this is cleared up so that Councillors and members of the public are able to hold the correct politician accountable at all times.

1718BUD8 – Regeneration and Environment
The Panel noted that a major risk associated with this saving was that agreement with Harrow Council, with whom we share the service, is required first. In similar circumstances in future it would probably be prudent to get confirmation of support from the partner authority before factoring in the saving to the budget papers.

1718BUD9 – Parking and Lighting
Our comments on parking, to which this saving refers, have been given in full above.

1718BUD10 – Environmental Improvement
The Panel was encouraged by the fact that we have an outcome based contract with our suppliers which should help this saving to be delivered without a severe detriment to residents.

But, we were also clear that, with the impending change in council funding through business rate devolution, Brent should have an ambition to encourage business, large and small, to come to the borough. As such any future decisions - particularly around budgetary decisions about the public realm - and the look of the borough need to assess the impact and the ambition we have to attract business to Brent. The new business manager positions we have suggested could play a lead role in this work by giving feedback on the likely reaction of business to any suggested reforms in this department.

The Panel also proposed that the Council could make further savings in the road and curb repair contracts by instituting a bond on residents and businesses carrying out large scale refurbishments or developments. This would ensure that if their use of skips and large vans damages the public highway the Council would have the necessary funds to make good.

1718BUD11 – Parking and Lighting
We were satisfied with this proposed saving.

Part Four: Key Recommendations

This report has presented the Budget Scrutiny Panel's views on a wide range of topic attending to the budget. The report should be read as a whole with suggestions and ideas to be pulled out of almost every section. However, the key recommendations for reform which we would like to highlight are as follows:

1. In future, any further proposals to reduce spending in Council budgets should be thoroughly evidence-based, with research into the likely impact on service users from any such change. The Council will need to be flexible and open-minded in looking at the most effective ways to deliver better services to Brent residents for the lowest possible cost.
2. The current demand-led review of Brent's CPZ should be expanded with the aim of delivering a settlement for the whole of Brent which will be sustainable over the next twenty years to give further financial certainty to the authority. As part of this, the idea of day time visitor windows should be particularly investigated.
3. A report outlining all large-scale developments in the recent and upcoming years should be brought to the appropriate Scrutiny Committee in three months' time. This would emphasise how mixed used each development was and allow scrutiny members to take a view on whether the balance is currently correct.
4. The Council should be forceful when dealing with TFL and seek to maximise business space in tube stations and use every development of a tube station as a potential to attract a new business to Brent.
5. A single "Business Attraction Manager" post, perhaps accompanied by a small team, should be set up in Brent. This would be a none-departmental role with the responsibility of attracting business to the borough and incentivised financially to achieve this without become a new financial burden to the Council.
6. Brent should seek to coordinate all local public sector bodies to develop a standard set of pre-qualification tests for procurement opportunities to make it easier for local firms to bid for work.
7. We believe that Cabinet should reconsider proceeding with proposal 1718BUD6 which would introduce charges a more rapid collection of bulky waste, due to the reputational risk to Brent. Specifically, officers should model whether better signposting to other local services, including those within the authority, could deliver similar savings.

Brent	**Resources and Public Realm Scrutiny Committee** 10 January 2017 **Report from the Strategic Director for Regeneration and Environment**
For Information	
Report for Scrutiny on Brent's High Streets	

1.0 Summary

1.1 Brent's High Streets are an intrinsic part of its character; adding to its vitality and viability, providing retailing and other services, but also an important civic function role in a community of great diversity in bringing people together. The health of Brent's town centres has historically provided a barometer on the fortunes of their surrounding neighbourhoods. Nevertheless, against a background of changing retail habits in particular, their future is becoming less certain.

1.2 Despite significant future population growth in the borough, as a whole there is likely to be too much of the wrong type of retail floorspace within Brent's town centres. This will provide challenges which will require redefining town centre's roles and in some cases recognising and managing their contraction.

1.3 The services the Council provides can have a fundamental impact on the performance of these centres. This paper focuses on a range of Council functions that will impact on town centres. It identifies how the Council is addressing such basics as ensuring that their cleanliness is at levels the general public would expect, for example through street cleansing and dealing with waste.

1.4 It also identifies how the Council's existing strategies such as the development plan seek to prioritise developer investment within town centres and aim to ensure their continued vitality and viability through maintaining a suitable range of uses. Finally it identifies that although in its early stages, the Council is looking to improve its future strategy for high streets through detailed development and implementation of action and investment plans in nine identified priority high streets, with a view to enhancing the opportunities in the shorter and longer term.

1.5 The nine priority town centres are Wembley High Road, Ealing Road, Harlesden, Willesden, Neasden, Church End, Kilburn High Road, Colindale/ The Hyde, and Burnt Oak. It identifies that the significant planned regeneration of Brent provides an opportunity to further enhance the role and relevance of some town centres to the population and the place.

2.0 Recommendations

2.1 The report is for comment.

3.0 Detail

Background

3.1 Brent has 17 high streets. The recognition of the important role of town centres and their prioritisation in terms of Council investment has been a significant theme for the Council in the past as well as guiding current actions. For example ensuring town centres are cleansed effectively is a considerable part of providing a positive experience of a town centre that works towards ensuring it is successful. The Council pays a significant amount of attention to maintaining high standards, principally through the contract that it has with Veolia.

3.2 Changes in retailing in particular have proven to be challenging for town centres. The consensus and evidence suggest that the demand and need for retail space will reduce in the future. This is primarily due to changes in retail expenditure patterns related to the internet and home deliveries. There will also be a gravitation of the consolidated floorspace of the major retailers to fewer, more successful centres. In Brent's case this is a concern due to the larger competing centres close by that are higher up in the London retailing hierarchy. This includes Westfield and Brent Cross, both of which have started or are about to embark on planned expansions. In addition in the medium to longer term the Old Oak High Street will be a new centre probably of main or even eventually metropolitan status that will further compete for space.

3.3 Brent's retail rents on average are at the lower end of those in London, which indicates too much supply. It is also a disincentive for retail investors in existing centres. Significant investment is only likely to occur in scenarios where it is part of a wider place making package ultimately adding value to and being subsidised by other uses, such has occurred with the London Designer Outlet.

3.4 The majority of Brent's centres serve local needs, rather than drawing people in from wider afield. There has already been a diversification away from pure retailing as such with service functions (i.e. professional and financial services, restaurants/cafes, drinking establishments and takeaways) making up a significant proportion of frontages in all but the primary areas of the main centres. Notwithstanding this, currently in terms of vacancy levels Brent's centres appeared to be fairing not so badly and are well under half the national average. This is probably due to low rents and business models with a higher than average bias towards single shop owners/small scale businesses. Nevertheless, many of the proprietor retailers appear to be non-sustainable in the longer term; working very long hours to maintain subsistence income levels. To some extent this may be overcome by subsequent migrant populations following a similar model, but ultimately without intervention and change of focus of centres this points to much lower levels of retail space demand in the future.

3.5 The challenges faced and the importance of high streets as a component of Brent's 'sense of place' mean that the Council needs to be aware of and address town centres so that they add to, rather than potentially detract from the Brent experience.

The Cleanliness of High Streets

3.6 The council requires its environmental services to actively support the economic and social regeneration goals of our town centres. In particular, the council's Public Realm Contract with Veolia pays particular attention to environmental standards in these areas. It is understood that by concentrating on the cleanliness of town centres, high streets and shopping parades, this will also encourage businesses to take pride in their immediate environment.

3.7 The vision for the Public Realm Contract is to:

a) improve the way Brent "looks and feels" to visitors, businesses and residents;

b) promote a greater sense of civic pride and a stronger local identity.

3.8 The Aims are to:

a) make Brent a cleaner and tidier place;

b) make people feel better about their surroundings;

c) improve their quality of life;

d) make a positive impact on social, environmental and economic sustainability

.

3.9 This has been enhanced by the introduction of council-delivered commercial waste collections, timed waste controls and through the introduction of litter enforcement patrols.

3.10 All of this is intended to create an improved 'street scene', which is likely to encourage visitors and shoppers to frequent these town centre areas. The Council's contractors, Veolia and Kingdom also engage directly with local traders to further promote cleanliness, civic pride and responsible waste management.

The Public Realm Contract – Cleansing

3.11 Veolia have committed to providing an excellent cleansing service. The current contract provides a move away from a contract that specifies how often the streets are cleaned to a requirement that Brent's town centres are kept clean, no matter how often the streets need cleaning. The graded standards are as defined in the original Code of Practice on Litter and Refuse issued under section 89(7) of the Environmental Protection Act 1990. These four grades also correspond to the scales used by local authorities for recording levels of cleanliness.

Grade A: No litter or refuse
Grade B: Predominately free of litter and refuse apart from some small items
Grade C: Widespread distribution of litter and/or refuse with minor accumulations
Grade D: Heavily affected by litter and/or refuse with significant accumulations

3.12 Veolia are required to ensure that their operation achieves a Grade "A" Standard after cleansing. It is recognised that a grade A cannot be maintained at all times, and the presence of a few small items of litter and refuse, not yet accumulating, are regarded by the public as acceptable for short periods of time. It is expected that Veolia should, through monitoring and the appropriate use of their resources, keep these areas clear of litter and refuse so that they do not fall below a grade B and are cleansed to an A on a regular basis. If the standard is reported to fall below the grade of cleansing required then Veolia will return and restore the area to Grade A within time limits set out in the contract. They will be measured purely on the level of cleanliness their operations are able to bring about. Veolia have committed to delivering against very challenging annual targets and to improving these targets year on year. Current cleanliness targets, and the latest scores being achieved for zone 1 (town centre) areas are as follows:

	Percentage of streets with unacceptable levels of:		
	Litter	Detritus	Graffiti
2016/17 Contract Target	8%	9%	5%
Town centre Scores	6%	6%	4%

(April-September 2016)			

3.13 Veolia's cleansing service is designed around 7 villages and these give a focus particularly at weekends and evenings in town centre areas. Operations commence with an 'early shift' (0530 hours – 1430 hours for manual sweeping; 0500 hours - 1400 for mechanical sweeping). These ensure the agreed standards of cleanliness are achieved in the morning. Once these standards have been achieved it is more straightforward to maintain them to Grade A standard. Elsewhere, a lower resource is usually applied in the late shift period (1400 hours – 2200 hours). However, town centres are the exception. Here, the resource level is the same in the mornings and evenings.

3.14 The weekend service is more limited, operating both in the morning and the afternoon, but only until 2pm and only concentrating on litter bin emptying and bag removal.

3.15 Cleansing operations in town centres include an important mix of manual sweeping, mechanical sweeping and mechanical washing. Zone A, our main retail and commercial areas see a constant manual sweeping presence from 6am to 10pm. There is daily mechanical channel sweeping and daily mechanical pavement sweeping. There is mechanical washing every four weeks. Most street cleansing waste is bagged and held in lockable on-street containers prior to pick up, so it's no longer visible to the public.

3.16 Fly tips are cleared promptly. That is a key requirement. Veolia have committed their operatives to becoming "the eyes and the ears" of the council, trained to identify, report, and manage all day-to-day fly-tips using mobile devices. The initial role on all enforcement is with Veolia. Enforcement investigations will be managed as far as possible by the Veolia supervisors and managers who will ensure photographic evidence and pocket notebook records are taken to secure evidence. Once a case is correctly and sufficiently built, Veolia will work with Brent's enforcement team to bring final prosecution.

Timed Waste Collections

3.17 In common with other London authorities, Brent has now introduced specific time banded waste collection controls in all our town centres. Bags and bins left out on the pavement for long periods of time contribute to littering, cause obstructions, stain pavements and make streets unattractive, especially during busy times. Timed collections eliminate these problems and keep the streets clean and tidy for people shopping, working, visiting and living near town centres.

3.18 The time bands work by setting very specific time periods, which are usually at the start and end of the day, stipulating when and where bagged waste and recycling can be set out on the street by residents and businesses. Waste cannot be left out at any other time. To make this happen, the council engaged with local business and residents to identify time bands that are both operationally viable and meet the needs of the majority of the local businesses in each area. Once the time bands were agreed and their operational viability confirmed, the council implemented a communications and engagement programme to ensure that all our business customers and residents were aware of the new controls and understood how they operated. Any contraventions can be enforced against.

3.19 The introduction of time-banding took place over an 18-month period, and was concluded in September this year. The borough now has a total of 20 timed collection areas across its main town centres. These have, in the main, proved extremely successful, but there are still pockets of non-compliance. Now that the roll-out has concluded, Officers are currently in the process of revisiting all time-banding zones, to assess compliance, and to re-educate and enforce against non-compliance where necessary.

Commercial Waste Collections

3.20 All businesses are legally obliged to manage their waste and recycling responsibly. They are not meant to leave it out on the street to be picked up by street cleaners or as part of the domestic waste services provided to residents. Historically, a greater proportion of the waste left out on Brent's high streets was left by businesses who weren't meeting their obligations. To help these businesses and to improve the town centre 'street scene', the council now offers a commercial waste service at reasonable rates. Businesses are able to buy a bagged service or a container service for both residual waste and recycling. Through Veolia, Brent currently provides commercial waste collections to over 450 businesses in the borough. This number has grown by nearly 90% over the past 12 months, and the customer base continues to increase month on month.

3.21 This all fits with the introduction of time banded collections of waste in town centres. The council now has better control of business waste in town centres - we collect more of it, we generate an income from it, we can monitor it at close quarters, we can quickly identify contraventions and we can be clear about when and where the waste should be left for collection. All of this helps keep town centres tidy.

Litter Patrols

3.22 The council is currently undertaking a 12 month trial with Kingdom Security to establish the effectiveness of uniformed litter patrols. This initiative aims to build on existing enforcement arrangements by providing additional capacity to undertake the issuing of FPNs to achieve zero tolerance on littering, principally in town centres and other high footfall areas. As well as covering a range of waste and litter issues, this operating model also addresses particular problems with cigarette litter and paan spitting in town centres. The operating model is 'zero cost enforcement' that pays for itself. It can also support Brent's waste enforcement and ASB teams, carrying out enforcement under the Environmental Protection Act in the public realm (including parks) in relation to:

a) Spitting
b) Littering
c) Fly-tipping
d) Dog fouling
e) Graffiti

3.23 Kingdom deploy enforcement officers to patrol hot spot areas and to issue FPNs to anyone found guilty of committing an environmental crime. Since the pilot commenced in mid June 2016, Kingdom have issued over 2,700 Fixed Penalty Notices for littering across Brent's town centres. They also provide support to our waste enforcement team by investigating dumped rubbish for evidence and by helping monitor timed collection compliance.

Town Centre Development Strategy

3.24 Recognition of the need to co-ordinate the functions of the Council to support better town centres has been set out previously. A Town Centre Regeneration Task group formed of councillors issued a report in 2008 that set out a number of actions for the Council to follow up. Many subsequently appear to have been taken forward initially, but perhaps not sustained. The prioritisation of town centres is currently recognised in a number of Council documents; it runs as a 'golden thread' through the Development Plan (Core Strategy, Site Specific Allocations, Wembley Area Action Plan and Development Management Policies) and the Council's Regeneration Strategy.

3.25 The Core Strategy for example Objective 3 is to 'Enhance the vitality and viability of town centres' and identifies them as a priority location for development of town centres uses (retailing, leisure uses and office) and new homes. This is reiterated through the 5 priority growth areas and CP16 'Town Centres and the Sequential Approach to Development'. This is followed through in the Site Specific Allocations, e.g. Site 9 Harlesden Plaza, or for Wembley, the Wembley Area Action Plan (WAAP).

3.26 The WAAP identifies the ambition to enhance Wembley's Town Centre through Policy WEM24 New Retail Development, the provision of 30,000 sq.m. of retail/leisure in addition to the London Designer Outlet and other sites, with a longer term aim to raise its categorisation to Metropolitan Town Centre in the London town centre hierarchy. The Development Management Policies Plan seeks to protect and enhance town centres by protecting retail uses in DMP2 'Supporting Strong Centres' and restricting the spread of lower value uses such as betting shops and pawnbrokers (Policy DMP3 Betting Shops, Adult Gaming Centres And Pawnbrokers'). In addition existing and forthcoming Supplementary Planning Documents provide guidance on shopfront design, forecourt trading and wider design guidance to improve the character and appearance of centres.

3.27 Other teams such as transportation through the investment plan associated with the Transport Strategy have a strong town centre emphasis. This is because town centres are likely to be areas where people and movement corridors focus. Investment seeks to for example reduce accidents, improve public transport accessibility and reliability and improve the public realm to enhance the pedestrian experience.

3.28 Specifically related to town centres there are two officers within the Employment and Enterprise team This team has been successful in attracting financial support from the GLA's High Street Fund and the New Homes Bonus Top Slice Funds. These funds will be targeted to provide demand-led business support, shop front and building improvements, reactivating empty shops, holding celebratory events Wembley Park Drive, Wembley Triangle, Wembley Central and Ealing Road as well as delivering a pilot digital test study in Wembley High Road.

3.29 Undoubtedly the activities of the High Street and Town Centre officers on their own are only likely to be a part of solution for improving the prospects for town centres. As recognised by this report in relation to the Development Plan, transportation, street cleansing and waste management and the earlier Town Centre Regeneration Task Group there are other Council teams/functions that do and can in the future impact on the success of town centres. The Council has been through significant change in terms of its internal structures and team responsibilities over the last few years. Town centres, their explicit prioritisation and co-ordination of Council activities have most likely been both positively and negatively affected by these changes. Reorganisation is likely to have encouraged reductions in 'silo' working improving co-ordination of services. Nevertheless, specific champions within the Council related to town centres through the deletion of town centre manager posts associated with the Wembley, Willesden and Harlesden might well have adversely impacted on some of these centres.

3.30 As identified the actions of teams may currently either explicitly or implicitly prioritise town centres. Nevertheless, it is recognised that as part of the Brent 2020 vision there is a greater need for the Council to co-ordinate its activities and those of its partners to deliver change. Town centres are part of this priority. This will improve efficiency of working with the resources available and provide for the prospect of greater success in moving the town centre agenda forward. This is seen as being an integral part of adapting to defining Brent's character to achieve its wider economic growth and regeneration ambitions. This will in turn support meeting the needs of a significant projected increase in population. It also can assist in seeking to safeguard Council's financial position in light of funding changes and the move towards business rate devolution.

3.31 The Council is seeking to take forward a new town centre development strategy. Work will progress on this swiftly, but it is still very much in its formative stages. A report was presented to the Council's Corporate Management Team on 17th November 2016 and due to be presented to the Policy Coordination Group in the new year.

3.32 The aim overall aim of the strategy despite the challenges faced by town centres is to not only ensure that they survive but wherever possible can thrive. This will be through diversification of their core purpose for businesses, residents and visitors to ensure that they remain relevant to population needs. Retail will continue to have significant importance to the use and success of the centres. For enhanced success however, in addition they must also respond to the leisure and cultural needs of local residents and/or visitors, as well as helping to meet population growth pressures for both housing and commercial space that in turn can create local jobs.

3.33 A new definition is proposed within the Corporate Management Team report to help frame how Brent should address and steer future development to its highs streets. The definition effectively addresses the borough's priorities within its socio-economic context. Importance is placed upon creating a strong retail offer and access to consumer services, promoting economic growth, ensuring priority high streets are attractive and accessible with a diverse range of community uses (leisure and cultural) and lastly accommodating housing needs and growth.

3.34 The strategy identifies priority town centres/high streets so ensure a focused approach to resources and co-ordination of activities to ensure greater likelihood of success. This will be in those centres that are considered to provide opportunity, but in some cases due to the scale of existing issues that exists, e.g. anti-social behaviour or poor public realm. These priority centres are: Wembley High Road, Ealing Road, Harlesden, Willesden, Neasden, Church End, Kilburn High Road, Colindale/ The Hyde, and Burnt Oak.

3.35 The strategy looks to an improved approach to town centre management in Brent's town centre/high streets to deal with underlying concerns regarding the quality of the environment (clean, safe and green), plus supporting events/themes that can attract people to the centres. Six of the priority centres have been identified as recipients of additional town centre management resource, responding to levels of need identified (such as street-scene and anti-social behaviour), including Wembley High Road, Ealing Rd, Harlesden, Willesden, Neasden and Church End. To support the Council's activities in these areas and provide champions within the organisation to co-ordinate Council activity three Town Centre Manager posts are proposed.

3.36 The Strategy will seek a prioritised capital investment plans that will enable the diversification of the centre's core purpose. These two strands will not only be in association with the Council's activities but also those of others who impact on the prospects of the centres. This includes the businesses and landlords/property owners, property investors/developers, neighbourhood forums/community groups and other public bodies. An example for Wembley High Road in its early stages shows the type of investment plan proposed is shown in Appendix 1.

3.37 These plans will have clear implications for planning and development decisions relating to the infrastructure and property in town centres. Such plans are to be supported by for instance:

a) prioritisation of Community Infrastructure Levy to support town centre development.

b) using the council's ability to invest its own capital finance, either to unlock development where there is market failure, or to invest in assets that could generate capital gain or revenue income.

c) bidding for external investment, led by the strategic investment plans. It seems clear that the Greater London Authority (GLA) under the leadership of the new Mayor of London will invest in capital initiatives to support economic and housing growth in outer-London, however, the details of upcoming funds are not yet known

d) taking forward where it is possible mechanisms such as Business Improvement Districts (BIDs). The viability of this would need to be tested and limited to only the more significant centres. This is due to the relatively small scale of Brent's centres and the floorspace composition of units (preponderance of units too small to contribute business rate levy), which might ultimately limit funds that could be raised and therefore the worthwhileness of the process. In light of this, consideration is focused on the largest of the prioritised town centres with the greatest chance of this being a viable option. This will include Wembley High Road, Ealing Road, Harlesden, Willesden and Kilburn. If unviable alternative forms of business partnership will be considered.

3.38 The projected population growth of Brent will require both additional homes to live in and jobs. The town centres in terms of national and London Plan policy, with their usually high levels of public transport accessibility levels (PTAL) and access to services, in theory provide some of the best places in which to concentrate homes and jobs. This will sustain some existing facilities and also require additional social infrastructure which can either be accommodated in existing premises or add new ground floor uses to enhance the role of centres.

3.39 Whilst this process has commenced in Wembley and to a lesser degree in other centres, the relatively low PTAL levels in other suburban parts of Brent, together with an existing low density context point to an opportunity for a greater concentration in the future of such development in town centres than might previously have been the case. The progression of the Council's revised planning strategy through the planning Local Plan review will assist in directing the development to these locations.

Conclusion

3.40 The Council undoubtedly has a significant role to play in the development and enhancement of town centres in Brent. It has recognised this role in the past through explicit work which has sought to join up the Council's approach to some area. More recently it has recognised the need to reinvigorate the priority it places on high streets and co-ordinating its functions to bring about positive change in the short and longer terms. The reinvigorated approach is still at an early stage, but there is a clear Council commitment to progress with its implementation.

4.0 Financial Implications

4.1 This report is primarily for information and comment by Scrutiny and as such there are no specific financial implications arising. In the future, to take forward the Town Centre priority work stream it will involve decision making by the Council both on revenue and capital spending. This will be subject to the usual internal processes associated with such decision making to ensure value for money.

5.0 Legal Implications

5.1 None specifically from this report. Taking forward the Town Centre priority work stream is likely to involve both statutory and non-statutory processes. This will be subject to the usual internal processes associated with such decision making before actions proceed. Where actions involve statutory processes, e.g. updating the Development Plan in relation to town centres, the necessary primary and secondary legislation will be adhered to.

6.0 Diversity Implications

6.1 The Equality Act 2010 introduced a new public sector equality duty under section 149. It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The Council must, in exercising its functions, have "due regard" to the need to:

1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

2. Advance equality of opportunity between people who share a protected characteristic and those who do not.

3. Foster good relations between people who share a protected characteristic and those who do not.

6.2 Taking forward the Town Centre priority work stream is likely to include many strands of work. Where necessary these will be subject to Equalities Analysis Assessment. At a strategic level improvements to town centres are more likely to be positive for the elderly and the young, the disabled, women and those from an ethnic background who are more likely to be reliant on walking, cycling or public transport and thus more dependent to a range of facilities which have access to these forms of movement.

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 None specifically related to this report.

Background Papers

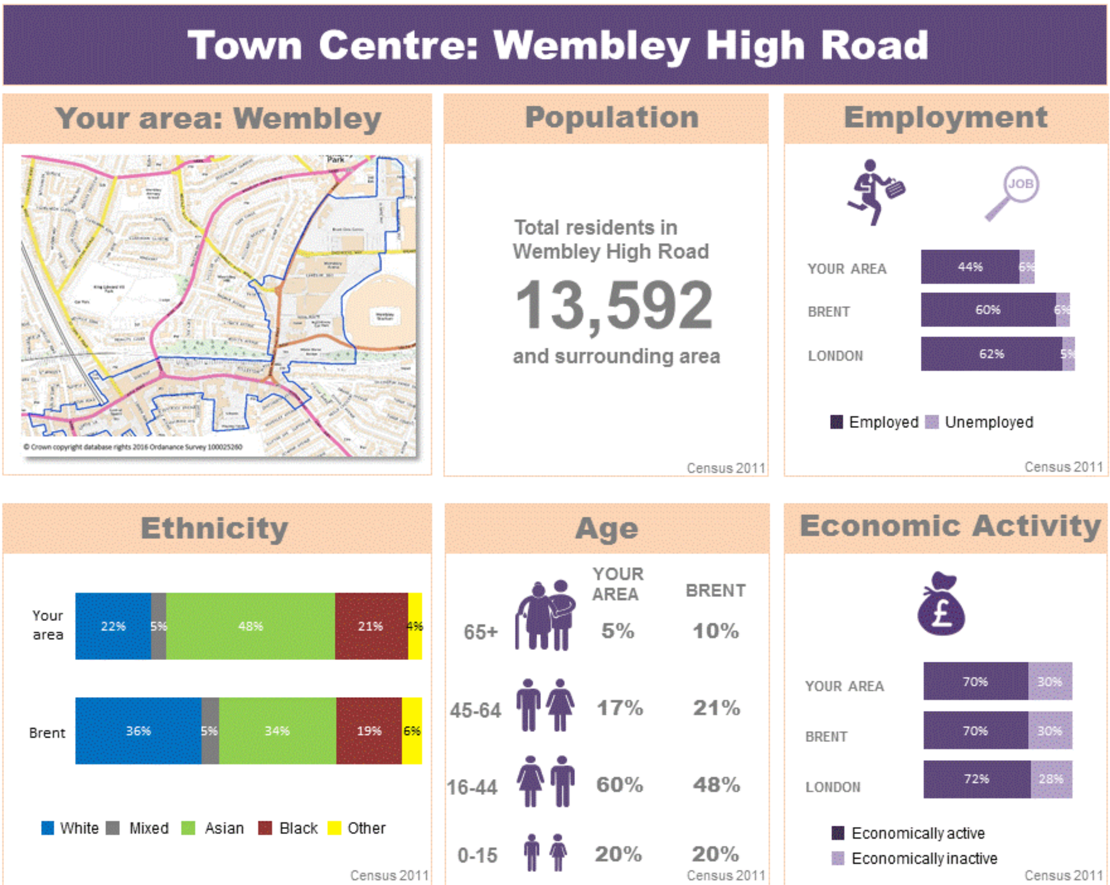
Town Centre Regeneration in Brent – Town Centre Regeneration Task Group Report 2008
Brent Core Strategy 2010
Brent Site Specific Allocations DPD 2011
Wembley Area Action Plan 2015
Brent Development Management Policies Plan 2016

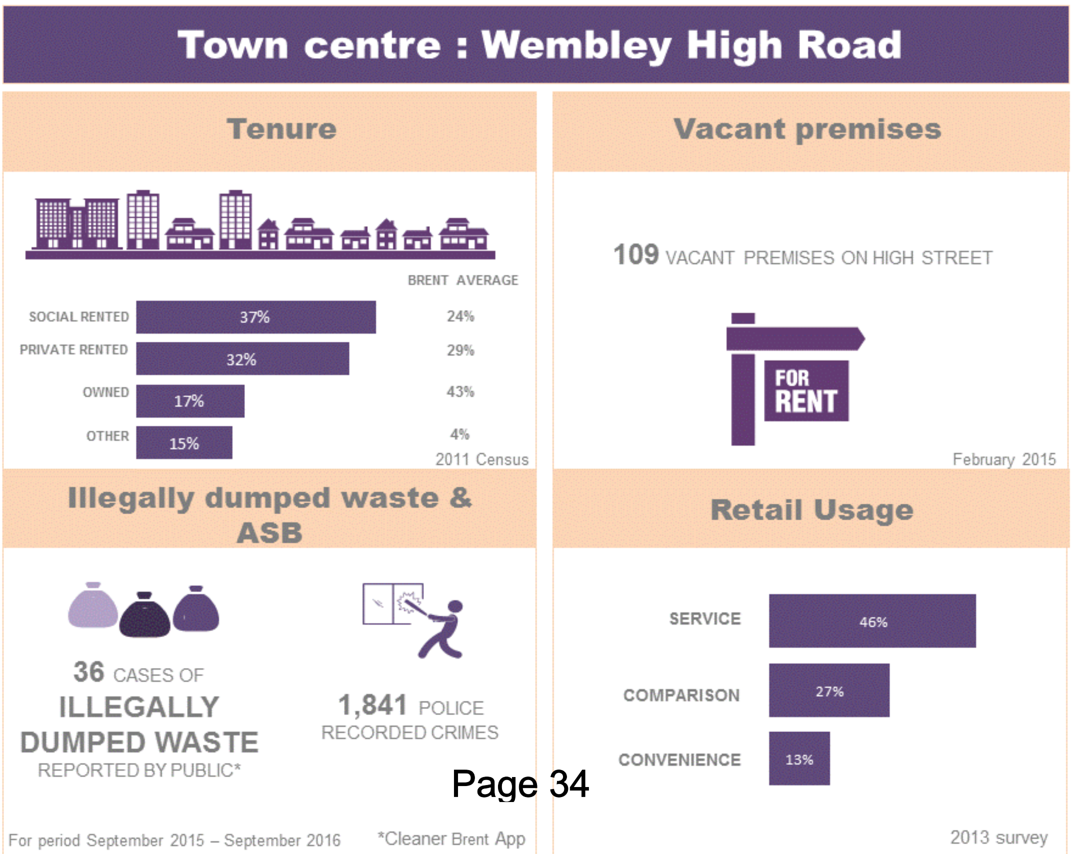
Contact Officers

Amar Dave, Strategic Director Planning and Regeneration amar.dave@brent.gov.uk

Appendix 1; Example of early development of a potential Town Centre Investment Plan

Town Centres Investment and Action Planning – Wembley High Road





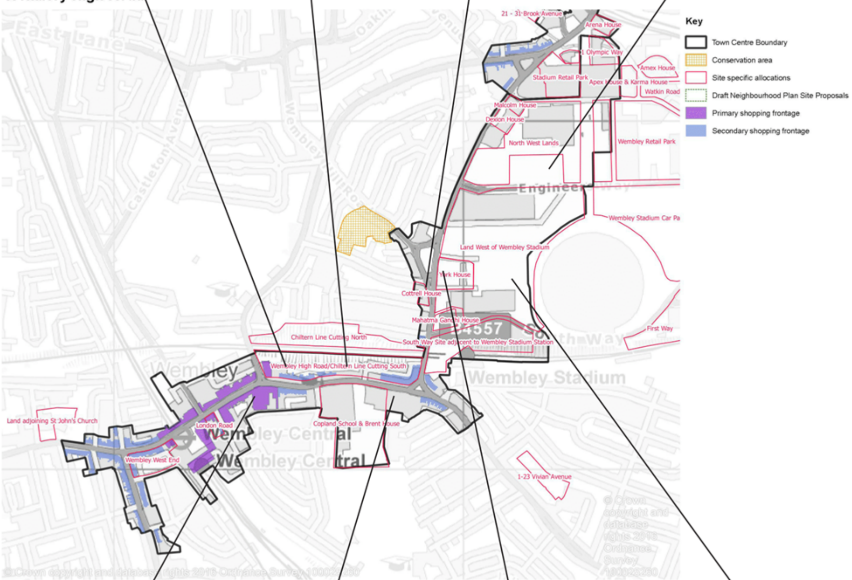
Secondary school located in a central urban location

Redevelopment by Signa Homes

Secondary school located in a central urban location

Brent Civic Centre with ground floor retail

Wembley High Road



Wilko hardware store

Elizabeth House apartments with gym on ground floor

Convenience store with York House in the background

London Designer Outlet - shopping mall

Wembley High Road

Wembley is the largest centre in Brent and is defined as one of Brent's two major centres (alongside Kilburn) as per the London Plan 2011. It currently sits within the largest growth area and one of the largest regeneration programmes in the UK.

The wider Wembley regeneration area has the capacity to accommodate at least half of the planned residential and employment growth and thus is strategically important to meeting the challenges of regeneration of Brent as a whole. Through its regeneration strategy, the council is seeking to attract further investment to Wembley to assist with meeting demands for new homes and for business to help improve income and employment levels of local residents.

The Wembley Area Action Plan (AAP) sets the strategy for growth and regeneration in Wembley, including the creation of an additional 30,000sqm of retail floor space, 11,500 new homes and 10,000 new jobs. The AAP extended the Wembley Town Centre boundary northwards to adjoin Wembley Park Centre, and established the principle of a strategic route with active frontage connecting both centres via White Horse Bridge and Olympic Way.

Future vision

The long term ambition for Wembley High Road is to capture the investment momentum occurring in Wembley Park and to ensure that such momentum is visible within its adjacent neighbourhoods, through the delivery of homes; growth of the business base; supporting development with infrastructure and public realm; and placemaking.

There is an opportunity to connect momentum from Wembley Park with the high road through intensification measures that will diversify or bring back into use a mixed offer as well measures to improve public realm for pedestrian and cycle access. Investment is also required to improve the quality of the end of Wembley High Road that connects to Ealing Road, which is primarily low value uses at present, such as betting shops and fast food outlets. This end should retain a retail use or diversified to cultural or consumer uses to create a natural flow to Ealing Road, rather than replacement housing.

Due to the scale and nature of development which has occurred since the adoption of the AAP, there is an opportunity through the London Plan review for Wembley High Road and Wembley Park Drive to be promoted as one 'metropolitan centre'. This is being explored through the latest GLA town centre health checks. Designation would raise the status of Wembley High Road in the London Plan retail hierarchy, to be in a par with these centres. Wembley is already recognised in the London Plan as a Strategic Cultural Area, designation as a metropolitan centre will recognise its strategic role for other uses including employment and retail. The status can assist in attracting investment, including from higher order retailers.

The Outer London Commission suggests that in broad terms the impact of internet and multi-channel shopping could have a positive effect on attractive, mostly larger centres (most Metropolitan and some Major centres), where the projected, albeit more limited, quantum of growth in comparison goods floorspace is likely to be concentrated. Informed by this the London Plan indicates the likely growth categories of London's centres, with higher order centres identified for higher growth.

Wembley Park Drive and Wembley High Road already have adjoining boundaries, and have a symbiotic relationship. Designation as one centre allows consideration as a whole.

Town Centre Performance

Wembley is currently the largest centre in Brent and extends from Harrow Road west along the high road, past the junction that meets Ealing Road until the corner of Napier Road. It is connected to the wider London by tube, overground and bus. London Midland also runs a service between Wembley and Watford Junction. The town centre is comprised of a total of 266 units, 2157m of frontage and is home to around 700 businesses employing over 14,000 people. This makes up around a third of all employment in the Central sub-area (this describes the mixed area with residential and commercial uses and significant development around Wembley, and industrial areas in Staples Corner and Dollis Hill.

In terms of the retail composition, as per Brent's Health Check survey report 2013 - Wembley High Road is heavily weighted with a high proportion of service outlets (examples include restaurant and cafes, fast food takeaways, banks and betting shops), making up 46% of the retail composition in the area. There is a notable high concentration of takeaways, restaurants and cafes in the local high road, which can be partly explained by the centre's close proximity to Wembley's main visitor attractions including the Wembley Stadium and the SSE Arena. On the down side, Wembley also has a significantly high concentration of betting shops (11) and pawnbrokers (7), which are clustered in the southern part of the high road before the high road meets the junction of Ealing Road.

In terms of comparison versus convenience – the high road has a higher proportion of comparison retail (27%) (Including clothes shops, jewellery, variety stores) compared to convenience (defined as retailers that sell every day convenience items) (13%), which is expected for a centre of its size. The high level comparison retail offer comprises of a combination of both multiples and independents. Multiples tend to be concentrated in the primary frontage area around Wembley Central station.

New residential and mixed use development is contributing to the town centre's revival. St Modwen's Wembley Central has replaced a run down and hard to navigate shopping area with a mixed use development, a public square and attractive national retail chains occupying a large retail space.

Vacancy Levels

Despite overall increases in Brent's vacancy levels, they have fallen along Wembley High Road since 2001 by 4.5% to 7.6% (2013). This shows positive signs of high street revival as the decline along the stretch is not visibly apparent. However, this disguises issues regarding quality of uses along sections of the high street.

Recent research on Rightmove highlights that there is a single advertised opportunity for commercial freehold investment in Wembley Central in the form of a four-storey building (ground floor A1 retail shop (12,000sqft) with lower ground floor basement accommodation (1,350sqft) together with two floors above. The freehold is going for £1,000,000 and demonstrates the attractive nature of the area, given the excellent transport links and the surrounding regeneration.

Key

0 – 1 year	Short
0 – 3 years	Medium
3 years +	Long

Funding [To provide sense of scale, but not specifying at this stage whether council or external investment]

Nil	Using existing council resources
£	00s
££	000s
£££	000000s

Key Opportunities: delivering the new Town Centre vision

	Opportunities	Timescale	Funding
Retail	WR1: Wembley restaurants quality / discount initiative	Medium	££
	WR2: Welcome to Wembley (branding, identity, look and feel)	Short	£
	WR3: Café and night time economy retail	Medium	££
	WR4: Ealing Road	Medium	££
Economy	WE1: Crossrail Lobbying	Long	Nil
	WE2: Enterprise Village	Medium	££
Accessible & Attractive	WA1 - Designation as a Metropolitan Centre (linked with Wembley Park District Centre). Lobbying	Medium	Nil
	WA2: Pedestrianisation of northern part of the High Road (between Park Lane and Wembley Triangle)	Medium	£££
	WA3: Secure frequency of trains to Wembley Stadium	Long	£££
	WA4: Free Wi-Fi everywhere – link into street light replacement	Medium	££
	WA5: Public realm and shop front enhancement (between Park Lane and Ealing Road junction)	Medium	££
	WA6: Re-zone Wembley as Zone 3 through lobbying TfL.	Long	Nil
Community	WC1: Events around key festivals (cultural celebration of diversity)	Medium	£
	WC2: Street Trading and Market Activity	Short	£

Housing	WH1: Housing Zone WH2: Unlocking vacancy above shops with residential uses	Long Long	££ £

Town Centre Management Plan			
Priorities	**Areas for Action**	**Resource**	**Partnership**
Businesses sharing responsibility and accountability for Wembley Major, Wembley Park District issues	Improved business ownership of local issues via Wembley High Road Business Association (WHRBA) and the emerging network of businesses in Wembley Park District	WHRBA established. £25K New Homes Bonus being used to continue the development of WHRBA to become sustainable.	WHRBA Regeneration and Environment services
Priority to increase Wembley Park event day usage of the high road	Close working partnership with Wembley Stadium, local traders in Wembley High Road to draw footfall.	Officer time WHRBA business network identify investment.	WHRBA Wembley Stadium Quintain
Look and feel of Wembley Major is often compromised by waste and illegal dumping.	Enforcement carrots, sticks and education to improve compliance whilst understanding business needs.	Officer time from a number of teams would need to be prioritised in a coordinated campaign.	WHRBA Regeneration and Environment services (licensing, trading standards, environmenta l health)
Seasonal marketing campaign	Supporting WHRBA in the development of a seasonal marketing programme, which includes seasonal lighting, events, festivals and markets to help attract new audiences in to the high road and other parts of the area.	Officer time	WHRBA
Business rates collection.	Campaign in partnership with WHRBA/ WPD Business network for compliance with rate paying.	Officer time.	Business rates Regeneration and Environment WHRBA
Shopfront	Focus on the part of the high	Officer time	WHRBA

improvement and wider business support mechanisms made available	road between Park Lane and Ealing Road junction– programmed shop front improvement works to create a more inviting and appealing entry into the area. This will be accompanied by a robust business support programme which includes visual merchandising, marketing and promotion as well business plan review, information on how to access finance etc. and incentivising those businesses that remain compliant.		
Landlord Partnership	Working closely with landlords to manage/ help reoccupy empty spaces along the high road	Officer time	Landlords WHRBA
Promoting available parking in the area	Campaign to promote the available parking opportunities to visitors: Curtis Lane car park, St John's car park, Cecile Road car park	Officer time	WHRBA

Investment Plan – Current/ planned projects

Project	Project description	Resource (funding source and value)	Objectives met
Central Station Square, Wembley High Road	An existing urban square, the most significant public space on Wembley High Road. Improvement of this space with a new design, potential for creation of a significant town centre urban square in partnership with landowner St Modwen.	Officer time	Community and retail
Trees, Central Station Square, Wembley High Road	Ongoing current Landscape project to plant new trees on Wembley High Road, holding funds for new trees at Wembley Triangle, subject to outcome of studies by Transportation.	Officer time S106 –	Community
Bus Pinch Point, public realm improvements and pedestrian accessibility at junction improvements - improve highway	Feasibility study completed whereby the 4 junctions between Ealing Road junction and South Way Junction have been assessed to see if a pedestrian phase can be included to improve pedestrian accessibility as well as reducing congestion along this corridor.	Bus Pinch Point, Major scheme, S106 CIL	Accessible and Attractive Community Economic

safety, Wembley High Road	Initial findings have shown that improvements to the 4 junctions is not good value for money. Therefore a more transformational design is needed. Looking to undertake further design feasibility work to determine if only permitting buses, cyclists and pedestrians to use Wembley High Road between Ealing Road and Wembley Triangle would achieve the objectives for making the area a better place.		
Landscaping project, Wembley Park District	Current potential for landscape improvement has already been delivered with tree planting, some potential to extend this.	Officer time	Accessible and Attractive Community
Forty Lane collision reduction, Wembley Park Drive	Barn Rise to The Paddocks & Bridge Road/Forty Lane to Wembley Park Station - preliminary design and consultation. Collision reduction Programme (also to address loading/unloading and parking issues in the area).	LIP 2017/18 Programme	Accessible and Attractive
Naturalisation of Wealdstone Brook	Exploring the naturalisation of the Wealdstone Brook through Wembley Park This will interact with college of North West London site Crescent House, and other development sites in North End Road. Links to Education Quarter proposal under development.	Officer time	Accessible and Attractive
Brent House	Disposal of existing office building for residential redevelopment (erection of 2 buildings of between 8 10 storeys accommodating 248 dwellings and flexible commercial ground floor (use classes A1, A2, A3, A4 and/or B1(a) New public square, landscaped communal gardens, alteration to existing crossover and basement car and cycle parking	Developing Council land/ Property	Economic Community Housing
Ark Elvin school site redevelopment	Disposal of existing buildings on site and replacement with replacement building (3 storey 9FE secondary school for 1750 pupils with associated car parking, servicing and circulation space. New pelican crossing planned near	Developing Council land/ Property	Economic Community Housing

	junction with Ecclestone Place for January 2018		

Brent	**Resources and Public Realm Scrutiny Committee** 10 January 2017 **Report from the Strategic Director for Resources**
For Information	
Investment Strategy and Capital Programme	

1.0 Summary

1.1 This report provides an overview of the whole Capital programme in Brent, current performance and an update on the Investment Strategy. Additional information can be found in the appendices as follows:

Appendix 1 – List of portfolios and headline budget figures

Appendix 2 – List of capital programmes and update

Appendix 3 – Investment Strategy and Action Plan

Appendix 4 – Investment Strategy Action Plan Update: December 2016

Appendix 5 – Cabinet Report on Wholly-Owned Investment Company and Subsidiaries

2.0 Recommendations

2.1 The Resources and Public Realm Scrutiny Committee is asked to note:

- the budget for the Capital Programme for 2016/17 of £173.06m, the additional in-year budget growth of £12.18m, the four-year budget from 2016-2020 of £457.5m, and the forecast underspend of £72.53m for 2016/17;

- the main reasons for the expected underspend this year include over optimistic delivery planning, weak capital financial planning, legal, planning and procurement issues;

- that an action plan is being implemented to address the historic underperformance of the Capital Programme, which includes refreshing the governance arrangements and a range of other measures; and

- the progress made in implementing the Investment Strategy.

3.0 Detail

3.1 Brent's Capital Programme consists of a number of portfolios, programmes and initiatives. An overview of these is provided in the table below. A list of the portfolios and the headline budget figures for each can be found in **Appendix 1**. A detailed list of the programmes, projects and initiatives within the Capital Programme and an update can be found in **Appendix 2**. Sections 3.2 to 3.10 provide an update to the programmes and portfolios within the Capital programme, with more detail provided in **Appendix 2**. Sections 3.11 to 3.16 highlight some of the key risks that these individual programmes present to the overall Capital Programme, as well as identifying some broader risks to the Capital Programme. Sections 3.17 to 3.23 focus on providing an update to the Council's Investment Strategy. Sections 3.24 to 3.34 outline additions to the Capital Programme that have been approved by Cabinet subsequent to the budget set and approved in February 2016.

Programme/ Portfolio	Description	End Date
Schools' Portfolio	The portfolio covers a range of primarily expansion projects across primary, secondary and SEN sectors in order to meet the Council's statutory duty to provide school places	Dec. 2019
Housing Portfolio	The portfolio includes a range of programmes to maintain the Council's existing housing stock, progressing the Council's commitment to bringing homes to the agreed investment standard as per the Asset Management Strategy 2013. It also includes the provision of new affordable homes, New Accommodation for Independent Living (NAIL) homes, private rented sector acquisitions and disabled facilities grants, in order to deliver the outcomes set out in the Council's Housing Strategy 2014-2019	May 2021
Estate Regeneration – South Kilburn	The programme includes a number of projects that will deliver the aims of the South Kilburn Master Plan. These will collectively deliver 2,400 new homes (1,200 of which will be made available for existing South Kilburn secure tenants for social rented accommodation), a medical centre, a local primary school, a new, high-quality urban park, improved road network, neighbourhood energy centre and new retail facilities. It also includes redevelopment of the Barham Park Estate.	2026
Highways and Infrastructure	A yearly programme of highways maintenance, footway resurfacing, public realm improvements, road safety and accident reduction measures and initiatives to promote sustainable transport.	Mar. 2017

Estate Regeneration – non-housing	A collection of non-housing projects include the redevelopment of the Bridge Park Leisure Centre, and other smaller initiatives including sports, parks and landscaping	Dec. 2020
Corporate Landlord	A small number of internal, asset maintenance-focused projects including the Civic Centre Development Programme and ICT initiatives.	Mar. 2017

3.2 The following section provides an update on each of the portfolios and programmes.

Schools' Portfolio

3.3 The Schools' Portfolio is made up of four permanent primary expansion programmes, a temporary expansion programme, two secondary school permanent expansion programmes, a schools' asset management programme, a programme to administer government funding to Brent's schools for maintenance, a secondary school rebuild project and a project on improving an outdoor education centre.

3.4 Out of the four permanent primary expansions programmes, Phase 1 has been completed, with school places delivered and occupied. Phase 2 is also complete, with school places delivered and occupied. The Phase 3 permanent primary expansion programme aims to deliver nine forms of entry (1,890 places) across six schools. It is live and is in delivery. Four projects in this phase have been delayed for a variety of reasons and Phase 3 is not expected to be delivered within the currently approved timescales. This has had an impact on forecast expenditure within financial years (an underspend of £25.6m is expected in 2016/17) but the total cost of the programme can still be accommodated within the approved budget. Temporary classrooms have been completed enabling school places to be delivered for the 2016/17 academic year, and similar arrangements will be made for the 2017/18 academic year to mitigate the impact of the delay, where needed. The issues causing the delay were the subject of a Cabinet report in December 2016. This report was approved so officers will now undertake the actions to implement this. The Phase 4 programme aims to deliver six forms of entry across three schools, two of which are to be new free schools. The third is a scheme to develop a new school in South Kilburn. This is in the feasibility stage and has experienced some delays as arrangements across the South Kilburn regeneration area are co-ordinated and the existing schools are consulted on the proposals.

Housing Portfolio

3.5 The Housing Portfolio consists of programmes to increase housing supply through delivery of new and additional affordable housing (including infill development), private rented sector acquisitions and new accommodation for independent living. In addition, there is a programme to improve the Council's existing housing stock.

3.6 This programme has picked up pace and issues with the main contractor having being resolved. It is currently on track to deliver the planned improvements to 1,432 units in 2016/17 within the approved budget. Phases 1 and 2 of the Infill Development Programme and NAIL have experienced delays, with a greater amount of time being taken to complete planning and procurement processes than was originally planned for. These are now expected to be completed by September 2018, a delay of three months for Phase 1, and three months for Phase 2. As a result, there is expected to be an underspend on the Portfolio in 2016/17 of £31.4m. There will also be a corresponding delay in the realisation of anticipated savings on the NAIL Programme. The Private Rented Sector Acquisitions Programme is progressing well, and is on track to meet its acquisitions target for 2016/17, provided negotiations entered into result in completions.

Estate Regeneration – South Kilburn

3.7 This programme covers regeneration of the South Kilburn Master Plan area. The South Kilburn Programme continues in delivery. A review of the Master Plan for the area and engagement with residents is coming to an end. This is expected to extend the timespan, reset the individual projects and bring in a few additional sites, such as Carlton and Granville, William Dunbar House and William Saville House. The review suggests the possibility of delivering an additional 400 residential units. Some of the schemes linked to local amenities, such as the energy centre and the health centre, have experienced delays and overall, the Programme is expected to underspend in 2016/17 by £9.9m, partly due to over optimistic planning. Viability testing for the energy centre is ongoing and delivery of the energy centre is now being managed as part of a corporate project. Engagement with NHS England and local GPs on the health centre is also ongoing. The Woodhouse Urban Park scheme has won a number of awards.

Estate Regeneration and Barham Park Completion

3.8 This programmes consists of the Bridge Park Leisure Centre redevelopment, Barham Park estate and some parks, sports and landscaping improvements. Prolonged negotiations with the landowner of the adjacent site on how the scheme might be delivered has delayed getting the scheme onto site. These negotiations have now been concluded. Barham Park is largely complete and is in the final phase of delivery. The Sports and Parks schemes are progressing well and are broadly on target to be delivered by the end of the year. The Landscaping Programme is moving forward, with most projects expected to be delivered by the end of the year, with the exception of one project, which will require implementation across three years.

Highways and Infrastructure

3.9 This programme is made up of a range of initiatives, including preventative maintenance, to extend the lifecycle of roads, footway upgrades and public realm improvements, measures to reduce congestion and support regeneration. It is in delivery and on track to deliver its outcomes within budget by the end of 2016/17. It also includes design work on schemes in Alperton, South Kilburn and Burnt Oak Colindale. The implementation of these is dependent on progress within regeneration schemes in those areas, and is currently expected to be delivered in 2017/18. It also includes the street lighting (LED) scheme, which is in the procurement phase and has incurred delays this year (see s3.16).

Corporate Landlord

3.10 The programme comprises the smaller initiatives to maintain Council assets. The Civic Centre Development Programme is progressing well and is expected to deliver the majority of its planned improvements for the year. The ICT Programme is in feasibility stage. Longer-term IT priorities are being established and an investment business case is expected to be brought forward in the New Year.

3.11 Capital Programme Risks

3.12 *Overall Capital Programme* – While progress has been made on delivering the Capital Programme, a significant underspend is expected for 2016/17 of £66m. A number of areas for improvement have been identified to strengthen management of the Programme and improve the historic underperformance, and actions against these are being progressed. In order to strengthen governance at all levels of the Programme, the membership and terms of reference of strategic boards have been reviewed and revised and regular meetings and reporting are being established. Financial forecasting is to be strengthened across the Programme to ensure forecasts are more realistic. Processes for managing change are to be developed and agreed. Current and anticipated delays across the Programme are being reviewed to identify common causes and how these can be better addressed and planned for in the future. Resourcing requirements of the Capital Portfolio Office are to be reviewed to ensure these are adequate to support a programme of this scale. Project Manager skills and capabilities are to be reviewed and appropriately addressed.

3.13 *Schools* – On the Schools' Portfolio, the main issue of concern is within the Phase 3 Primary Permanent Expansions Programme. There has been an issue with the main contractor on three of the schemes, resulting in delay and significant underspend for 2016/17. Cabinet has now agreed an alternative approach, which will avoid a potential overspend on the Phase 3 Programme (due to increased contract prices being returned). There is a continued risk that prices, when returned from alternative contractors, will exceed the approved programme budget.

3.14 *Housing* – On the NAIL and Infill programmes, delays have been incurred in getting projects onto site and will result in an underspend for 2016/17. On the NAIL schemes, there will also be a delay to the realisation of savings in the Adult Social Care budget. The reasons for this include taking a longer time than expected to complete the planning process, redesign following consultation and lower level of bidder interest. In spite of the expected underspend on the NAIL and BHP Infill Phase 2 programmes in 2016/17, overall there is expected to be an overspend on these programmes, as a result of increasing construction costs, as well as planned costs reflecting average unit costs rather than taking site complexities into account. On the NAIL schemes, officers are reviewing a range of accommodation options to deliver savings in the short to medium-term to mitigate the shortfall in savings.

3.15 *Estate Regeneration South Kilburn* – The enterprise hub proposal, linked to redevelopment of the Carlton and Granville sites may require further community engagement and budget provision. An update on this scheme was provided to Cabinet in November 2016. On the Chippenham Gardens site, objections to the compulsory purchase order, which may result in a public inquiry. The budget for the Programme will need to be re-profiled to align with the revised master plan as and when this is adopted.

3.16 *Highways and Infrastructure* – Within the street lighting (LED) scheme, delivery has been delayed by about six months due to contract award difficulties, and therefore the overall budget will be underspent in 2016/17 by about £5.6m, although this is expected to be spent in 2017/18. As a result, there will also be a corresponding delay in the realisation of expected savings linked to the scheme. The supply contract has been re-tendered and bids are being evaluated.

Investment Strategy Update

3.17 The Council's Investment Strategy was agreed in April 2016 following internal discussions, including a Member development session. For convenience, it is attached as **Appendix 3**. The Investment Strategy was prepared to address a gap in the Council's Planning and Resource Allocation Framework, so as to enable the development of a wider capital programme tailored to meet the Council's emerging Brent 2020 aspirations.

3.18 As a new strategy it would have ordinarily have been reviewed about one year after agreement, so this review is timely as it will contribute significantly to that.

3.19 At an officer level, the Capital Investment Panel (CIP), reporting in to Corporate Management Team, is the principal group responsible for ensuring delivery of the Investment Strategy. This group is chaired by the Council's Chief Finance Officer. Other attendees are the Council's Operational Directors for Housing and for Regeneration and Planning and the Head of Property, supported by colleagues in the Programme Management Office and from Finance. The membership of the CIP is chosen not to reflect departmental interests but to draw on skills within the Council relevant to investment appraisal, so that when key decisions are taken by CMT and Cabinet they can be confident that a full technical appraisal has been conducted.

3.20 It is worth stressing this last point. As the following paragraphs show, the scale of the numbers involved in major capital investments can be very substantial indeed, and it is essential that they are properly validated before decisions are taken. This is all the more significant as capital investments on any significant scale are likely to require borrowing in order to finance them, and so the Council's long-term interest needs to be protected.

3.21 The immediate focus of the Investment Strategy was to identify ways to generate reductions in operating expenditure, and it is likely that this will always remain a significant focus. As the Investment Strategy Action Plan shows, this meant that the initial focus was on financing the Temporary Accommodation Reform Plan and establishing an investment company. This latter company - Investing 4 Brent - was approved by Cabinet in November 2016 and held its inaugural board meeting on 20 December 2016. The relevant Cabinet report is attached as Appendix 5.

3.22 The Temporary Accommodation (TA) Reform Plan was approved by Cabinet in March 2016. It contains a number of measures to reduce reliance on and the costs of temporary accommodation. The principal link with the Investment Strategy is the acquisition of a private rented sector (PRS) portfolio. By doing this, the Council is able, through its investment company, to act as a responsible landlord and deliver housing at lower cost than the private sector does. The financial model is predicated on long-term appreciation in property prices and so is not without risk. That said, as the Council can afford to be a long-term investor, these risks are reasonable. To date, 21 properties have been acquired through this strategy, with 53 more at various stages of the purchasing cycle.

3.23 The Investment Strategy and Action Plan is set out in **Appendix 3**, and an update on the Action Plan is provided in **Appendix 4** setting out progress against each item. The investments approved since the Strategy was agreed, are discussed in s3.24 – s3.34.

Additions to Capital Programme (Cabinet approvals post budget-setting process)

3.24 Cabinet approved an increased budget in May 2016 for **Clock Cottage** (*£4.1m*). The goal of this scheme is to house at least 19 people with care and support needs in "New Accommodation Independent Living" (NAIL). This is part of the internal delivery of the larger NAIL Programme that seeks to deliver 529 new homes of 'accommodation plus' for people who are assessed as having social care needs and who can no longer be supported to manage in their own home.

3.25 While the primary driver of the NAIL Programme is to maximise choice, control and independence of Brent residents with high care and support needs, it will also deliver significant efficiency savings from the Adult Social Care (ASC) Care Home Budget, which accounts for the largest area of ASC spend. This will be achieved through ASC being responsible only for meeting the cost of people's care and support needs, as opposed to care home provision, where ASC is also responsible for all accommodation costs.

3.26 The **Knowles House** Scheme was also approved in April 2016 for **£23.9m**. At the time, it comprised of 85 temporary and 40 new accommodation units for independent living homes and replacement community facilities. This resulted in the termination of the existing leasing arrangements. This fit with the Council's NAIL and temporary accommodation (TA) programmes and with the wider strategy of self-delivery and retention of assets where it was cost effective or prudent to not rely solely on external partners for service delivery. Since that time, it has been recognised that there were more efficient configurations of the site that would allow for additional units. It is anticipated that such a paper will be coming to Cabinet in the near future.

3.27 With clear expectations that TA non-staffing costs were set to rise over the next few years, proposals were presented to Cabinet on 14 March 2016 on the TA Reform Plan. One of the key proposals of the Reform Plan was to develop Council-owned sites, including Knowles House, to provide good quality self-contained TA and to reduce bed and breakfast costs accordingly.

3.28 **London Road**, which was approved in Cabinet for **£33m**, subject to final viability testing through planning, is similar to the schemes above. It included 55 TA units, 14 NAIL units and 67 Private Rented Sector (PRS) units. The latter of which fits another of the Council's strategies to purchase properties with the intent of retaining the assets and using the rental stream to fund the capital spend. These PRS assets, depending on their yield, would either be appropriate for the Wholly-Owned Company, to house homeless households or to ensure the entire scheme is financially viable through charging market rents. As in many schemes, the Council reserves the right to adjust the tenure, as long as it meets Planning obligations, in order to maximise the social benefits and the financial return.

3.29 The expansion of the **Church End** was approved in November 2016 Cabinet. It represented a growth in the underlying budget from **£8.2m to £30.5m**, as the Council moved from supporting development to developing a secondary scheme of 34 units alongside the developer to taking forward the entire site of 99 units. Of the 65 planning consented additional units, 16 are intended as affordable rent, 25 would be shared owners (an intermediate product) and 24 private sale. This shift reflected the aforementioned investment approach of self-delivery but it also reflects the willingness of the Council to recognise an opportunity and take a calculated but appropriate level of risk, such as merging two adjoining schemes.

3.30 Since the agreement of the **PRS Private Rented Sector Plan** and the decision by Cabinet in November 2016 to set up an investment company to hold the portfolio, two tranches have been approved. The first for **£10m** was approved in May and has since been spent. The second tranche for **£40m** was approved in November 2016. However, the Council is intent on ensuring that it achieves appropriate yields so that the Council and the investment company are able to repay the principal and the interest. Future tranches, subject to achieving the appropriate level of yield, are anticipated in 2017.

3.31 **Ujima House**, which was approved in July 2016, but its purchase price is subject to achieve planning consent. This investment was made in the light of the decision of the Council to develop with the financial support of the GLA the Wembley and Alperton Housing Zones. This investment was made with the appreciation that while it might not produce a large financial return on its own, that it would be a catalyst to help bring forward other developments, with and without partners. The Council is ecumenical as to how the area is developed, except that it produces the maximum social and investment return for the residents of the borough and the Council.

3.32 The Council envisaged a rolling programme of acquisition and development of key sites in this area by the Council working with a development partner to provide the new homes, including 200 affordable homes, supported by the Housing Zone Grant. The goal is to significantly accelerate and increase housing delivery by delivering over 600 homes on underused commercial sites and unlock future development potential by creating and attract £200m of private sector investment in housing led mixed-use development. Increasing the proportion of affordable housing and new jobs from new commercial space were other key objectives.

3.33 The Council approved **£2m** of **highway investment** in May 2016 in line with the need to complete urgent works to key roads to ensure that residents continued to experience a high standard of road of pavements.

3.34 **Carlton and Granville** came to Cabinet in July 2016 and November 2016, with a total committed approved budget of £1m and a further GLA grant of **£0.75m** obtained to deliver the wider scheme. The goal is to redevelop the Carlton and Granville Centres, maximising the benefit to the community, provide new homes, additional community space and a new Enterprise Hub, while remaining financially viable. The original report needed revisiting to ensure the plans were fully incorporated within the South Kilburn development and that local residents were fully consulted. This has only strengthened the underlying intent to be ambitious for the benefit of the wider community. Existing monies have been committed to develop the scheme through planning, by which point, clarity around the scale of investment required will be known.

4.0 Financial Implications

4.1 There are no direct financial implications arising from the recommendations of this report, although clearly the report has a very substantial financial content.

5.0 Legal Implications

5.1 In relation to the various schemes highlighted in this report:

- School Expansion Programme: The Council is under a statutory duty imposed by virtue of the Education Act 1996 - Sections 13 and 14 and requires that the Council contribute towards the spiritual moral mental and physical development of the community by securing that there is efficient education available to meet the needs of the population for its area and that there are sufficient schools available for the area.

- Housing Portfolio: The Care Act 2014 extends the duty of the Council to provide housing and accommodation. Section 8 of the Care Act specifically sets out accommodation as being part of meeting the special needs of its residents. In addition, the Regulatory Reform (Housing Assistance) England and Wales provides the Council with the ability to provide funding towards the repair, improvement and adaptation of existing housing to meet the special needs of its residents such as the disabled or elderly. The Council also has powers to acquire land for the construction of houses, as provided in Section17 of the Housing Act 1985 and/or develop land for planning purposes in accordance with Section 235 of the Town and Planning Act 1990 to provide accommodation for its residents to comply with its statutory duty under the Care Act.

- The Estate Regeneration – South Kilburn encompasses schemes to deliver new homes in accordance with its powers under the Housing Act 1985. The scheme requires the purchase of land, which will be acquired by agreement or by utilising the Council's compulsory purchase powers in accordance with Section 226 of the Town and Country Planning Act 1990. When using the Council's Compulsory Purchase Powers, the Council must show that there is a compelling case in the public interest that sufficiently justifies interfering with the rights of those with an interest in the land. The Estate Regeneration Bridge Park – This scheme includes a conditional land agreement, which is to be entered into between the Council and the subsidiary company of GMH and Harborough Investments. The Council has power to dispose of land held for planning purposes under Section 233 of the Town and Country Planning Act 1990 to secure the best use of that land as part of the land deal. The Council will be under an obligation to acquire the additional land being the scrap yard, which is located adjacent to the Council's land, which is being sold. The Council must attempt to acquire the additional land firstly by agreement, and where this fails, the Council may then use its compulsory purchase powers to obtain the scrapyard as part of the overall scheme. In relation to the Temporary Accommodation Strategy and the various schemes for the building and provision of housing, the Housing Act 1996 places the Council under a duty to allocate homes in accordance with Section 159 of the Housing Act. Accordingly, the Council may allocate housing from its own housing stock, from housing within private ownership, or from housing owned by other Registered Providers. The Housing Act 1996 and the Homelessness Act 2002 provides the statutory underpinning for Councils to tackle homelessness. The Housing Act 1985, Section 1,7 provides powers for the Council to acquire land specifically for the construction of Housing.

6.0 Diversity Implications

6.1 None

7.0 Staffing and Accommodation Implications (if appropriate)

7.1 None

Background Papers

Appendix 1 – List of portfolios and headline budget figures
Appendix 2 – List of capital programmes and update
Appendix 3 – Investment Strategy & Action Plan
Appendix 4 – Investment Strategy Action Plan Update Dec 2016
Appendix 5 – Cabinet Report on Wholly Owned Investment Company and Subsidiaries

Contact Officers

Conrad Hall
Chief Finance Officer

Althea Loderick
Strategic Director, Resources

Appendix 1 - Portfolio Headline Budget Figures

Board	2016/17	2016/17 Forecast	Budget till 2020
Corporate Landlord	1,228,447	912,000	2,366,923
Estates Regeneration Board	2,783,851	2,667,710	9,306,913
Housing Investment Board	102,656,791	71,296,087	293,740,499
Schools Programme Board	40,379,952	14,809,518	93,740,257
South Kilburn Programme Board	19,479,428	9,551,410	37,051,338
Transport & Highways Board	18,715,998	13,477,169	21,303,799
Grand Total	185,244,467	112,713,895	457,509,728

This page is intentionally left blank

Appendix 2 – List of Capital Programmes and Update

Portfolio	Programme	Project	Status (Feasibility/Live/Completed)	Update
Schools	Phase 1 permanent expansions	Barham, Fryent, Mitchell Brook, St Robert Southwell	completed	
	Phase 2 permanent expansion	Preston Park, Harlesden, St Josephs, Vicars Green and Wembley High Technical College	completed	
	Phase 3 permanent expansion	Islamia, Uxendon Elsley, Stonebridge, Byron Court, Leopold	live	Eight temporary classrooms have been completed on time at Elsley, Uxendon and Byron Court, through early works agreements. An enabling works package has been completed at one of the schools, Elsley. Tenders received for the main works at three of the schools are significantly higher than the original tenders and have been reviewed. An update on this programme and actions to progress this is to be provided to Cabinet on this report in January 2017.
	Phase 4 permanent expansion		feasibility	There have been some delays due to the agreement needed on the proposed Malorees project, and on agreeing how a new school could be delivered at South Kilburn, in terms of the schools agreement to participate in expansion and rebuild, and identification of a site within the South Kilburn master plan. There has been engagement with the schools to discuss feasibility options and an outcome is awaited from them on their commitment to the project.
	Crest Academies			Discussions are ongoing with E-ACT over possible high value claims for additional cost and extension of time

	Phase 2 Secondary Schools Programme	Ark Elvin, Alperton	live	This is an EFA majority funded and wholly delivered scheme, with a Brent contribution. Both schemes are progressing and are on site, and continue to be monitored by Brent officers.
	Temporary School Expansions 2015/16		completed	
	Schools Asset Management Programme		live	Progress has been made within the programme, projects to update school building conditions are being actively. The programme is currently expected to underspend in 2016/17. The under spend is being monitored and reactive repair schemes are being brought forward so that spend for the year is maximised.
	Devolved Formula Capital		live	This programme of direct funding for individual schools to fund small scale maintenance projects is underway. An under spend is expected for 2016/17, although allocations can be carried forward for up to three years.
		Gordon Brown Outdoor Education Centre	live	Design work is being progressed. The projected completion date has been delayed to accommodate the centre's preference for the majority of works to be completed over summer 2017. Anticipated under spend in 2016/17 is expected to be spent in 2017/18.
Housing	Stock Investment		live	The whole programme is in progress, some elements have been completed and others are expected to be completed by the end of 2016/17 with the exception of a small district heating element which has been moved to 2017/18.
	BHP Infill Phases 1,2		live	The Phase 1 infill schemes are at different stages, 20 are in procurement, enabling work are being carried out on 11 schemes, 24 are on site and the remaining 7 have been completed and are in the defects period. The programme has experienced delays in securing the necessary planning approvals, and a lack of contractors' interest for smaller projects in the current market. As the majority of costs relate to construction,

				the phase 1 delays will have an impact on the programme spend in 2016/17. These costs are expected to be incurred in 217/18.The phase 2 schemes are at earlier stages of feasibility, design development, awaiting pre-planning application feedback and design development. Currently all but two schemes are expected to be delivered by March 2018. Both phases are expected to over spend due to an increase in construction costs.
	New Accommodation for Independent Living	Clement Close, Clock Cottage, Peel	live	The programme has incurred delays in securing the necessary planning approvals, and taken longer than expected in consulting on schemes, resulting in an expected under spend for 2016/17. The schemes are in the enabling works stage, in planning and procurement. Overall the programme is expected to over spend due to an increase in construction costs.
	Estates (Property)	London Road	live	Scheme requires s77 consent by Secretary of State, there has been public consultation and no objections have been received. The s77 application has been drafted for submission in early January 2017. Architects have been selected on the scheme.
		Knowles House	live	Architects have been appointed and design development is progressing, sign off of the design with the client is to be agreed. Consultation with members is scheduled for January 2017, ahead of public consultation.
		Stonebridge Redevelopment	live	There has been a three month delay in agreeing detailed designs with the Planning team, and an additional requirement for NAIL units on the scheme has been identified. This work is being progressed and a planning application is to be submitted in March 2017
	Estates (Property)	Church End	live	In November 2016 Cabinet approved the acquisition of land from Catalyst beside the Council's own site to enable a larger development.
	PRS Acquisitions		Live	These are progressing at a good pace and in line with targets and timescales. 21 PRS purchases have been

				made to date, with an average value of £438,744. These are primarily in Brent 30 out of a target of 35 completions for 2016/17 are expected to be achieved by December 2016. 53 properties are in the conveyancing pipeline with an average conveyancing time of 13 weeks, with an average value of £303,773. An additional 13 properties, with an average value of £402,109, have been purchased for the HRA to support the Council's social housing portfolio of which 80% of properties are let to homeless applicants and had been critical in ensuring Right to Buy Receipts have been used for new housing supply.
	Estate Regeneration - South Kilburn	Ely, Wells & Cambridge, Hicks, Bond & Bolton, Peel development, Gloucester and Durham, Bronte & Fielding, Chippenham Gardens, Woodhouse Urban Park, Queens Park/Cullen House, Masterplan review, Enterprise Hub	Live	Phase 1 is complete with Phase 2a due to complete by the end of the year. Woodhouse Urban Park has been completed and opened, securing awards. Queens Park Place has been delivered. The master plan review has been progressed, with consultation now coming to an end.
Transport & Highways	Highways & Infrastructure	Maintenance & improvements, Street lighting (LED) scheme	Live	49 out of 59 carriageway resurfacing schemes have been completed and 9 out of 15 footway surfacing schemes are ongoing.
Estate Regeneration (non-housing)		Bridge Park	Live	Delays in finalising the land sale agreement with the land owner have delayed further design work on the scheme.
		Parks	Live	This programme is on track to deliver the planned improvements including play area, outdoor gym and horticultural works by the end of 2016/17

		Sports	Live	This programme is on track to deliver the planned improvements by the end of 2016/17
		Landscaping	Live	This programmes is on course to deliver the majority of planned landscape improvements and tree planting projects
Corporate Landlord		Civic Centre Development	Live	Clearance of the 8th floor, the room booking system and screens in quiet rooms have all been delivered
		ICT	Feasibility	Priorities are currently being reviewed

This page is intentionally left blank

Appendix 3 – 160411 Investment Strategy & Action Plan

DRAFT INVESTMENT STRATEGY

Executive summary

1 Brent's long-term vision, set out in the borough plan, is to

"…make Brent a great place to live and work, where people feel they have opportunities to change their lives for the better."

2 The Brent 2020 programme is integral to delivery of the vision and sets out the council's key priorities for the next four years. These are:

- **Employment & Skills –** to respond to the increase in the working age population and lift people out of poverty and welfare dependency;
- **Regeneration –** to improve the economic, social and environmental conditions in the borough;
- **Business and housing related growth –** to maximise the tax base to support the delivery of core services;
- **Demand management** – to manage down the pressures on needs led budgets; and
- **Raising income through our assets –** to support the delivery of core services.

3 The purpose of the investment strategy is to set the framework through which the capital programme helps to deliver these priorities. It will do this by ensuring that sufficient capital finance is made available to fund strategic investment, provided that investment is:

- **Focused** on delivering the council's key strategic objectives;
- **Sustainable**, providing long-term reductions in the cost of service delivery or net additional income;
- **Based** more on acquiring and enhancing assets for long-term value than on disposing of them for short-term gain; and
- **Supported** by rigorous professional financial appraisal techniques and appropriate financing arrangements.

4 The scale and scope of ambition of the investment strategy is substantial. The current, 2016/2020, capital programme includes investment of £390m, but is largely focused on maintaining existing infrastructure, or enhancing existing provision to meet rising demand, such as the school expansion programme. This new investment strategy will continue to meet such need, but shifts the focus of the council's capital expenditure plans from:

- short term solutions to the **long term public investment** needed to transform the borough and the lives of its residents;

- financing based on short-term asset disposal to long-term borrowing and **prudent use of reserves** to fund asset acquisition and enhancement;
- a loosely coherent set of departmental investment plans to a **co-ordinated and focused** single plan;
- traditional delivery mechanisms and structures to embracing **innovative and agile** corporate structures to help improve delivery; and
- an assumption of minimum risk and minimum return to a strategy based on taking **judicious and properly managed risks** to transform the borough.

5 The initial focus will be on meeting short-term housing need, through the temporary accommodation reform strategy, which seeks to invest £150m in acquiring housing stock to help meet emergency accommodation needs, drive down the long-term mismatch between demand and supply and provide substantial cost reductions. Smaller but nonetheless significant investments in other key service areas are also likely to be necessary in the short-term. These will help to manage demand for core services and so free up resources for other investment.

6 Over the medium to longer term the focus of the investment strategy will shift to ensuring that the opportunities in the borough can be seized. This will include:

- Investment in major development sites to secure the right blend of housing, employment opportunities and transport infrastructure at
  - Old Oak Common;
  - The Wembley and Alperton Housing zones;
  - Opportunity sites like Harlesden, Stonebridge and Willesden; and
  - Delivering planned regeneration in Church End and Bridge Park.
- Revitalising high streets as major retail destinations;
- Considering how to attract more jobs, and more high quality jobs, into the borough;
- Examining the case for investment in heat networks and power generation, including through renewable energy; and
- Strategic property acquisitions to enable future long-term regeneration.

7 Above all, the focus will be on identifying and then seeking to deliver fundamental or ‘game changing’ investments in infrastructure, such as a Crossrail station or university campus within the borough, which would have the potential to transform the long-term economic prosperity of the borough and its residents.

8 The investment strategy is not a set of un-costed spending plans. It is a framework to enable all of the above to happen, in particular to use the council's reserves and prudential borrowing powers in more creative and imaginative ways than before to enable the above to happen. These commitments cannot be entered into lightly. Reserves can only be spent once and borrowing must be repaid with interest. Adopting the strategy therefore means accepting different financial risks and this strategy also sets out how these will be properly managed and mitigated. However, it is important to stress that the investment strategy is a direct response to the changing financial landscape faced by local authorities and that there are also significant risks associated with not adopting this new strategy.

Structure

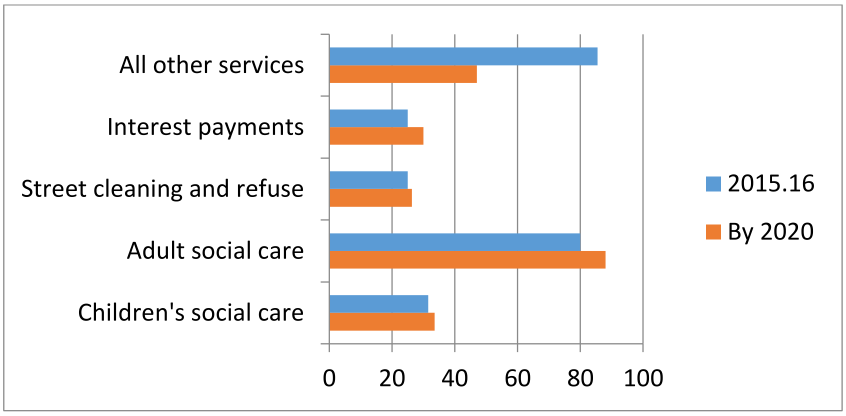
9 The investment strategy has the following components:

a. Context
b. Definition and scope of the investment strategy
c. Strategic context and link to other plans and strategies
d. Investment criteria, financing, risk management and governance
e. Action plan

Context

10 On a like for like basis Brent's funding from central government has been cut by at least half since 2010. Such central funding as remains in 2016 will be cut further and significantly by 2020, and the further re-localisation of business rates will result in councils raising most of their funding locally, rather than relying on national grants as is currently the case.

11 At the same time the inexorable impact of demographic pressures means that more and more of the council's budgets will be consumed by care services for vulnerable adults and children, as demonstrated by the graphic below.



12 Without an investment strategy in place the council will, at best, merely be able to react to these pressures. This would result in a greater and greater proportion of its resources being consumed by supporting its most vulnerable citizens. Protecting these citizens will always be a key priority and a significant spending commitment, but with the localisation of business rates there will need to be a clearer link between the sources of council financing and the services they support. The investment strategy is one of the ways in which the council can preserve a meaningful offer on universal services as part of this.

13 The investment strategy is a key component of the strategy for managing down long-term costs without compromising service quality and one of the key ways in which the council will increase the attractiveness of the borough as a place to do business, bringing in additional resources to support services for those who depend on them and opportunities for those able to take advantage of them.

Definition and scope of the investment strategy

14 Investment is classically defined as:

"…the act of putting money, effort and time into something to make a profit or get an advantage…"

15 Most practical definitions would tend to focus on the words "money" and "profit", as investment is often typically associated with a private sector context. The financial disciplines associated with investment – sound financial analysis, mature pricing of risk and understanding of returns – are wholly relevant and apply to this investment strategy exactly as they would in a private sector context. However, the council, rightly, takes a much broader view of the return on investment to *"get an advantage"*.

16 Advantages are widely defined to meet the council's social objectives and the requirement for a direct financial return. It is the blend of these factors that is critical. If only social objectives are taken into account then the council is delivering services, which is a vital activity but is not investing.

17 However, purely financial investments are excluded as not contributing (directly) to service delivery. The income earned from treasury management (the short-term investment of reserves) is governed through the treasury management strategy statement, considered annually be the audit committee and approved by Full Council. It therefore does not form part of the investment strategy, although officers will continue to see if the risk-adjusted returns can be improved.

18 The management of the pension fund investments is similarly outside the investment strategy. The pension fund could in theory choose to invest in assets to be run by the council, such as a property portfolio. However, any investment good enough to be attractive to the pension fund will in current conditions be more suitable for funding by prudential borrowing, as the liability-matching rate of return for the pension fund significantly exceeds the long-term borrowing rate. In any event the pension fund strategy is to move the assets into the London Collective Investment Vehicle, in order to improve net returns over the medium term. This may help to facilitate broader regional infrastructure investments, but not necessarily directly in Brent.

19 So for the council's purposes the investment strategy is the:

"Buying, building, or otherwise acquiring or enhancing of assets that will contribute to delivery of the council's priorities as set out in the borough plan, deliver social value and generate financial returns, expressed as reductions in current costs and/or significant foreseeable future costs avoided"

Strategic context and link to other plans and strategies

20 Above all, the focus of the investment strategy will be on identifying and then seeking to deliver fundamental or 'game changing' investments in infrastructure, such as a Crossrail station or university campus within the borough, which would have the potential to transform the long-term economic prosperity of the borough and its residents.

21 The investment strategy is underpinned by two other principal strategies, each of which has a specific purpose to enable delivery of aspects of the overall vision. These are the Property & Asset Strategy 2015 to 2019 (dated May 2015) and the long-term Regeneration Strategy 2010 to 2030 (dated 2010).

22 The current Regeneration Strategy has three strategic priorities:

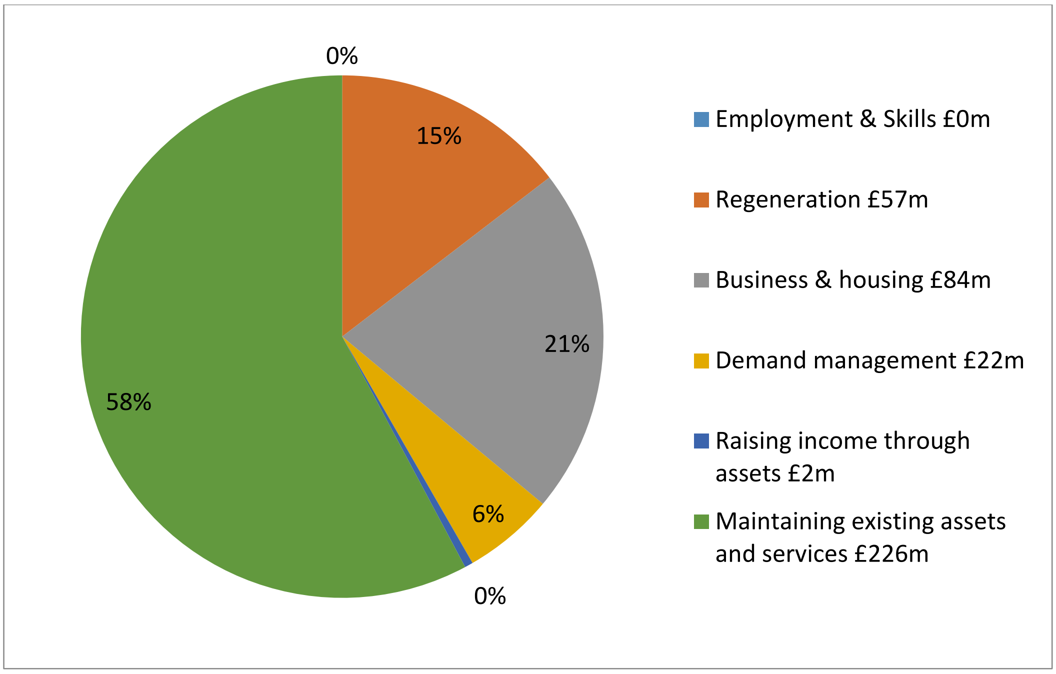
- To deliver transformational change across the borough, focusing primarily on the identified priority areas for investment (Alperton, Burnt Oak, Chalkhill, Church End, Harlesden, North Circular Road, Harlesden, South Kilburn, Wembley);
- To increase employment and income levels of Brent residents concentrating on those most in need; and
- To maximise investment in Brent from the private, public and community sectors in line with our regeneration priorities and ambitions.

23 It is likely that the regeneration strategy will need to be updated to reflect the long-term changes planned to the structure of local authority finance and to reflect the scale and scope of the ambition of this new investment strategy.

24 The Property Strategy is subsidiary to the Regeneration Strategy, and may in time be subsumed by the investment strategy. At present it sets out the geographical focus for property investment, below.

Buy now to reduce CPO cost for regeneration	**Buy now for investment returns**
Church End Stonebridge South Kilburn St Raphael's North Circular Estate	Alperton Harlesden Stonebridge South Kilburn Wembley
Buy assets for future service delivery	**Support regeneration through planning only**
All areas (schools)	Burnt Oak Chalkhill Park Royal

25 The investment strategy links to these existing strategies by providing the guiding principles for the development of the capital programme. This is summarised below, to show how it maps against the council's expressed priorities.

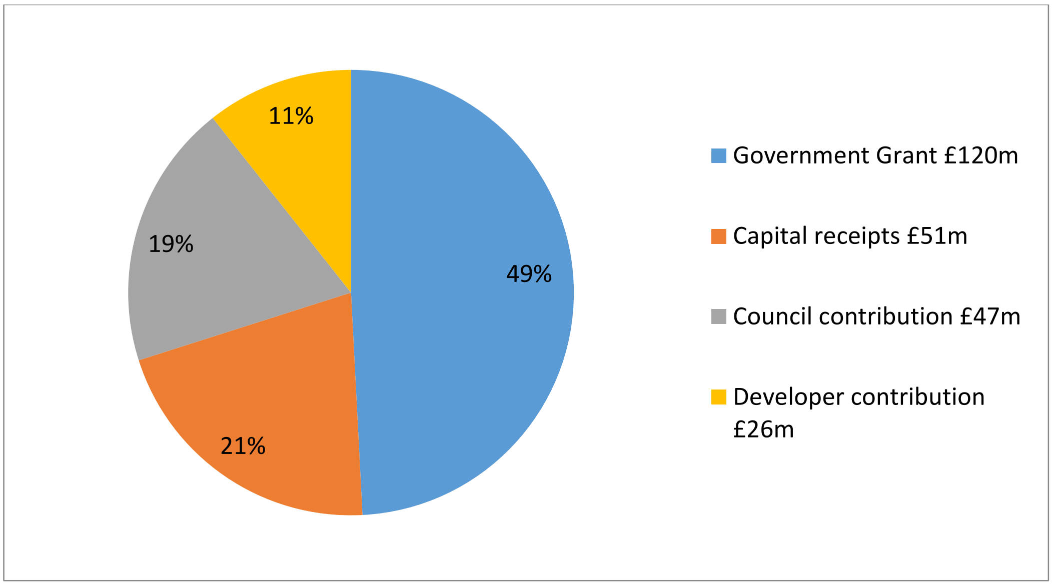


26 Of course, these classifications include an element of subjective judgement. Many aspects of the capital programme deliver against more than one priority. Major investments in existing assets and services, like the £97m school building programme, also contribute to the key priorities, but have been classified as maintaining existing assets and services for these purposes.

27 The point of the chart above is to illustrate the strategic point, that the capital programme is currently focused on only a small number of the council's priorities. It is the case that a significant element of the capital programme will always be concerned with the existing assets, and it is also true that the delivery of some priorities tend to depend on revenue finance more than they do on capital finance; arguably this could be said to be true for employment and skills services.

28 However, by developing an investment strategy the council has the opportunity to shift this focus and identify new ways to deliver its priorities.

29 This point is reinforced by an analysis of the funding of the capital programme, as set out below. (This analysis excludes the HRA, which is essentially financed from tenants' rents, RTB receipts and leaseholder contributions)

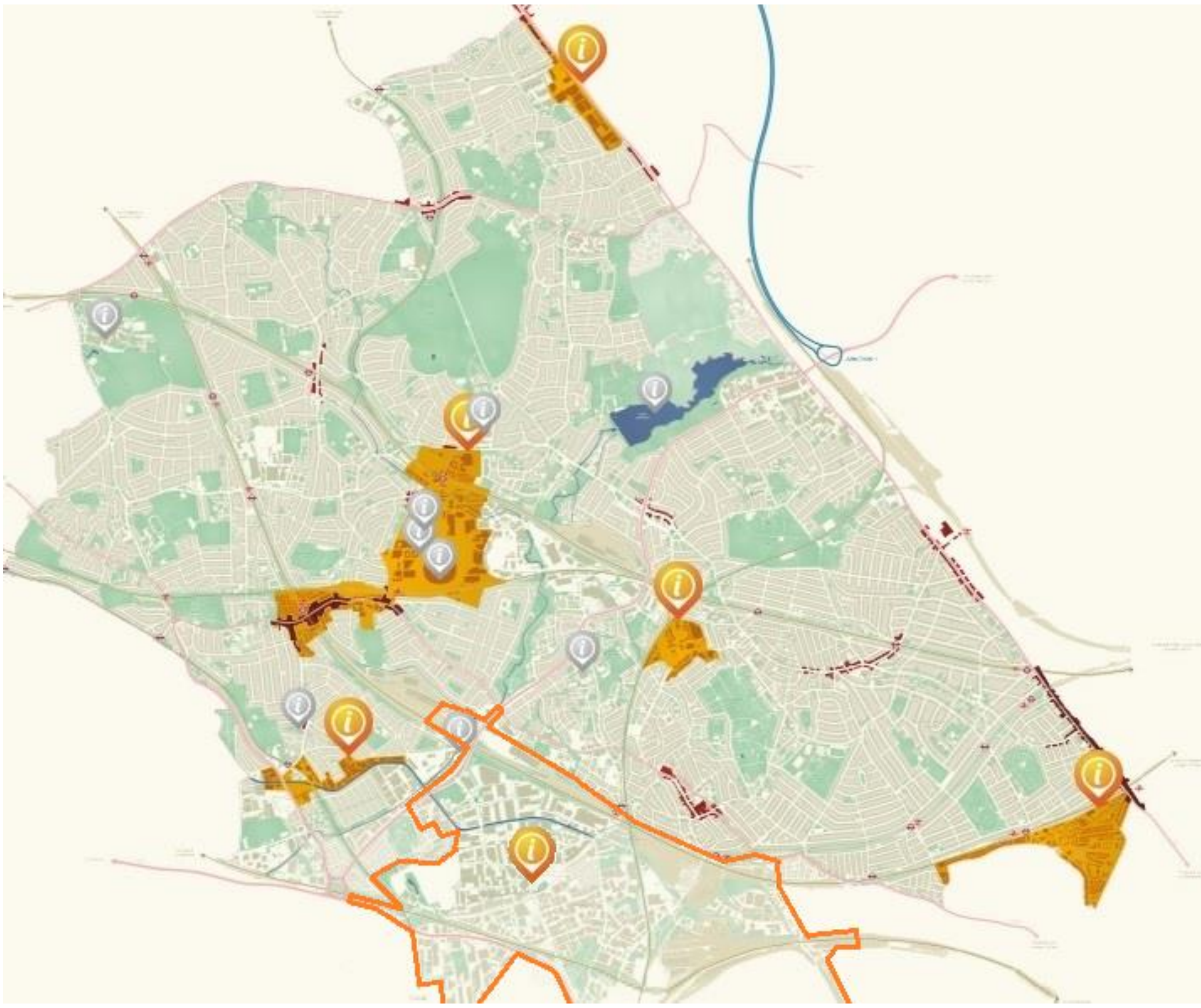


30 In summary, half of the existing general fund capital programme is financed by government grant, which cannot be controlled by the council. Nearly another quarter comes from capital receipts, which will not be generated in the future unless the council invests in them now. Both these sources of finance are therefore expected to decline over the short to medium term.

31 Therefore it will only be by growing future CIL contributions from developers and finding sustainable debt financed revenue contributions based on long-term cost reductions that the council will be able to afford a meaningful long-term capital programme. In the future the investment strategy will help the council to change the balance of its capital programme from its current heavy focus on maintaining existing assets to developing and acquiring new infrastructure.

32 The chart below show the map of the current major investment opportunities in the borough and hence where the opportunities to increase CIL financing and deliver key priorities are greatest.

Growth Areas



Burnt Oak/Colindale Growth Area	Burnt Oak/Colindale is identified as a growth area for around 2,500 homes by 2026, on sites arranged along the axis of Edgware Road, the A5 corridor on the boundary between Brent and Barnet, in between Burnt Oak and The Hyde Town Centres.
Wembley Growth Area	Wembley is one of the largest regeneration projects in the country. According to the Mayor of London it can accommodate approximately 11,500 new homes and 10,000 new jobs through the development of sites along Wembley High Road and the land around Wembley Stadium.
Church End Growth Area	Church End is being promoted for mixed use regeneration, set around the economic revitalisation of the local centre. Around eight hectares of brownfield land will provide space for approximately 800 new homes by 2026, supported by social and physical infrastructure works.
Alperton Growth Area	12 hectares of land adjoining the canal in Alperton has been identified as being suitable for transformation providing 1,600 new

	homes as well new business and employment opportunities on adjacent land protected for industrial uses by 2026.
South Kilburn Growth Area	The South Kilburn Regeneration Programme will take 10 to 15 years to complete and will transform the area, creating a vibrant community that stands the test of time. The regeneration will deliver 2,400 new high quality homes, improved open spaces, new shops, new health facilities and a new school.
New opportunity areas	Old Oak Common represents a key opportunity for the council to influence major development to deliver strategic objectives. There will be further opportunities, for example around Willesden, to invest to kick-start development

33 Initially the investment strategy will have to work with this map: in time the intention is to re-draw it.

Investment criteria, financing, risk management and governance

34 The overarching principles of the investment strategy flow from the analysis above. These are that the council will invest:

- in **sustainable infrastructure**, with a particular focus on seeking investment returns in the identified priority areas;
- to deliver **socially valuable** objectives; and
- in order to **reduce long-term costs** to the taxpayer.

35 Not all of the investments proposed will meet all of these principles. Generally speaking, anything that reduces long-term costs sufficiently will be pursued, provided of course that it does not fundamentally contradict the council's overarching values. Financial returns on investment will also be considered in the round, to allow for a degree of cross-subsidy where appropriate, and as part of this the council will explicitly take into account the tax returns from growing the business and council tax bases, and the relative merits of each.

36 The fundamental underlying principle is that investments must demonstrate the ability to meet financing costs and contribute to the repayment of principal over a suitable period of time. Without this, the investment strategy cannot be self-sustaining. It is also essential that the right blend of risk and reward is adopted in investment decisions. If an unduly risk averse approach is taken then very few investments will pass

the investment hurdle: the council's resources will be protected but the opportunity to transform the borough will be lost. Equally, an unduly risky approach could lead to unduly speculative investments passing the investment hurdle: a flurry of activity may generate short-term improvements but will not be financially sustainable in the medium to long-term.

37 Defining the required return on investment is a Member decision. Whilst it presents as a technical decision, in reality it reflects the balance of risk and reward that Members endorse. To further this, each individual significant investment decision will require explicit Cabinet authority to ensure that appropriate Member oversight is retained.

38 To achieve this in practical terms a number of technical criteria will need to be satisfied on each investment decision. The precise definitions of these are delegated to the Chief Finance Officer to adjust from time to time as may be necessary, with the initial set of assumptions set out in Annex One. This delegation is necessary to ensure that updated assumptions on, for example, interest rates, inflation and the many other technical details required to complete proper investment appraisal can be adjusted promptly to suit current market conditions.

39 As part of this the council will need to develop a more mature attitude to investment risk. The council is investing taxpayers' money. It follows that investment should only go ahead once proper due diligence tests have been carried out. The purpose of these tests is to ensure that:

"The investment promises a service and financial return that is commensurate with the level of risk being taken on, and that appropriate measures are in place to contain those risks"

40 The council will seek to build the capacity to deliver the investment strategy in house. This is particularly true of the financial expertise required to model and stress test complex business cases. However, where appropriate and where explicitly agreed by the Chief Finance Officer, external expertise will be sourced in order to protect the taxpayers' interests.

41 The financing of the investment strategy will be considered corporately. It will not be possible to prioritise investments according to corporate priorities if departments are able to ring-fence assets, sites or financing to specific projects. Appropriate officer-led governance arrangements exist around the capital programme to ensure that this is the case for assets and sites, and the capital investment panel is providing an effective means of promoting and challenging investment proposals.

42 However, to date the council has previously operated on a basis of departmental decision making around reserves. Whilst this has facilitated some tactical service decisions it is not a satisfactory basis for a long-term investment strategy. Accordingly, a full review of the reserves has been carried out.

43 This has shown that the departmental approach was in some cases leading to an overly prudent approach to reserve management. By centralising these it will be possible to create a new investment and risk management reserve of £12m to help deliver and de-risk the investment strategy. Important as this step is it must be seen in context: it can pump prime some investments and provide an element of de-risking, but will not avoid the need for significant borrowing to deliver the strategy.

44 This then creates the need for significantly enhanced risk management arrangements. The council will be open to more innovative corporate structures, such as the creation of new legal entities, in order to deliver the strategy. This requires enhanced risk management arrangements, but also a more mature acceptance of risk.

45 In all of this the level of delegation to officers will be kept under close review. Member oversight will be essential to effective delivery of the strategy, with the right balance to be struck vital. Key strategic decisions must be taken in Council and at Cabinet as to the overall strategy and to authorise individual tranches of investment, with the right officer-led governance and reporting mechanisms underneath to enable effective oversight and control. In summary:

- **Council** will set the overall capital programme and budget and policy framework, as part of each year’s budget-making meeting, including the overall scale of the investment programme and the appetite for risk;
- **Cabinet** will sign of each individual investment or packages of investments;
- **Scrutiny** and **Audit** will provide oversight and challenge;
- **Officers** will ensure that decisions are implemented effectively, with sound risk management; and
- **The Chief Finance Officer** will ensure that high professional standards in investment appraisals are maintained.

Annex One
Technical investment criteria

Principles

1. Investments will only be approved if they can demonstrate that they can pay the financing costs associated with them had the funding been provided on a prudential borrowing basis.

2. Investments will only be approved if they can demonstrate that they can repay the principal associated with funding them through prudential borrowing over an appropriate period of time.

3. Investments will only be approved if they can demonstrate additional financial benefits, whether in reductions to current costs, reasonably foreseeable costs avoided or, exceptionally, realistically probable long-term asset appreciation.

4. Investment appraisals must include sufficient costs for the ongoing maintenance and upkeep of council owned assets and will not be approved without these.

Detailed technical criteria

Long-term borrowing costs – 4%
Long-term inflation rates – 2%
Major repairs – 0.8% of works costs
Discount rate (where appropriate) – 3.5%
Asset lives – normally 25-40 years with exceptions where appropriate, e.g. transport fleet
Principal repayment – matched to asset lives
Build costs (where appropriate) – scheme specific

For housing development

Voids – 5%
Bad debts – 2.5%
Rental income – 1% p.a. reduction until 2020, thereafter reversion to CPI plus 1%
Management agent fee – 2.5%; or
Management costs - £650 to £1,200 per unit p.a.
Maintenance costs - £1,260 to £1,565 per unit p.a.

Action plan

Short-term actions (within one year)	Responsible officer	Milestones	Outcomes
Finance and support the initial temporary accommodation reform plan	Chief Finance Officer	Finance purchase of the initial £10m PRS acquisition portfolio – May 2016	TA reform plan kick-started
		Establish finance for the balance of the PRS acquisition portfolio – June 2016	Larger-scale PRS acquisition enabled
		Subject to Cabinet agreement, finance Knowles House and other PRS development	Newer more suitable and cost-effective accommodation developed
		Establish separate company structure within which the TA reform plan can be managed	Effective delivery of TA reform plan
Improve delivery of the capital programme	Strategic Director, Resources	Revised governance arrangement in place – May 2016	Investment objectives achieved on time and within budget
		Milestone report to Cabinet – October 2016	
		Milestone report to Cabinet – February 2017	
Review balance of capital and revenue expenditure	Chief Finance Officer	Complete identification of all services where capital investment is in principle feasible and report accordingly – July 2016	Comprehensive understanding of balance of funding
		Individual service reviews completed – October 2016	
		Revised capital programme agreed – February 2017	Clear delivery plans in place and aligned to strategic priorities
Finance acquisition of key community assets	Chief Finance Officer	Ensure that priority investments for community benefit are brought forward – December 2016	Urgent priorities delivered

Medium-term actions (within two to three years)	**Responsible officer**	**Milestones**	**Outcomes**
Review financing arrangements for South Kilburn regeneration	Chief Finance Officer	Full cash flow revised – December 2016	Options for changing balance of risk and reward considered
		Implications of different MRP policies brought forward – February 2017	
		Options for changing ownership and risk presented – May 2017	
Develop energy company and/or community energy supply options, initially in the Wembley and South Kilburn areas	Strategic Director, Resources	Initial options paper – July 2016	New service model in place at lower cost and carbon footprint
		Corporate and financing model proposed – December 2016	
		Investment appraisal – July 2017	
Identify future development opportunities to capitalise on rising land values, perhaps at Willesden Green	Strategic Director, Resources	Options reviewed – July 2016	
Secure opportunities to promote business growth	Strategic Director, Regeneration & Environment	Options reviewed – September 2016	
Long-term actions (in four years or more)	**Responsible Officer**	**Milestones**	**Outcomes**
Acquire a strategic property portfolio	Strategic Director, Resources		
Deliver Housing Zones	Strategic Director, Regeneration & Environment		
Secure strategic objectives at Old Oak Common	Strategic Director, Regeneration & Environment		

This page is intentionally left blank

Appendix 4 - Investment Strategy Action Plan Update December 2016

Short-term actions (within one year)	Responsible officer	Milestones	Outcomes	Progress Update - December 2016
Finance and support the initial temporary accommodation reform plan	Chief Finance Officer	Finance purchase of the initial £10m PRS acquisition portfolio – May 2016	TA reform plan kick-started	Complete, agreed by Cabinet in March 2016
		Establish finance for the balance of the PRS acquisition portfolio – June 2016	Larger-scale PRS acquisition enabled	Additional £40m – agreed by Cabinet October 16 Balance of funding to be determined in Feb 17
		Subject to Cabinet agreement, finance Knowles House and other PRS development	Newer more suitable and cost-effective accommodation developed	Cabinet approved Knowles House in April 2016, London Road in July 2016, Church End in November 2016
		Establish separate company structure within which the TA reform plan can be managed	Effective delivery of TA reform plan	Agreed by Cabinet November 16, and company formally established with directors December
Improve delivery of the capital programme	Strategic Director, Resources	Revised governance arrangement in place – May 2016	Investment objectives achieved on time and within budget	Review of sponsors, terms of reference for programme completed Ongoing piece of work to refine governance within the overall programme structure
		Milestone report to Cabinet – October 2016		
		Milestone report to Cabinet – February 2017		
Review balance of capital and revenue expenditure	Chief Finance Officer	Complete identification of all services where capital investment is in principle feasible and report accordingly – July 2016	Comprehensive understanding of balance of funding	Work-underway, initial timeframes with hindsight were unrealistic given pace of change in development of the Capital Programme - April 17.
		Individual service reviews completed – October 2016		As above
		Revised capital programme agreed – February 2017	Clear delivery plans in place and aligned to strategic priorities	On track - ongoing
Finance acquisition of key community	Chief Finance Officer	Ensure that priority investments for community	Urgent priorities delivered	

assets		benefit are brought forward – December 2016		

Medium-term actions (within two to three years)	Responsible officer	Milestones	Outcomes	
Review financing arrangements for South Kilburn regeneration	Chief Finance Officer	Full cash flow revised – December 2016	Options for changing balance of risk and reward considered	Complete
		Implications of different MRP policies brought forward – February 2017	Larger-scale PRS acquisition enabled	Complete
		Options for changing ownership and risk presented – May 2017	Newer more suitable and cost-effective accommodation developed	Ongoing
Develop energy company and/or community energy supply options, initially in the Wembley and South Kilburn areas	Strategic Director, Resources	Initial options paper – July 2016	New service model in place at lower cost and carbon footprint	Wider strategy for energy company being considered through the Civic enterprise board in the form of a business case Finance modelling
		Corporate and financing model proposed – December 2016		As above
		Investment appraisal – July 2017		on track
Identify future development opportunities to capitalise on rising land values, perhaps at Willesden Green	Strategic Director, Resources	Options reviewed – July 2016	Comprehensive understanding of balance of funding	Ongoing, Part of the development and spatial plan - target date Feb 17
Secure opportunities to promote business growth	Strategic Director, Regeneration & Environment	Options reviewed – September 2016		Business board drives this forward, Met in November

Long-term actions (in four years or more)	**Responsible Officer**	**Milestones**	**Outcomes**	**Progress Update - December 2016**
Acquire a strategic property portfolio	Strategic Director, Resources			Some acquisitions underway
Deliver Housing Zones	Strategic Director, Regeneration & Environment			Overarching Agreements signed with the GLA; largest site at Alperton acquired for development by Berkeley Homes; Transport assessment at Alperton is underway; acquisition of a site by the council in Wembley is approved.
Secure strategic objectives at Old Oak Common	Strategic Director, Regeneration & Environment			Council plays an influencing role at Old Oak. There is active involvement by Brent officers with the OPDC at officer and Board level.

This page is intentionally left blank

Brent	**Cabinet** 15 November 2016 **Report from the Chief Finance Officer**
For Action	Wards affected: ALL

Establishing a Wholly Owned Investment Company

1.0 Summary

1.1. Cabinet approved Brent's investment strategy at its meeting of 11 April 2016.

1.2. This strategy was designed, *inter alia* to set the framework through which the capital programme will help to deliver the council's long-term vision to "*make Brent a great place to live and work…"* and to help deliver the five Brent 2020 priorities. It explicitly signalled a shift away from short-term solutions to long-term public investment, and envisaged a council embracing more innovative and agile corporate structures to enable a more enterprising culture focused on seizing opportunities and managing rather than eliminating risks.

1.3. By definition many of the actions in the investment strategy are therefore long-term. However, one explicit short-term action was to establish a local authority controlled company, referred to in this paper as a wholly owned company (WOC). This company was originally envisaged to enable speedy delivery of the temporary accommodation reform plan. This report therefore includes a focus on how the WOC will help deliver the Council's targets for the development of new affordable homes and why establishing a Company will offer the Council flexibility to intervene strategically to ensure that new housing development can contribute fully to strategic priorities.

1.4. However, whilst that remains the initial purpose of the proposed WOC the report also sets out more broadly the various options for the Council to establish an investment vehicle to be operated as a Wholly Owned Company (WOC), to help increase the pace of regeneration, the development of new homes to meet the needs of people across the Borough, and the investment in necessary infrastructure within Brent.

1.5. Initially the company will be set up to purchase and manage a target portfolio of 300 properties in and around the London Borough of Brent. These properties will be let to tenants for whom Brent has a homeless duty to and the company will discard the duty under the provisions of the Housing Act 1996, Part VII as amended by the Homelessness Act 2002 and the Localism Act 2011. In doing this homeless families are houses at a less expensive cost than many temporary accommodation options.

1.6. Critically, the creation of a company involves vital decisions about how the company is to be owned, governed and managed to ensure that the right balance is struck between democratic and senior managerial oversight of the company and giving it the operational flexibility which is a core part of the business case for establishing it.

2.0 Recommendations

2.1. That Cabinet approve the establishment of the wholly owned company, to be called "Investing 4 Brent", for the objects and purposes set out in this report

2.2. That Cabinet agree to appoint the following as Directors of the Company, with all the responsibilities under the Companies Act that flow from that:

1 Councillor George Crane;
2 The Strategic Director of Community Wellbeing (Phil Porter); and
3 The Director of Policy, Partnerships and Performance (Peter Gadsdon).

2.3. That Cabinet note that the Board of the Company will be chaired by an independent voting Director, and that Martin Smith, the former Chief Executive of Ealing Council is proposed for this role.

2.4. That Cabinet approve the Articles of Association and Shareholders Agreement as set out at Appendices One and Two.

2.5. That Cabinet approve the company's initial business plan, which is set out at Appendix Three.

2.6. That Cabinet authorise the loan facility between the council and the company, as summarised in this report, and authorise the chief finance officer to finalise the legal documentation accordingly and thereafter to authorise loans on the terms set out in this report.

2.7. That Cabinet delegate to the deputy Leader, in consultation with the Chief Finance Officer, the precise mix of loan and equity funding, for the reasons set out in paragraph 6.8.

2.8. Approve the provision of an initial loan of £1m to meet the working capital (cash flow) requirements of the company on terms as summarised in this report and delegate authority to the Chief Finance Officer to finalise the legal documentation accordingly.

2.9. That Cabinet note that the company is intended to be incorporated by the end of the calendar year, and as soon as practicably possible following expiry of the scrutiny call-in period.

2.10. That Cabinet delegate to the deputy leader, in consultation with the chief finance officer, authority to finalise the Articles of Association and other legal documentation required formally to incorporate the Company in accordance with the requirements of the Companies Act 1985.

3.0 Detail

3.1. There are various forms of subsidiary companies and other arrangements that local authorities (or indeed private companies) can enter into. The complexity of the company structure is driven by the public purpose which the council wishes to achieve rather than, as is often perceived of some private sector structures, as a means to achieve particular tax treatments and to facilitate more aggressive accounting practices.

3.2. The proposal is for Brent Council to form a Company under its General Fund powers, which will be 100% owned by the Council. Its initial principal aim will be to assist in the delivery of the Council's ambitious regeneration plans and housing development objectives, but it is envisaged that this aim will be developed over time.

3.3. The rationale for using a WOC, as opposed to developing direct through the General Fund, includes:

- Isolation of some financial risks, which would be borne in the first instance by the Company rather than the Council;
- More focused management of these complex risks, such as cash flow, tax, land development and market appraisals, many of which are not typical of most council services;
- Specifically within the initial focus on housing, absolute clarity that any housing properties delivered will not be council HRA properties and thus will not impact on the HRA borrowing cap. Right to Buy (RTB) does not apply to homes developed through a WOC, as the Company forms a distinct legal entity from the Council.
- Strong and onerous personal obligations placed on the Directors of the company, through the Companies Act, to ensure that the activity receives the appropriate management focus;
- Flexibility to act more commercially and at greater speed than the council can, which is essential in acquiring property and striking development deals and hence emphasises why governance and control are so important; and
- Flexibility to develop the company, once established, into another structure, if so required, allowing for example the development of other companies within the Brent umbrella or sharing of the equity in the company with another partner if that becomes desirable.

4.0 Company Structure

The Council's Strategic Role

4.1. It is proposed that the WOC would be constituted as a company limited by shares. The Council will own the entire share capital and will therefore have ultimate control of the Company. The Company would be a subsidiary of the Council in terms of its technical legal status. In order to be flexible enough to deliver on the increasing variety of Council objectives the WOC may create from time to time other subsidiaries, if so authorised, which could take a different legal form such as charity or other 'not for profit' entity company. However, as any such subsidiaries would still be owned by the Company they too would be subject to strategic direction and control by the Council, in the terms set out in this report.

4.2. The WOC constituted as a company limited by shares has several key advantages:

- It ensures that the Directors of the company are personally liable for meeting the onerous obligations of the Companies Act. Whilst the council will indemnify them against reasonable matters it is beyond the lawful power of the council to do so in certain circumstances, such as for example as could arise from an HSE prosecution. These obligations provide a strong incentive for the Directors to ensure that the particular requirements of running a company are met.
- It is a structure familiar to the private sector, and therefore gives the council the option, at its sole discretion, of subsequently changing the structure, for example to establish joint venture arrangements if thought desirable.
- It explicitly allows the generation of profits (or surpluses) and whilst these give rise to tax considerations it enables a more transparent cross-subsidy to be provided to other council activities.
- It ensures that the Directors of the company can act with commercial freedom, maximising the potential operational effectiveness of the company.

4.3. It follows from this that the governance of the company is of paramount importance. There is no intention whatsoever, and it would be highly undesirable, for the company to be able to act entirely independently of the Council. Its activities and freedom to act must therefore be carefully prescribed to balance the need for operational freedom against the equally important need for democratic oversight.

4.4. The following governance structure is therefore proposed, in summary:

- **Cabinet** – sets overall strategic direction and retains control of key activities;
- **Corporate Management Team** – acts as senior 'client' overseeing the activities of the Company; and

- **Directors** – operate with commercial freedom in the best interests of the company (as required by the Companies Act).

4.5. Cabinet would be the strategic supervisory body with ultimate responsibility for ensuring governance of the Company and approval and delivery of its business plan. This role would be without prejudice to Cabinet's normal decision making powers as set out in the Council's constitution. The following key powers would be reserved to Cabinet:

1. Agree the articles of association and shareholder agreements;
2. Agree the Annual Business Plan;
3. Agree any loan facility to the Company and the terms of them;
4. Appoint and dismiss the Directors and Company Secretary;
5. Agree any expansion of the remit of the WOC;
6. Have powers to wind-up and dispose of the WOC on behalf of the Council; and
7. Provide general strategic direction and democratic oversight.

4.6. In addition, the council's audit committee would have a clear role in overseeing the company and ensuring that its activities were being conducted in accordance with its defined objectives.

4.7. As governance is more than usually critical in this context each of these is discussed in turn below. The key point to note is that the structure proposed will enable the Directors of the company to act with commercial freedom and with indemnities from the council against their obligations under the Companies Act, but if and only if the actions of the Directors are within the framework of activities already agreed by Cabinet. In other words, the framework gives the council, through the company, all the advantages desired in terms of operational flexibility, whilst retaining democratic control over all of the key strategic decisions.

Agree the articles of association and shareholder agreements

4.8. The articles of association are attached as Appendix One. These are perhaps best described as the rules by which the company will conduct its business, and in that sense somewhat analogous to the Council's constitution. They are therefore an important part of the overall governance of the company, and contain detailed clauses covering, for example, the quorum for Directors' meetings, voting at those meetings, how Directors must discharge their obligations as regards conflicts of interest and many other matters besides. Importantly, they give effect to the council's power to control the composition of the board, so that the company cannot appoint or dismiss any Director (although of course individual Directors are entitled to resign).

4.9. The shareholders agreement is attached as Appendix Two. This is perhaps best described as the rules that the council sets as to what the company can and cannot do (which it must then do in accordance with the articles of association). It is therefore an essential element of the council retaining strategic control of the company, whilst allowing it considerable operational freedom. Probably the most pertinent part of the document is Schedule A, the "shareholder reserved matters". The company cannot, as a matter of law, make decisions on "reserved matters": it must seek the council's consent, which is a function that the cabinet would discharge. Examples of the "reserved matters" include

a. vary in any respect its articles of association or the rights attaching to any of its shares [this is necessary as the company could otherwise, in theory, amend its own rules about appointment of Directors to exclude or diminish the council's role]
b. engage in any business other than as contemplated by the Business Plan [this is necessary to give legal force to the business plan as the way in which the council sets the strategic framework for the council]
c. create or permit to be created any mortgage, charge, encumbrance or other security interest whatsoever on any material asset or its business in whole or in part or any of its shares [this is necessary to secure the council's ultimate ownership of all of the company's assets]

4.10. Both documents are fairly standard in this context, but the documents are nonetheless an essential part of the governance framework. They have been drafted by externally commissioned lawyers, specialising in company formation, and reviewed by the council's legal department. The documents attached are almost final, but will need minor amendments so that they can be legally executed, such as for the completion of the date of incorporation and other important but entirely routine matters. These will be dealt with under the delegated authority proposed at 2.9, with any material matters brought back to Cabinet if required.

Agree the annual business plan

4.11. The annual business plan would describe in more detail the planned activities of the company in a given period of time (usually a year). For example, in the context of planned housing work, Cabinet could restrict the company to purchase of properties up to a specified maximum, or only those that met certain criteria, such as by geographic area, or to achieve certain standards in lettings and so on. The annual business plan for the PRS element of the WOC is included as Appendix Three.

Appoint the Directors and Company Secretary

4.12. The Directors of the company are vitally important, and whilst constrained by the articles and business plan they would have to have considerable operational freedom in order to make the company effective. It is therefore essential that Cabinet retain the sole power to appoint and dismiss the Directors. As the WOC may establish, in time, subsidiary companies, focusing on specific council desired programmes, the Directors of these companies would similarly be appointed by the Council, although the normal presumption would be that they would be the same as those appointed by the Council to the main company.

Agree any expansion of the remit of the WOC

4.13. Cabinet retains the power to agree any change in the fundamental activities of the company. To be effective, this could not extend down to operational details (such as, to go to an extreme, the appointment of professional staff or advisers to help the company fulfil its functions) but it ensures that the company cannot choose to change its own scope of activities in more fundamental ways. For example, the initial scope could be constrained to housing activity, and any change to that would require Cabinet approval.

Have the powers to wind up and dispose of the WOC

4.14. In extreme cases the Directors might legally be required to wind up the company, for example if it was insolvent. However, in such extreme cases, if the decision was reserved to Cabinet then there would be no practical choice in the matter anyway. However, it is vital that Cabinet retain the power to 'dispose' of the company, for example to sell part of the equity to another party, so that the Directors could not act in this way themselves.

4.15. Of course, in a healthy professional working environment there ought not to be any significant divergence of views between Cabinet and the Directors of the Company. However, the above control framework is proposed as essential, as without it Cabinet would not be able to exercise sufficient control over the activities of the company in the event of some major disagreement arising.

4.16. Cabinet would be supported in fulfilling this role by the council's corporate management team. As the activities of the company could be drawn widely with the potential to impact on all areas of the council's business this is the only logical client function, which it is envisaged would be discharged, initially at least, through a quarterly monitoring report.

4.17. Within this overall structure it is now necessary to turn to the question of who should fulfil particular roles. In understanding this it is first necessary to set out some specific definitions, particularly as they relate to the Companies Act.

Appointment of Directors

4.18. The Director of a company established under the Companies Act is under an absolute duty to act in the interests of that company. Properly defined, in the way envisaged in this report, furthering the interests of the proposed company would necessarily entail delivering council priorities, but in practice conflicts can and will arise and Directors have a duty to manage these and, if necessary, avoid them, including by resigning either their Directorship or their other activity giving rise to the conflict (e.g. in this context their role within the Council).

4.19. Conflicts can either be situational (those that arise by virtue of the general situation) or transactional (where a particular transaction is proposed). This is best illustrated by an example. It would not be possible for the Chief Finance Officer, being the statutory s151 officer of the council, to be a Director of the Company. Each conflict would arise, for example:

- The company would require loan finance from the council to purchase properties. A very clear transactional conflict would arise with the Chief

Finance Officer advising Cabinet on the terms of that loan if that officer were also the Director of the company intended to receive the loan. In other words, the transaction could not proceed, in this situation, until either one role or the other was resigned, and as this situation could be envisaged at the outset the conflict would have to be avoided by preventing the CFO being a Director of the company.

- A situational conflict arises when a Director of the company occupies a position of such influence in the council that they could not reasonably be expected to separate this from their role on the company.

4.20. In practical terms this makes it impossible for the Chief Finance Officer or Chief Legal Officer to act as a Director of the company. Although it could be argued that the situational conflicts could be managed a number of transactional conflicts would arise regularly, and, as illustrated above, these would be fundamental.

4.21. Similarly, Cabinet members would be caught by situational and transactional conflicts. The minimum requirement for managing this conflict would be for any Cabinet member, if they were to be a Director of the company, to excuse themselves from any Cabinet or PCG discussion about the company and the policies it was pursuing, and hence create conflicts between their role as elected Members and their obligations to the company. There is not an absolute legal bar to Cabinet Members fulfilling this role, and in some other Councils Cabinet Members are appointed to such Directorships. However, officers' advice is that the potential for conflict would be significant, and that this should be mitigated by not appointing any Cabinet Members to be Directors of the Company.

4.22. Directors are also required to have the skills necessary to undertake the role. This has a particular legal implication in the context of the Companies Act. In the event of, for example, a prosecution by the HSE, a defence of not understanding the issues is not permissible, and would not be covered by the council's indemnity. Directors would therefore be required to undertake specific training, most probably via an accredited route, as well as ensuring generally that they have appropriate leadership and management experience. Directors are not necessarily required to have specific professional qualifications, for example in accountancy, but are required to ensure that they take and pay due regard to appropriate professional advice.

4.23. As a matter of good governance, and to strengthen the board of Directors, and to assist the Board to operate with sufficient freedom it is proposed that the Board should be chaired by a senior independent Director. The Chair of the WOC would need to demonstrate considerable experience of delivery of multi-year multi-agency investment in housing and infrastructure, commercial acumen and a deep knowledge of the complexities of funding, tax, company law and risk management. It is not an absolute legal requirement, but it is strongly recommended as a matter of good governance.

4.24. A range of potential candidates with the likely experience have been approached, and it is proposed that Martin Smith, the former chief executive of Ealing council, is appointed to the role. It is proposed that the chief finance officer be authorised to agree the precise contractual terms and, for the avoidance of doubt, the role would be remunerated.

4.25. The council nominated Directors of the company would not be remunerated for undertaking the role. However, they would be indemnified in the council's standard terms. There are three broad options, each with various pros and cons, as to who those Directors should be, as set out below.

4.26. The first option is that the other Directors of the company should all be officers, possibly supplemented by another independent Director. This maintains the clearest possible separation between the role of elected Councillors in setting policy and the officer role of executing it. This is not an academic distinction. It provides clarity of focus and enhances the company's freedom to act commercially (within politically defined parameters). In the event that allegations of conflict of interest arise, whether perceived or actual, this model provides the strongest general rebuttal of such allegations. As against this, there is no direct involvement of elected Councillors in the day to day activities of the company.

4.27. Any officers appointed to the Board should, it is proposed, be either Strategic or Operational Directors, given the significance of the role. In theory anyone at this level could do the role. They do not need functional knowledge of or experience in the particular activities of the company, just good general management skills, knowledge and experience, allied to good commercial skills.

4.28. The second option is that the other Directors of the company (besides the independent chair) should be elected Cabinet Members. This provides the greatest level of political oversight but presents a number of significant challenges. The conflicts of interest become real, rather than perceived, and any Cabinet members on the board would have to recuse themselves from Cabinet decisions and PCG discussions about the company. As the activities of the company are potentially very wide ranging this could prevent the Cabinet members from fulfilling part of their political role.

4.29. As an illustration of this, if the Cabinet Member for Housing were a Director of the company, it is difficult to see how they could play a normal part in decision making on key issues around housing policy, given the initial proposed remit of the company. Obviously, this degree of conflict reduces if the Cabinet member proposed as Director has no direct day to day oversight of the policy areas that the company is delivering against, but as Cabinet policy is developed collectively this merely reduces the conflict somewhat, and certainly does not eliminate it

4.30. Some councils do have companies with Cabinet members as the Directors, so it is not unlawful per se. However, given the wide ranging role of the proposed investment company, there are good reasons to be cautious about adopting this approach, and certainly a board with a majority of Cabinet members would carry significant governance risks.

4.31. The third option would be for non-executive (back bench) Councillors to be Directors of the company. This clearly reduces the potential for conflict. It does not eliminate it, and the same considerations apply, so, hypothetically, participating in a scrutiny review of housing might become more problematic for the elected member in question. However, as the conflict could never be "transactional" (because non-executive Members do not authorise transactions) then the conflict becomes much more capable of being managed.

4.32. This also clearly provides a greater degree of political oversight of the day to day activities of the company than the first option.

4.33. Finally, the Directors of the company could be drawn from a mixture of roles – elected Members and senior officers. Various combinations of this could be devised, and sharing roles helps to dilute conflicts of interest. However, it is important to note that this model does not eliminate the conflicts; to repeat the hypothetical example above, the Cabinet member for Housing would still, if appointed as a Director, have a significant conflict with his substantive political role.

4.34. It is recommended that the final option permits some elected member representation on the Board, albeit the elected member would be acting formally in the interests of the company, with two senior officers and an independent Chair. Therefore it is proposed, taking all of the foregoing into account, that the Directors of the company should be:

- One elected member - Councillor George Crane is proposed for this role;
- Two senior officers - The Strategic Director of Community Wellbeing (Phil Porter); and The Director of Policy, Partnerships and Performance (Peter Gadsdon) are proposed for these roles; and
- One independent voting Director as Chair - Martin Smith, the former Chief Executive of Ealing Council is proposed for this role.

4.35. It is not intended that the WOC would have a high profile identity separate from the Council, and that, operationally, it would be a "light" organisation with many activities, particularly development, undertaken via consultancy support, contracts and management agreements or via secondment of Council staff. It is expected that by setting up and running the Company in this way the impact on staffing capacity would be low but equally would improve efficiency and maintain employment whilst providing a motivating opportunity for staff to develop new skills. Some direct appointments might be necessary in relation to, for example, management of core functions such as Board papers, audit, insurance, accounting and tax.

4.36. The conclusion of this report is that the WOC has significant potential to support the delivery of housing, infrastructure and regeneration strategies directly (i.e. through site development) and indirectly (providing the catalyst for further private sector investment or maintaining the momentum of change). For example, the potential for the Council to be able to directly deliver housing on land that it owns is of clear benefit to the wider regeneration of Brent as it will provide an alternative route to private sector delivery which has been constrained by prevailing economic conditions.

4.37. A draft shareholders agreement and articles of association are attached. Subject to final legal drafting these are the documents that would give legal force to the general and specific proposals set out above.

5.0 Delivering Housing through a Wholly Owned Company (WOC)

5.1. As regards housing development, the WOC would not replace development within the HRA but rather complement it, developing a mix of tenures.

5.2. Cabinet approved the Temporary Accommodation Reform Plan in March 2016, which sets out a number of actions to improve the quality of accommodation for homeless households at a reduced cost to the Council and to create more opportunities to end the council's homelessness duty.

5.3. One of these actions was for the council, via the WOC, to acquire properties which will be let as long term Private Rented Sector (PRS) properties at Local Housing Allowance (LHA) levels to prevent homelessness and end homelessness duty to families helped. The properties would need to be either in Brent or sufficiently close to Brent to be able to end a homelessness duty in compliance with the Homelessness Suitability of Accommodation Order of 2011. A good rule of thumb is the property is within 90 minutes public transport travel time from Brent civic centre.

5.4. The advantages of utilising a company owned by the council outside the HRA include that it could let properties within the Private Rented Sector, while drawing on the council's borrowing capacity and give the council greater control of the investment compared to entering into a joint venture or contract with an external organisation, allowing better management of risk and potential reward. There are tests which the PRS properties must achieve to ensure the Council's housing duty can be ended, which primarily relates to the PRS tenants having a tenancy agreement with the company and not the Council. However, the mechanisms for the council's strategic control as raised earlier in this paper remains and additional mechanisms such as 100% nomination rights provides the Council with added comfort.

5.5. Additional benefits of the WOC would be its impact in creating growth in the local construction sector, expanding the provision of quality homes and providing exemplar developments which might generate interest by developers and others in building in Brent. By directly delivering housing on Council land, both General Fund and HRA, the WOC would provide an impetus to private sector delivery. The WOC would be a vehicle that demonstrates the Council's commitment to using all its powers and assets to deliver transformation whilst allowing for flexible delivery over time by the market.

5.6. Housing could be provided on Council owned land, from either General Fund or HRA, with funding primarily provided through General Fund prudential borrowing on-lent to the WOC at an increased interest margin, and complimented with any grants or third party contributions that can be secured. Note that this borrowing could either be from the PWLB or from other external financing.

5.7. As an investment company, the WOC would retain the majority of properties developed by the Company for letting under new tenures such as assured and assured short-hold at affordable rents. Some properties could be sold for low cost home ownership and/or private sale or to other housing providers, including the HRA. Note that the Right to Buy does not apply to these rented homes and outside the Right to Buy provisions.

5.8. There are various scenarios that could be modelled to show how decisions made by the WOC would benefit the Council and the wider community. For instance, net rental income after the deduction of operational costs could be used to service and repay borrowings. However, the WOC could also decide to sell properties to assist in the repayment of debt. If properties were sold to registered providers they would continue to contribute to the local stock of affordable housing. Any surpluses generated either from net rental income or sales of properties would generate an overall return to the Council (General Fund) on its equity ownership.

5.9. Over time, some housing developed by the WOC might be purchased by the HRA. This would secure some housing as secure tenancies, if the Council so wished. This could be done using surplus cash flows generated in the HRA Business Plan and would maximise leverage of the HRA resources.

The Business Plan

5.10. This sets out what the company can do and therefore, what it cannot do. It also contains the company's financial plans, which are discussed in the financial implications.

5.11. In summary, the company is at this stage being authorised to acquire properties, and let them at LHA rates to discharge the council's homelessness duty. It will operate as a responsible and fair landlord for these purposes. It will not normally acquire properties outside of the key areas defined in the business plan, where the infrastructure and commuting times provide opportunities for employment, public services and lifestyle choices. The company may let some properties above LHA rents, for example at sub market rents, defined as rents at below the market rents for that area, to key workers or households as part of their transition plan to permanent housing, or even at market rents if appropriate. It will only do so if financially necessary, and may not have more than 25% of its portfolio above the LHA rate without explicit Cabinet approval.

5.12. The company will also carry out general business development activities, to identify new opportunities for the council, but it will not act on these without further explicit approvals following a robust business plan and investment appraisal.

6.0 Financial Implications

6.1. A WOC can be set up to deliver a number of opportunities/programmes within a balanced property portfolio. Following Cabinet's approval of the Temporary Accommodation Reform Plan in March 2016, where a key action to address the needs of households being place in temporary accommodation was the acquisition and development of a substantial portfolio of long term PRS accommodation which can be let to homeless households at Local Housing Allowance (LHA) rates.

6.2. Detailed consideration has been given to a business case and financial plan for a WOC to manage a PRS portfolio on behalf of Brent. This business case for establishing this WOC assesses the risks and impacts on the Authority, whereas the Business Plan (appendix three) models the revenue and cost flows for the company, and assesses its commercial viability.

The Business Case For The Operating A PRS Portfolio Through a WOC

6.3. The Temporary Accommodation Reform Plan identified that an assessment of the viability of a wholly owned PRS company would be undertaken. The advantages of managing the PRS portfolio through a company are:

- Discharge of the duty for Brent to comply with its responsibility under the Homelessness Suitability of Accommodation Order of 2011
- Discharge of its duties under section 193, Housing Act 1996
- Reduction in the costs associated with placing households in more expensive alternative settings
- Being able to 'on lend' existing financial balances at PWLB rates, as an alternative to traditional investments which are not performing well in the current financial market

6.4. The company will be funded from a mixture of a long term debt and an equity holding. The relative amount that will be funded by debt held as equity is informed by the company business plan, and the availability of the company to cover interest payments on borrowing.

6.5. Brent will provide funding for the acquisitions of the company as part of its wider investment strategy from prudential borrowing. The initial financial plan will not require the company to repay the loan debt to the council, until such time as the council specifies and requires this. This is a fundamental assumption about the financial structure of the company. Its initial function, as set out in the business plan, is to acquire and manage properties for the council to let to alleviate housing pressures, in line with the temporary accommodation reform plan. Meeting interest costs in the early years of operation would not be affordable for the company, and if it were required to do so the effect on the council would simply be to require it to hold a larger equity stake.

6.6. Instead, the assumption is that at a future date to be determined the council will require the company to dispose of some of the assets it has acquired to finance the loan repayment. As the council can afford to be a long-term investor it will have a reasonable degree of assurance that it will be able to manage this at the more advantageous time of the property market cycle, taking advantage of the likely long-term rise in prices. Even if there were to be an unprecedented long-term decline in the property market the council could still manage the risk by letting at market rates instead, although this would clearly not have the same social benefit as the model intended. In short, there are risks, as there are in any property transactions, but there are reasonable mitigations for these.

Impact on the General Fund

6.7. Investing in these properties will provide an alternative housing option for families who would otherwise be housed in more expensive Temporary Accommodation. The TA reform plan report identified that there would be an expected cost saving / cost avoidance of £0.86m per annum arising from this provision.

6.8. The interest costs to the council of the investment required to fund this will be at least met by interest payments from the company, as the on-lending will include an appropriate margin. This is built into the company's business plan and is affordable within that. Offsetting this saving is an additional cost of borrowing to invest in the company. The company will principally be financed by loans in this way, but a small element of the financing will be equity to represent the council's ownership of the company and so comply with HMRC guidance. The precise mix of loan and equity finance will be determined by the chief finance officer.

6.9. The repayment of the loan and equity debt would be made at the time when it is appropriate to dispose of such assets as are held by the company. Using prudent measures for cost and property inflation, an indicative positive rate of return for the investment is 5.41% over a 30 year return.

6.10. In addition, an analysis of the returns generated by the projections against comparable recent transactions in the local market has been carried out so that the Council is able to demonstrate that they do represent both best value to the Council and a structure which is state aid compliant. This means that funding to the WOC must be on market terms (except for the explicit purpose of affordable housing) and comply with HMRC requirements in relation to tax treatments. The Council would charge a premium on all loans approved to the WOC in excess of PWLB rate, providing a revenue income stream to the Council. All lending to the WOC would be subject to a loan agreement and would include pre-conditions on draw down, as well as scrutiny of delivery of agreed development schemes.

The Sustainability of the Company

6.11. The company will be set up to purchase and manage a target portfolio of 300 properties in and around the London Borough of Brent. Properties will not normally exceed ninety minutes travel time by public transport from Brent Civic Centre and ideally be less than sixty minutes. These properties will be let to tenants for whom Brent has a duty under the under the Housing Act 1996, Part VII as amended by the Homelessness Act 2002 and the Localism Act 2011 to provide housing option who would otherwise have required more expensive TA options.

6.12. The modelling is based on the company letting at LHA rates. The company will have limited flexibility to let to tenants at sub market rents or commercial rates.

This flexibility shall be no greater in value than 25% of the overall delegated company budget, without specific Cabinet authority

6.13. Initial modelling has presented a sustainable business plan for the company provided that a number of key targets are met, the key ones being:

1. Purchasing a portfolio of properties that generates sufficient income from letting to tenants at sub market rents to cover the costs of operating the company and interest on debt owed to Brent
2. Properties are managed in such a way as the costs of operation are optimised and the revenues lost through void and bad debts are minimised

6.14. The premise of this company is that it has been established to provide quality housing options at sub market rents. Key to the sustainability of this company is its ability to operational surpluses. However, the ability to make significant surpluses is restricted through sub market rental income. Section 6 of the business plan gives more detail on the critical and other variables that the directors of the company will need to manage to ensure a sustainable, successful and profitable company.

6.15. Providing that these key targets are met, the financial profile of the company is that it becomes profitable during the second year, and retains surpluses from which to operate until end of the 30 year business plan period.

6.16. It should also be noted that incorporation of a company exposes the operation to liability for corporation tax and VAT. Payment of these taxes has been included in the financial modelling exercise.

6.17. Given the target variables as defined above, the company will require a cash flow / working capital facility of up to £1m during the first 4 years of operation. The need for a working capital facility arises from the time it takes from the acquisition of the property to first let. The financial profile for the company is for the company to make a loss in the first year of operation, turn from profit to loss during the second year and to make accrued profits from year 4 onwards.

6.18. For the avoidance of doubt, this is a loss within the company. As it forms part of the council's overall group it is not a loss to the council; indeed, the company will be a part of the council's plans to reduce its overall costs in managing homelessness. By way of analogy, describing the company as making a loss in its early operation is the same as describing any operational budget as a 'loss' which would be meaningless for practical purposes. However, the early loss in the company has a specific meaning within the Companies Act, which is why it is necessary to demonstrate that the company will over time be profitable.

6.19. From year 4 onwards the company is self-sustaining, with losses made in later years being offset by further profits made in the earlier years. This is detailed in the appended company business case.

6.20. There are risks of setting up a company, the primary one being that due to unforeseen market changes it may become insolvent. This risk should be mitigated by suitable monitoring arrangements as set out above. It is important that the company maintain the flexibility to set rents and if necessary dispose of properties to meet any shortfalls. The company should not be authorised to borrow or incur long-term liabilities without prior Council approval.

6.21. To support the viability of the company and protect the interests of the company a commercial arm will operate alongside the PRS affordable housing. This commercial element will permit greater opportunity to deliver sub market and commercial housing to create a strong and sustainable business and offer accessible housing products to key workers amongst others.

Conclusion

6.22. The PRS landlord is an example of how the Council through the WOC facilitates more varied programmes of housing and regeneration. The WOC provides the structure to drive financial, economic and social benefits for the residents of Brent and through its business focus deliver results. The WOC operating within an agreed business plan, delivering sub market rental properties, is a commercial viable option for Brent. The additional costs of operating in a company structure, such as liabilities for taxation, are offset by the focus of a dedicated company and operational board of Directors, delivering a supply of quality and affordable homes and facilitate the discharge of homelessness duty for Brent.

7.0 Legal Implications

7.1 The Council has the power to establish and operate the company to develop homes to be let for rent and sold on the market or for low cost home ownership using the general power of competence under section 1 of the Localism Act 2011.

7.2 In exercising this power the Council is still subject to its general duties, such as its fiduciary duty, and must exercise the power for a proper purpose. The power is also limited where it overlaps with a power which pre-dates it (section 2 Localism Act 2011). Accordingly in setting up a trading company the Council must comply with section 95 of the Local Government Act 2003 and the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009.

7.3 Under section 4 of the Localism Act 2011 where, as is proposed here, that the general power is used for a commercial purpose, that commercial purpose must be carried out through a company.

7.4 Under sections 1 and 12 of the Local Government Act 2003 the Council may borrow money or invest for any purpose relevant to its functions or for the prudent management of its financial affairs. The borrowing must be prudent and comply with the Prudential Code.

7.5 The Council has the power to provide financial assistance (loan) for housing purposes under section 24 of the Local Government Act 1988 where the immediate landlord of the occupier is not a local authority. In this instance the landlord will be the Company. This power is subject to consent of the Secretary of State. The Secretary of State has set out pre-approved consents in the "General Consents 2010" (July 2011) and the "General Consents 2014" (April 2014). The Council can provide financial assistance to the Company under Consent C of the General Consents 2010

7.6 Any housing made available for sale by the Company would not be covered by the 1988 Act. However the Council may rely upon the general power of competence under section 1 of the Localism Act 2011 to fund the Company for the purpose of the company operating a business to provide homes for market sale. The Council may also use this same power to provide loans to the Company for working capital.

7.7 It is proposed that Council lending to the Company will be structured and provided at market terms and rates (except for lending for affordable housing) and so would not constitute State Aid. The issue of State Aid will be kept under review and considered on a scheme-by-scheme basis.

7.8 The Council may also secure its lending to the Company with legal charges on the property acquired or developed by the Company.

7.9 The Council has the power to dispose of land by lease to the company under section 123 of the Local Government Act 1972 and obtain best consideration for the land. Sale at an undervalue may require consent from the Secretary of State and/or may constitute unlawful State Aid.

7.10 The Council is entitled to dispose of land held in its Housing Revenue Account providing it complies with section 32/43 of the Housing Act 1985. Although these consents for HRA land normally require the consent of the Secretary of State, there are general consents that have been issued. These powers are complex and as such, site-specific advice will be obtained for any disposal.

a. If the Council were to transfer land to the company and impose specific requirements as to what will be developed on that land then this is likely to be a public works contract. However, providing the company remains wholly in the ownership of the Council (or is otherwise wholly publicly owned) then, subject to the relevant tests a) being met, such a contract would still be compliant with the Public Contracts Regulations 2015.

8.0 Diversity Implications

8.1. None. The company would continue to adopt Council diversity requirements.

9.0 Staffing/Accommodation Implications (If Appropriate)

9.1. Remuneration is not proposed for the existing Members/officers as Directors of the company, but would be expected for the independent chair and any other independent members.

9.2. The WOC will be efficient on administration and use contracts with private companies and with the council to deliver its service.

10.0 Implementation Plan

10.1. An implementation plan has been prepared for the next phases of the work. It proposes three main strands of activity in order to finalise matters. These are:

1) Obtaining all necessary consents, clearances and sign off from, for example, external audit, HMRC.
2) Further consideration and determination of the management and operational arrangements, including site identification and development proposals.
3) Drafting and agreement of the various legal agreements which would be required for the establishment of the WOC.

10.2. All these matters are detailed in the Final Business Case which found at appendix 1.

Background Papers

Contact Officers

Conrad Hall, Chief Finance Officer

Appendix 1

Resources and Public Realm Committee Draft Forward Plan 2016/17

This committee will cover corporate resources, including customer services, policy, partnerships and performance, community safety, regeneration and environmental services.

Date of Committee	**Agenda items**	**Responsible officers**
15 June 2016	Workshop to agree work programme for 2016-17	Peter Gadsdon, Director of Performance, Policy and Partnerships
12 July 2016	Resources & Public Realm Scrutiny committee 2016-17 Forward Plan Development Management Policies Scrutiny Annual Report 2015/16 Strategic overview of the Council's financial position S106/ Community Infrastructure Levy Scrutiny Task group report.	Cllr Kelcher, Chair of the Resources & Public Realm Scrutiny Committee Amar Dave, Strategic Director of Regeneration and Environment Peter Gadsdon, Director of Performance, Policy and Partnerships. Althea Loderick, Strategic Director of Resources Cllr Farah, Chair of the Scrutiny Task Group
6 September 2016	Brent Road Resurfacing Strategy The Council's Planning Strategy Update on implementation of recommendations from CCTV scrutiny task Group.	Amar Dave, Strategic Director of Regeneration and Environment Amar Dave, Strategic Director of Regeneration and Environment Amar Dave, Strategic Director of Regeneration and Environment

	Update on implementation of recommendations from Illegal rubbish dumping task group. Task Group Scope Devolution of Business Rates Task Group	Amar Dave, Strategic Director of Regeneration and Environment Cllr Davidson Chair of the Task Group
8 November 2016	Income Generation Update on Community Access Strategy*/Customer Care & Access Devolution of Business Rates Task Group Annual Report on Complaints 2015/16	Althea Loderick, Strategic Director of Resources Althea Loderick, Strategic Director of Resources Cllr Davidson Chair of the Task Group Peter Gadsdon, Director of Performance, Policy and Partnerships
10 January 2017	Budget Scrutiny Report Brent Council Investment Strategy and the Capital programme Brent's High Streets	Chair of the Budget Scrutiny Panel Althea Loderick, Strategic Director of Resources Amar Dave, Strategic Director of Regeneration and Environment.
8 March 2017	Unemployment and Work Programme providers* Is Brent a "green" Council?/Environmental Sustainability agenda*	Amar Dave, Strategic Director of Regeneration and Environment Amar Dave, Strategic Director of Regeneration and Environment

	Prevent	Peter Gadsdon, Director of Performance, Policy and Partnerships
3 May 2017	Annual report of the Safer Brent Partnership Hate Crimes Domestic Violence Crime and fear of crime locally Stronger Communities – Gangs and the trafficking of young women, Task Group.	Chair of Safer Brent Partnership Amar Dave, Strategic Director of Regeneration and Environment Amar Dave, Strategic Director of Regeneration and Environment Amar Dave, Strategic Director of Regeneration and Environment Cllr Shama Tatler Chair of the Task Group

*Item carried forward from previous Scrutiny Forward Plan

This page is intentionally left blank