

<b><u>MEETING</u></b> <b>POLICY AND RESOURCES COMMITTEE</b>
<b><u>DATE AND TIME</u></b> <b>WEDNESDAY 20TH FEBRUARY, 2019</b> <b>AT 7.00 PM</b>
<b><u>VENUE</u></b> <b>HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ</b>

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
13.	BRENT CROSS CRICKLEWOOD FUNDING AND DELIVERY STRATEGY REPORT	3 - 18

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## Policy and Resources Committee

### 20 February 2019

<b>Title</b>	<b>Brent Cross Cricklewood Funding and Delivery Strategy Report</b>
<b>Report of</b>	Chairman of the Policy and Resources Committee
<b>Wards</b>	Golders Green, Childs Hill and West Hendon
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	Yes
<b>Enclosures</b>	None
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### Summary

Following Full Council's approval on 18 December 2018 to proceed with the Brent Cross Thameslink station project (BXT), the council has now entered into the Implementation Agreement with Network Rail to deliver the Rail Systems and Sidings. Schedule 1 Site Setup works are underway. The council has also commenced an OJEU procurement for the station platforms and station access / pedestrian bridge. This report sets out the Revised Funding Agreement (RFA) with HM Government (HMG) and seeks approval for the Chief Executive in consultation with the Chairman of the Committee to agree and enter into the RFA and to commission the second stage of works under the Implementation Agreement, subject to formal approval of the RFA by HMG being issued. Whilst the principles of the RFA have been agreed with HMG, the detailed agreement is being finalised and will be the subject of an addendum report prior to the Committee meeting.

## **Officers Recommendations**

**That the Committee:**

- 1. Note that Full Council on 18 December 2018**
  - a. confirmed the council's continuing commitment to the delivery of BXT and other elements of the critical infrastructure given the strategic importance of the regeneration scheme and the recognising the scale of the investment proposed in delivery of the new Thameslink station at Brent Cross West (BXT).**
  - b. delegated to this Committee the decision to commission the Schedule 1B (rail systems and sidings) works provided: (a) a Revised Funding Agreement (RFA) has been agreed with HM Government (HMG); and (b) that the RFA does not expose the council to unacceptable risk.**
- 2. Note that the Deputy Chief Executive authorised entering into the Implementation Agreement with Network Rail and to commission the Schedule 1 (site setup) works set out in that agreement on 21 December 2018 in accordance with the approved recommendations by this Committee on 11 December and Full Council on 18 December and also that that the council commence an OJEU procurement for the station platforms and station access / pedestrian bridge elements of the programme.**
- 3. Approve the RFA agreed with HMG having regard to:**
  - i. the revised financial tests set by this Committee on 11 December for the council to assure itself that the prudential code can be satisfied so that the council can make the required capital commitment to deliver the Thameslink Station (as set out in paragraphs 1.20 of this report); and**
  - ii. The details to be published in the addendum report.**
- 4. Authorise the Chief Executive in consultation with the Chairman of the Committee to finalise terms and enter into the RFA with HMG and to commission Schedule 2 (Rail Systems and Sidings) works as set out in the Implementation Contract with Network Rail dated 21 December 2018.**
- 5. Approve the consequential changes to the capital budget to proceed with the BXT and delivery of core critical infrastructure to support the Brent Cross Cricklewood (BXC) revised delivery strategy as detailed in paragraphs 5.2.7 of this report.**

## 1. WHY THIS REPORT IS NEEDED

- 1.1 On 11 December 2018, this Committee:
- received an update on progress of the Brent Cross Cricklewood (BXC) project and the Revised Funding Agreement with HMG and agreed the next steps in delivering the project;
  - authorised the Deputy Chief Executive to enter into the Implementation Agreement with Network Rail and to commission the Schedule 1A (site set up) works set out in that agreement, subject to confirmation by Full Council;
  - approved the proposed revisions to the financial tests set by the Committee in July 2014 for the council to assure itself that the prudential code can be satisfied, before making any capital commitment that borrowing can be undertaken to deliver the Thameslink Station (as set out in paragraphs 1.22-1.39 of that report);
  - approved that the council commence an OJEU procurement for the station platforms and station access / pedestrian bridge elements of the programme (as set out in paragraphs 1.43-1.52 of that report).
- 1.2 Following approval by this Committee's on 11 December 2018 and Full Council's on 18 December 2018 to proceed with the station project (BXT), the council has now entered into the Implementation Agreement with Network Rail to deliver the Rail Systems and Sidings and instructed the Schedule 1 Site Setup works (which are now underway); and commenced an OJEU procurement for the station platforms and station access / pedestrian bridge.
- 1.3 This report sets out progress on the Revised Funding Agreement (RFA) with HM Government (HMG). Whilst the principles of the RFA have been agreed with MHCLG as set out in paragraphs 1.8-1.12 below, the detailed terms of the agreement are currently being finalised and will be set out in an addendum report prior to the Committee meeting.
- 1.4 The Committee is asked to:
- a) approve the RFA agreed with HMG having regard to the revised financial tests set by this Committee on 11 December 2018 and the further detail to be set out in the addendum report.
  - b) authorise the Chief Executive in consultation with Chairman of the Committee to finalise and enter into the RFA with HMG and to commission the Schedule 2 (Rail Systems and Sidings) works once the Revised Funding Agreement (RFA) has been formally agreed with HM Government (HMG)
  - c) Approve the required consequential changes to the capital budgets to proceed with the BXT and delivery of core critical infrastructure as detailed in paragraphs 5.2.7 of this report.
- 1.5 This report should be read in conjunction with the report to Policy and Resources Committee on 11 December and Full Council on 18 December 2018.
- 1.6 As reported in December 2018, the project remains at a critical stage. The development of new homes and offices relies on the delivery of the new train station. The station is scheduled to open in May 2022, and to meet that opening time, the team need to use the line closures (known as "rail possessions") booked for Easter 2019. This requires the commissioning of Schedule 2 of the Rail Systems and Sidings contract by 21 February 2019. Missing this opportunity will delay the station opening by at least three years.

Maintaining project momentum is therefore crucial for delivery of the new homes, the first of which are currently due to be available from 2021/22.

- 1.7 The council are concluding the legal negotiations with the Brent Cross North (BXN) Development Partners Hammerson and Aberdeen Standard (HASI) in respect of the revised delivery strategy so that the council and Brent Cross South (BXS) can bring forward the necessary core critical infrastructure to deliver the first phases of BXT and BXS. These works relate to delivery of the replacement homes for the Whitefield Estate, highway works and power with associated land assembly and will enable BXS and the station project to be delivered ahead of BXN. In this regard, the Assets, Regeneration and Growth Committee authorised the Deputy Chief Executive in consultation with the Chairman of the Committee to finalise the revised delivery strategy and agree the detail of the consequential changes required to a) the Brent Cross Property Development Agreement and Co-operation Agreement, CPO indemnity agreement and Grant Agreement and associated commercial documentation; and b) the BXS Project Agreement. The legal documents with BXN are currently being finalised and will be entered into following formal approval of the RFA by HMG.

### **Revised Funding Agreement**

- 1.8 The council submitted an update to the 2016 HMG approved Brent Cross Cricklewood Full Regeneration Business Case (2019 FBC) to MHCLG on 30 January 2018, taking into account the substantial scheme development since February 2016 and the changes in delivery responsibility associated with BXN's decision to defer start on site. The Business Case updated the strategic, economic, financial, commercial and programme cases, with regard to value-for-money and the level of risk in line with the letter from MHCLG dated 11 December (and appended to the report to Full Council on 18 December 2018). The 2019 FBC established a benefit cost ratio of 2.6:1 with jobs and 2.2:1 without jobs based on a south side only scheme, confirming that the project continues to provide value for money. The reports to P&R on 11 December and Council on 18 December, and the business case submitted to MHCLG, identified the preferred funding option as HMG forward funding and investment in the station to unlock 7,500 new homes in return for 100% of the ringfenced local share of business rates growth for an agreed period, (Option 1, paragraph 1.17 P&R, 11 December 2018).
- 1.9 The Business Case was considered by the Ministry of Housing, Communities and Local Government (MHCLG) Investment Sub-Committee (ISC) on 6 February 2019. The Panel concluded that to date, the BXC continues to meet their investment requirements. The panel gave approval to further financial support to the scheme, subject to completion of a number of actions, and to Ministerial approval. Good progress is being made in delivering these actions, and an update will be provided in an addendum report prior to the Committee.
- 1.10 The Panel indicated that financial support will be provided through an additional grant of £319.5m. The grant would be partly repayable by the Council, recognising that a business rate ringfence is currently in place around the shopping centre. However, ISC were not content with the proposal to extend the ringfence, and therefore asked for further work to agree an appropriate repayment model. We are working with MHCLG officials to develop this further and are making significant progress in achieving an appropriate mechanism. Any proposed agreement will not require the council to commit to borrowing to fund the works, and will not require the council to pay interest. Ministerial

approval is now being sought and an update will be provided in the addendum report prior to Committee.

- 1.11 The grant will be provided in accordance with the existing arrangements with HMG on the basis of actual costs incurred and milestones to be agreed. Given the level of expenditure anticipated over the next two years it is intended the Council will invoice on a monthly rather than on a quarterly basis.

### **BXT Anticipated Final Cost and Critical Infrastructure**

- 1.12 The 2019 FBC is based on a) the total BXT anticipated final cost of £365m (2016 prices inflated) to acquire the necessary land and deliver the Rail Systems and Sidings, Station platforms and station access / pedestrian bridge, Train Operating Compound (TOC) and new Waste Transfer Station and highway works; and b) the BXC core critical infrastructure totalling £55m, which is now being delivered by the Council and Brent Cross South through the revised delivery strategy.
- 1.13 The costs associated with the rail systems, sidings, TOC and station elements have been reviewed by external costs advisors Currie and Brown who have confirmed that the costs within the AFC are appropriate.
- 1.14 BXT and Currie and Brown have also endorsed the Target Cost estimate between Network Rail and Amey in respect of the Rail Systems and Sidings works as required before commissioning of the Schedule 2 works of the NR Implementation Agreement Contract (IA). This follows a review commencing last November 2018 through to January 2019 which saw a reduction in the target cost estimate by £4.8M with an associated £550,000 reduction in the estimated fee. This was the result of the Currie and Brown's independent estimate validation and the consequent collaborative challenge and review process supported by all parties (BXT/Currie & Brown/NR/Amey). The reduction was derived from an iterative series of adjustments to the bill of quantities that support the proposed Target Cost. As a result, all parties have now accepted the final Target Cost as a reasonable estimate of the cost based upon the current scope of works.
- 1.15 The council has now entered into the demolitions contract with Grahams to start the required preparatory work to deliver the new waste transfer station. Negotiations have also commenced in respect of the main build contract.
- 1.16 An allowance for risk has been made for each project at an appropriate level based on a quantified risk assessment and a separate contingency budget is held within the council.
- 1.17 The total funding investment required in the RFA is £419.47m, including the £97m grant agreed in 2016.

### **Assessment against the Revised Financial Tests set by P&R, 11 December 2018**

- 1.18 The Committee set itself six financial tests in July 2014 for the council to assure itself that the prudential code can be satisfied, before making the capital commitment that borrowing can be undertaken to deliver the Thameslink Station. These tests were revised by the Committee on 11 December 2018 to reflect scheme development and contracting strategy. It was also noted that some will not be relevant should forward funding be formalised through the Revised Funding Agreement.

1.19 An assessment of the tests is set out below:

- 1. A guarantee of either 1) forward funding investment in return for 100% of the ring-fenced local share of business rates growth or 2) ring-fencing (or equivalent assurance) of business rates received from HMG and CLG and that the RFA does not expose council to unacceptable risk.**

MHCLG has approved the 2019 FBC based on a grant subject to HMT approval. It is expected that the grant will be recoverable. The terms of the RFA are currently being agreed and will be reported to the Committee through an addendum report.

- 2. If the RFA requires the council to borrow, confirmation that business rates will still pay back borrowing in 25 years if cost increase by 15% on Network Rail controllable costs.**

The RFA is now based on grant and not council borrowing. Grant recovery is different to borrowing in a number of important ways:

- Repayment does not begin immediately, but can wait until the funding stream being used to repay comes available.
- No interest is charged.
- Repayment does not have to be of the full grant amount.

The report to the Committee on 11 December 2018 (paragraphs 1.27–1.28) explained that the Business Rates (BR) model has been further refined since the 2016 approved FBC and is now based on detailed designs, net internal area calculations, delivery sequences (for demolition and construction) and leasing strategies for all non-residential use within the whole of the Brent Cross Cricklewood development as well as updated costs. The model therefore gives a significantly more sophisticated picture of business rate income over the lifetime of the project.

The current AFC includes sufficient risk and contingency allowance to accommodate an increase in cost estimates by 17.25% within the 18.25-year payback period. This test can be met. A number of sensitivity tests have been run to reflect cost increases, reduction in income and delays to the project. These demonstrate that in a 'worst case' combined scenario of a substantial cost increase, 10% reduction in BR income, and a six months delay in project delivery, the payback period is just over the original maximum parameter of 25 years.

- 3. If the RFA requires the council to borrow, that interest rates are capped at no more than 4.5%.**

The RFA being progressed is now based on upfront grant, which is expected to be recoverable. This test is no longer applicable.

- 4. That an acceptable RFA is in place does not expose the council to unacceptable risk.**

The RFA being progressed is now based on upfront grant, which is expected to be recoverable. This terms of the RFA are now being worked through and an update will be provided to the Committee through an addendum report.

- 5. Noting that NR will only progress on an emerging cost contract (not fixed price), the RFA must mitigate the risk of NR cost overruns and not expose the council to unacceptable risk, noting the provisions within the Implementation Agreement approved by the Assets, Regeneration and Growth Committee on 17 September and 27 November 2018.**

The report to Full Council on 18 December 2018 explained that Network Rail will not enter the fixed price variant for high value projects and that any contract with Network Rail will be an emerging cost contract and outlined the cost control measures that will be put in place in the Implementation Agreement Contract with Network Rail as well as within the council and Re BXT teams to manage this risk. Further explanation is provided within the risk section of this report. Following Full Council's approval to enter into the IA on 18 December, the IA was subsequently completed. As explained in point 2 above sufficient risk and contingency has been built into the Anticipated Final Cost.

The RFA being progressed is now based on upfront recoverable grant. The terms of that agreement are now being worked through and an update will be provided to the Committee through an addendum report.

- 6. That the impact on the council's general fund is either net nil or positive.**

The RFA being progressed is now based on upfront grant, which is expected to be recoverable. This terms of the RFA are now being worked through on the basis the RFA has nil net or positive impact on the council finances. An update will be provided to the Committee through an addendum report.

### **Minimum Revenue Provision Strategy**

- 1.20 The RFA being progressed is based on upfront grant, which is expected to be recoverable and therefore is unlikely to require a minimum revenue provision (MRP) strategy. This approach will be confirmed in the addendum note setting out further details of the approach.

### **Revised Capital Budgets**

- 1.21 The council has taken the approach of adding elements of the programme to the capital programme at the point where there are commissioned. However, once the RFA is in place, it is considered appropriate to make the consequential changes to the capital budgets required for the BXT and critical infrastructure to proceed and to reflect the spend profile and drawdown arrangements with HMG.
- 1.22 As of December 2018, the total current approved BXT budget in the capital programme is £92.79m. All of this budget falls within the original £97m MHCLG grant funding agreement. The GLA also provided a grant of £2.9m to support the programme, which was drawn down in 2015/16.

- 1.23 The consequential changes required are
- 1) increase the BXT capital budget by £272.3m from £92.79m to £365m in accordance with the spend profile across financial years in the table below.
  - 2) To create a new capital budget for the core critical infrastructure works totalling £55m in accordance with the spend profile across financial years in the table below.

<b>Spend Profile by year (£m)</b>	Cumulativ e to end of FY18/19	19/20	20/21	21/22	22/23	TOTAL £M
Thameslink	87.24	181.54	61.43	29.11	5.15	364.47
Critical Infrastructure		12.2	42.8			55.00
<b>TOTAL</b>						<b>419.47</b>

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The comprehensive regeneration of Brent Cross Cricklewood is a long-standing objective of the council, a key regeneration priority of the Mayor of London and actively supported by HM Government.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Recoverable grant is identified in the business case as the council's preferred option. The alternative funding option is to borrow as set out in the report to Committee on 11 December 2018 (paragraph 1.17). This option carries greater risk and therefore not recommended. MHCLG have also been asked to consider the option of unrecoverable grant.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 The council and its advisors will continue to progress all work streams to ensure delivery of the Brent Cross regeneration proposals subject to the approvals required in this report.
- 4.2 The RFA will be finalised with the Chief Executive in consultation with the Chairman of the Committee and enter into the RFA with HMG to enable the commissioning the Schedule 2 (Rail Systems and Sidings) works as set out in the Implementation Agreement Contract with Network Rail dated 21 December 2018.
- 4.3 The consequential changes to the capital budget to proceed with the BXT and delivery of core critical infrastructure as detailed in paragraphs 5.2.7 of this report.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 Previous reports describe in detail the ways in which the regeneration of Brent Cross Cricklewood supports the council's Corporate Plan.

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

- 5.2.1 As stated in paragraphs 1.10 of this report, the council has now received approval to proceed with the delivery of the Thameslink scheme with the assurance that grant funding will be made available for the full budget requirement of the scheme.
- 5.2.2 The council has taken the approach of adding elements of the programme to the capital programme at the point where there are commissioned. However, once the RFA is in place, it is considered appropriate for the council to budget expenditure for the entire cost of BXT and critical infrastructure, totalling £419.47m, and to make the consequential changes to the capital budgets required for the project to proceed and reflect the spend profile and drawdown arrangements with HMG. The requests for budget increases for BXC within the council's capital programme in this report are in addition to those included in the Business Planning Report to this meeting.
- 5.2.3 Previously to reaching a funding agreement, the MHCLG Accounting Officer supplied a letter to confirm that existing £97m grant funding should be used to fund works until the end of February 2019 whilst the detail of the funding solution is worked through and put in place by the end of February 2019. The RFA is now being worked up based on additional grant, expected to be recoverable. An update will be provided prior to Committee.

#### BXC Revised Delivery Strategy – delivery of critical infrastructure

- 5.2.4 The revised delivery strategy, agreed by the council's Assets Regeneration and Growth Committee in November 2018, will require the council and BXS to deliver core critical infrastructure and land acquisition. The works total £55m and will be drawn down from MHCLG grant in accordance with RFA. Some of the works will be delivered by BXN or BXS. The existing grant funding agreement with BXN dated 11 July 2016 is being amended to reflect the revised delivery responsibility.

#### Thameslink Station

- 5.2.5 As of December 2018, the current approved budget in the capital programme is £92.79m. All this budget falls within the original £97m MHCLG grant funding agreement. The GLA has also provided a grant of £2.9m to support the BXC Programme. Spend to date (including expenditure committed but not yet paid) is £79.17m and anticipated spend to 31 March is £87.24m.
- 5.2.6 As previously stated, the delivery of the Thameslink works, including land acquisitions, is contained within the council's capital programme and funded by MHCLG grant. To date £58.3m has been received from MHCLG to fund project costs and land acquisitions. The council is drawing down funding on a quarterly basis. This includes the grant claim submitted to MHCLG totalling £38.687m on 11 February 2019.
- 5.2.7 The consequential changes required are:

- 1) increase the BXT capital budget from £92.79m to £365m in accordance with the spend profile across financial years in the table below, funded by grant from MHCLG.

- 2) to create a new capital budget for the core critical infrastructure works totalling £55m in accordance with the spend profile across financial years in the table below, funded by grant from MHCLG.

<b>Spend Profile by year (£m)</b>	<b>Cumulative to end of FY18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>TOTAL £M</b>
Thameslink	87.24	181.54	61.43	29.11	5.15	364.47
Critical Infrastructure		12.2	42.8			55.00
<b>TOTAL</b>						<b>419.47</b>

### 5.3 Social Value

- 5.3.1 Previous reports to the Assets, Regeneration and Growth Committee and this committee set out how the Brent Cross Cricklewood programme will secure wider social, economic and environmental benefits.

### 5.4 Legal and Constitutional References

- 5.4.1 The Council's Constitution, Article 4, sets out the role and function of Full Council which as a matter of law required to take certain important decisions including approving the strategic funding of the Council upon recommendation of the Policy and Resources Committee determination of the financial strategy and approval of the capital programme.

- 5.4.2 Article 7 of the Council's Constitution – Responsibility for Functions- sets out the terms of reference of the Policy and Resources Committee which include:

- Responsibility for strategic policy finance including recommending: Capital and Revenue Budget; Medium Term Financial Strategy and Corporate Plan to Full Council as well as Finance including: treasury management, local taxation, corporate procurement, grants and writing off debt, virements and effective use of resources.

- 5.4.3 The Council has a range of powers to enter into the legal agreements envisaged by this report, including the general power of competence under Section 1 of Chapter 1 of the Localism Act 2011 to do anything that individuals can do subject to any specific restrictions contained in legislation as well as pursuant to Section 111 of the Local Government Act 1972 which provides that a local authority has power to do anything which is calculated to facilitate, or is conducive or is incidental to, the discharge of its functions.

- 5.4.4 Additionally, the Council has the power to acquire and dispose of land in accordance with Sections 120 to 123(2A) of the Local Government Act 1972, subject to obtaining all appropriate consents and approvals.

- 5.4.5 Procurement of public works and services contracts over the relevant value thresholds must observe the requirements of the Public Contracts Regulations 2015, to include the placing of OJEU notices where such contracts are not drawn down from a compliant framework. The Public Services (Social Value) Act 2012 requires the Council to consider whether it can achieve an improvement to the economic, social and environmental well-being of an area as part of the procurement of these services. If so, the social value

objectives identified must be written into the procurement process. All of this must be achieved with regard to value for money and in a way that is compliant with existing public procurement law. “Social value” objectives can include the creation of employment, apprenticeship and training opportunities for local people, trading opportunities for local businesses and the third sector; and the promotion of equality and diversity through contract delivery.

5.4.6 The Council is aware of the need for any funding which is supplied (by way of the SIC for example) to be made on terms which comply with state aid law (article 107 Treaty of the Functioning of the European Union) and as such any monies will be advanced on terms which reflect the approach of a private sector investor.

## 5.5 Risk Management

5.5.1 Risk management has been applied across all levels of the programme. As reported to Committee in September, owners and mitigation plans are identified and risks are measured against impact and likelihood to give an overall rating. High rating risks are escalated and reported through the defined reporting procedure with top risks reported to BXC Governance Board. Currently the key risks and mitigations are summarised below:

5.5.2 **Programme and funding** – There is a risk that BXN does not progress or that planning dates are not achieved across the programme. This risk has been identified in previous reports and the Council has been working with public sector and development partners to ensure mitigation plans are in place. The funding risk to the station project because of BXN delay has always been recognised and as detailed in this report public sector partners have been working together to agree an alternative funding strategy.

### 5.5.3 Failure to agree Revised Funding Agreement

- 1) A delay to agreeing the revised Funding Agreement with public sector partners will impact the station programme and will delay the planned opening date of May 2022.
- 2) A failure to agree a revised Funding Agreement would lead to further risk and uncertainty as BXT is critical to delivery of BXS. Both programmes will stall and works will stop whilst a new funding solution is found. Contractors are very likely to be stood down and resources will be deployed elsewhere. Remobilisation will take time with a three-year delay at best. It raises the uncertainty of whether BXS and comprehensive redevelopment of BXC is delivered.

5.5.4 A number of recommendations in this report are subject to the revised funding strategy being agreed by HMG, GLA as well as Policy and Resources Committee and Full Council. The Policy and Resources Committee revised the tests on 11 December 2018 for the council to assure itself that the prudential code can be satisfied before borrowing can be undertaken. These tests will need to be reviewed to mitigate the intended risk in light of the new funding strategy.

5.5.5 **BXT cost overruns / insufficient business rates generated.** The RFA is now based on grant and not council borrowing. Grant recovery is different to borrowing in a number

of important ways:

- Repayment does not begin immediately, but can wait until the funding stream being used to repay comes available.
- No interest is charged.
- Repayment does not have to be of the full grant amount.

5.5.6 The report to the Committee on 11 December 2018 (paragraphs 1.27–1.28) explained that the Business Rates (BR) model has been further refined since the 2016 approved FBC and is now based on detailed designs, net internal area calculations, delivery sequences (for demolition and construction) and leasing strategies for all non-residential use within the whole of the Brent Cross Cricklewood development as well as updated costs. The model therefore gives a significantly more sophisticated picture of business rate income over the lifetime of the project.

5.5.7 The current AFC can accommodate an increase in costs by 17.25% within the 18.25-year payback period. A number of sensitivity tests have been run to reflect cost increases, reduction in income and delays to the project. These demonstrate that in a 'worst case' combined scenario of a substantial cost increase, 10% reduction in BR income, and a six months delay in project delivery, the payback period is just over the original maximum parameter of 25 years.

5.5.8 Nevertheless, it will be critical for the BXT team to manage this risk through the commercial and risk management processes as set out below.

5.5.9 **Thameslink delivery costs** – as with all major programmes there is the risk that costs will increase during programme delivery. The council/Currie and Brown have undertaken an independent review of the Network Rail cost estimates. BXT/Currie and Brown have now endorsed the Target Cost Estimate between NR/Amey as set out in paragraphs x and x above in respect of the Rail Systems and Sidings works as required before commissioning of the Schedule 2 works of the NR Implementation Contract signed on 21 December 2018. The contract between the Council and NR is an Emerging Cost contract. As indicated in previous reports, all emerging cost contracts entered into will require strong contract management to ensure all costs incurred are reasonable. As part of the signed IA the council will have open book access to all of Network Rail's financial information relating to invoiced costs incurred on the programme. This will extend to Network Rail contractors where an emerging cost contract is in place. As referred to in the report to ARG in November 2018, the council also has the right (subject to notice and personal safety) to access the site and attend meetings.

5.5.10 The most important control mechanism for the council is to employ experienced staff who will provide diligent review and challenge of the NR cost base, and reject any costs which are not reasonably and properly incurred. The council's Client and Re Thameslink delivery team comprises professionals used to working on the railway within Network Rail and are experienced in delivering large railway projects. The challenge to NR will need to operate at several levels, including:

- a. A full-time site presence that stays abreast of issues that arise on site, and monitors the detail and impact of any events, or failure to meet programme milestones, quality standards etc. The site team/person will also systematically log these events/issues and share this information with NR.

- b. Whilst it will always be difficult to isolate costs associated with NR/Contractor failure, from genuine cost, it is important that NR are discouraged from passing on contractor valuations without themselves challenging whether a deduction should be made to take account of notified failures.
- c. Attendance at key NR meetings. This is in addition to the role set out in (a), targeting any issues which may not have been picked up by the site based teams, but for the same purpose as (1).
- d. A strong commercial challenge that scrutinises and interrogates any unexpected costs which emerge during the pre-invoice (valuation) process, and repeats this when the main invoices are submitted.

5.5.11 The Council is in control of the TOC, waste, highways and station programmes. It is the rail systems and sidings through Network Rail that carry the greater risk. The council has put in place an experienced team to ensure robust cost management processes are in place across the programme and ensure early warning signs of any divergence from the AFC are identified and mitigation plans put in place, and escalated if necessary, to manage the outturn cost. DfT are in a position to influence if necessary given DfT's relationship with NR. BXT costs will be reported to and monitored regularly by the Council as well as the Government Assurance Board, who will review and agree any contingency plan.

5.5.12 **Station Delivery Date** – As reported to Committee in September, there is the risk – even with appropriate funding in place - that the May 2022 station opening date cannot be achieved. This would result in additional costs due to programme prolongation as the earliest viable opening date would be December 2022 due to restrictions on timetable changes. This could be later depending on other works on the railway. Railway possessions are already booked. To mitigate this risk there are project and programme review boards in place that regularly monitor and challenge deliverables at all levels. Specific project risks are identified and managed at the work package level with clear owners and mitigation plans for each. Any risk that results in an impact on a key milestone is reviewed by the programme team and BXC governance board taking into consideration time and cost implications alongside impacts on BXS given the interdependencies and criticality of delivery of the station on the BXS programme.

5.5.13 **Residential Delivery** There is a risk that further delays to the BXN development will lead to uncertainty for residents and business owners who are being affected by the development either through relocation or disruption from construction activities. This is being mitigated through many communication activities and resident steering groups that have been setup specifically to keep affected parties up to date with the latest programme dates.

5.5.14 **Economic** – There is a risk that the prevailing economic position for the traditional retail sector will continue. This could result in reduced demand for retail space and administration to existing retailers. To mitigate this the BXS development partners are exploring a diversification of offer for BXS.

5.5.15 **Planning** – There is a risk that the BXC Partners do not meet the timescales established

to secure the revised delivery strategy. To mitigate this all the BXC Partners are working to March submission date to ensure all parts of the scheme can be delivered to ensure comprehensive regeneration in its entirety.

## 5.6 Equalities and Diversity

5.6.1 As previously reported, the Development Proposals support achievement of the council's Strategic Equalities Objective.

5.6.2 The development proposals for the Brent Cross Cricklewood scheme will make a significant contribution to the provision of additional, high quality affordable housing units in the Borough as well as providing employment through the creation of a new town centre with leisure, health and educational facilities. The delivery of the Thameslink Station will enhance public transport provision and improve accessibility and provide greater choice for all. It should be emphasised that a fully integrated and accessible town centre will be created as part of these proposals.

## 5.7 Corporate Parenting

5.7.1 None in the context of this report.

## 5.8 Consultation and Engagement

### Programme wide

5.8.1 A detailed update on consultation and engagement was provided to the ARG committee on 27 November 2018.

<http://committeepapers.barnet.gov.uk/documents/s49849/Brent%20Cross%20Cricklewood%20Update%20Report.pdf>

## 6.0 BACKGROUND PAPERS

6.1 Policy and Resources Committee 17 May 2016 Brent Cross Funding  
<http://barnet.moderngov.co.uk/documents/g7860/Public%20reports%20pack%2021st-Jul-2014%2019.00%20Policy%20and%20Resources%20Committee.pdf?T=10>

6.2 Assets, Regeneration and Growth Committee, 17 March 2016, item 14, Brent Cross Cricklewood Compulsory Purchase Order (No.3),  
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=8312&Ver=4>

6.3 Assets, Regeneration and Growth Committee, 17 March 2016, item 16, Brent Cross Cricklewood  
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=8312&Ver=4>

- 6.4 Policy and Resources Committee 17 May 2016 Brent Cross Funding  
<http://committeepapers.barnet.gov.uk/documents/b27688/Brent%20Cross%20funding%20strategy%2017th-May%2016%2019.00%20Policy%20and%20Resources%20Committee.pdf?T=9>
- 6.5 Assets, Regeneration and Growth Committee, 24 April 2017, Brent Cross Cricklewood Update Report  
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=8641&Ver=4>
- 6.6 Assets, Regeneration and Growth Committee, 24 July 2017, Brent Cross Cricklewood Update  
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9337&Ver=4>
- 6.7 Assets, Regeneration and Growth Committee, 4 September 2017, Brent Cross Cricklewood update report,  
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9080&Ver=4>
- 6.8 Assets, Regeneration and Growth Committee, 27<sup>th</sup> November 2017, Brent Cross Cricklewood Update Report,  
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9435&Ver=4>
- 6.9 Assets, Regeneration and Growth Committee, 12th March 2018, Brent Cross Cricklewood Update Report,  
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9083&Ver=4>
- 6.10 Assets, Regeneration and Growth Committee, 14<sup>th</sup> June 2018, Brent Cross Cricklewood Update Report,  
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9480&Ver=4>
- 6.11 Assets, Regeneration and Growth Committee, 17th September 2018, Brent Cross Cricklewood Update Report,  
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9764&Ver=4>
- 6.12 Assets, Regeneration and Growth Committee, 27th November 2018, Brent Cross Cricklewood Update Report  
<http://committeepapers.barnet.gov.uk/documents/s49849/Brent%20Cross%20Cricklewood%20Update%20Report.pdf>
- 6.13 Policy and Resources Committee 11 December 2016 Brent Cross Funding  
<https://barnet.moderngov.co.uk/documents/g9460/Public%20reports%20pack%2011th-Dec-2018%2019.00%20Policy%20and%20Resources%20Committee.pdf?T=10>
- 6.14 Full Council 18 December 2016 Brent Cross Cricklewood Update Report  
<https://barnet.moderngov.co.uk/documents/g9454/Public%20reports%20pack%2018th-Dec-2018%2019.00%20Council.pdf?T=10>

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