

<u>Meeting</u>
Cabinet
<u>Date and time</u>
Tuesday 12th December, 2023
At 7.00 pm
<u>Venue</u>
Hendon Town Hall, The Burroughs, London NW4 4BQ

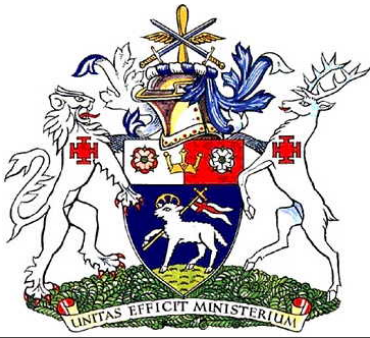
Dear Councillors,

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
10	Report of Overview and Scrutiny Committee to Cabinet - Recommendations on Business Planning 2024-2030 and In-Year Budget Management 2023/24	3 - 12
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Cabinet

Title	Report of Overview and Scrutiny Committee to Cabinet: Recommendations on Business Planning and Medium-Term Financial Strategy 2024 – 2030
Date of Meeting	12 December 2023
Wards	All
Status	Public
Key	Non-Key
Relevant Portfolio(s)	All Cabinet Portfolios
Officer Contact Details	Faith Mwende, Overview and Scrutiny Manager, faith.mwende@barnet.gov.uk

Summary

The Overview and Scrutiny Committee met on 21st November 2023 to review the forthcoming decision by Cabinet on 12 December 2023 relating to: Business Planning and Medium-Term Financial Strategy 2024 – 2030. Members of the two Sub-Committees (Children & Education, and Adults & Health) were invited to the Committee to scrutinise proposals relating to portfolios and services within the terms of reference.

Following consideration of the item, the Committee agreed to make the following recommendations to Cabinet.

Cabinet can either respond to the recommendations: verbally at the meeting; by way of a written addendum to be reported to Cabinet; or provide a written response after the meeting.

The Overview & Scrutiny Committee have requested that the Leader attend the meeting taking place on 23rd January 2024 to report back to the Committee responses to the recommendations below and to highlight how the budget proposals have changed following the public consultation period.

Recommendations to Cabinet

RESOLVED that the Overview and Scrutiny Committee

1. Having considered the contents of Business Planning and Medium-Term Financial Strategy 2024-2030 Report attached at Annex A (noting the remaining budget gap for 2024/25) had the following specific concerns and made the following recommendations for Cabinet to examine:

- 2. Notes that any changes made in the Autumn Statement on 22 November 2023 that impact the MTFS may be incorporated into the paper presented to Cabinet on 12 December 2023.**
- 3. Noting that the proposed budget relied on Community infrastructure Levy (CIL) to fund some revenue expenditure, noted that legal advice had been requested on the use of CIL as set out in the budget proposals.**
- 4. The Committee, being concerned about the level of NHS debt to the Council, recommends that Cabinet carry out its best endeavours to retrieve these monies and report progress back to the Overview and Scrutiny Committee.**
- 5. That Cabinet considers writing to the three local Members of Parliament to ask them to lobby the Secretary of State for Health to pay outstanding debts to the Council.**
- 6. The Committee, having sought clarification on the saving of £500,000 on adults with mental health needs, is concerned that Cabinet may need assurance on these savings proposals given the level of need within this area.**
- 7. The Committee further noting the expenditure within the budget that assumes funding coming in from the NHS, including £1 million in Continuing Health Care and £10 million in outstanding debt, recommends that Cabinet:**
 - a. Explore the fiscal relationship with the NHS as far as is practically possible.**
 - b. Consider the reality of transfer of funds from NHS and evaluate the likelihood of this money being received and the impact should the funding not materialise,**
 - c. Look at it in the aggregate (money coming from the NHS and money going to the NHS) to decide if it is feasible.**
- 8. The Committee having expressed concern about 'Adults 27', given that it is the largest saving and will require £3 million savings per year, recommend that more detail be provided about how this saving will be achieved, and request that Cabinet reconsider the saving to determine if it is achievable to save these significant sums of money within the time frame.**
- 9. The Committee, noting that Barnet has one the highest hospital discharge rates in London and the associated costs, recommend that Cabinet Member for Adults & Health jointly with the Chair of the Adults & Health Overview and Scrutiny Committee Sub-Committee write and call on the Government and North Central London Integrated Care Board to provide extra funding for people as they are discharged from hospital and need additional support to return home and main independence.**
- 10. That Cabinet give further consideration when savings are moved from the revenue to the capital budget to ensure this is an appropriate action to undertake (capitalisation of spending which could include borrowing).**
- 11. The Committee supports the use of new technology which may enable more citizens to be more independent and thereby not need intervention so ultimately produce savings be explored.**
- 12. The Committee noted that there was a new model under SSR7 (New operating model aligned to newly defined priorities in the Community Safety team) and questioned how savings would be achieved.**

1. Reasons for the Recommendations

- 1.1 The Overview and Scrutiny Committee met on 21st November 2023 to review the forthcoming decision by Cabinet on 12 December 2023 relating to: Business Planning and Medium-Term Financial Strategy 2024 – 2030. Members of the two Sub-Committees (Children & Education, and Adults & Health) were invited to the Committee to scrutinise proposals relating to portfolios and services within the terms of reference. Details of their comments and recommendations to Cabinet are detailed below.

Leader of the Council and Cabinet Member for Resources and Effective Council

- 1.2 The Chair invited Councillor Barry Rawlings, Leader of the Council and Cabinet Member for Resources and Effective Council, to give an overview of the budget proposals for the Council.
- 1.3 The Leader outlined the context, stating both local and national pressures had impacted the budget, from austerity, inflation, interest rates, increases in energy prices, the effects of the pandemic, a rising elderly population, more children with complex social care needs, and increased cost for temporary accommodation, especially in London, which cumulative resulted in significant shortfalls in the budget. The Council were working to address the issues by investing locally, building more council housing, helping people to live independently, and bringing children's social care provision for placements in-house.
- 1.4 In response to comments from the Committee on the high cost of social care placement packages, the Leader confirmed that pan-London work was ongoing with London Councils and the Council had engaged and was leading in the joint work being undertaken in to reduce the costs, especially in relation to children's social care placements.
- 1.5 In response to comments from the Committee on the value of buying houses that had already been built instead of building additional housing, the Leader confirmed that in doing so the council obtained twice as many houses for the same cost, increasing the housing stock and the associated Council Tax income.
- 1.6 The Committee queried if the Council would seek an above inflation increase in Council Tax despite the rate of inflation decreasing to 4.6%. In response, the Leader confirmed that while the inflation rate had slowed, prices were still rising, and the standard inflation rate widely used stood at 6.8%.

Cabinet Member for Homes and Regeneration

- 1.7 Councillor Ross Houston, Deputy Leader of the Council and Cabinet Member for Homes and Regeneration, gave an overview of the budget and savings proposals within his portfolio which was an area that covered income and investment in assets. He advised the Committee that the rising demand for housing, increased use of temporary accommodation, a 30% increase in homelessness applications, a 20% increase in private rents, while the local housing allowance had been frozen, and a falling supply in housing (down 40% across London), had all led to increased pressures on the budget. There were other pressure areas such as the cost of hotel accommodation, costs associated with the fire safety works, work on damp and mould, and the impact of reduced income from planning services. He reported that the Council were working to address these issues.

- 1.8 The Committee expressed concern that a shortfall in the Housing Revenue Account (HRA) may require input from the General Fund and the potential impact on the reserves and thus the planned Capital Programme. The Cabinet Member noted the concerns and the external pressures affecting the HRA, which were similar for councils across London. He confirmed that a detailed review of the account being undertaken with Barnet Homes to ensure that it was prudently managed. Furthermore, this was not an immediate risk, but one that had to be highlighted to ensure that Members were aware.
- 1.9 In response to questions, the Cabinet Member confirmed that the Colindale Gardens purchase would reduce pressures by £872,000 by reductions in the use of temporary accommodation, rental income, and Council Tax income. In response to a query about cash incentives to private landlords to reduce temporary accommodation being revenue raising, the Cabinet Member confirmed that scheme focused on larger family homes and this would be a net benefit by saving on expensive temporary accommodation.
- 1.10 In response to query on if the benefit of the New Homes Bonus continuing, the Cabinet Member confirmed it would add around £1,000,000 to the budget. The Committee noted that Barnet was the largest deliverer of new homes in outer London and the aim was to continue delivering homes of all tenures, with a particular emphasis on making homes affordable. In response to a question on the development of houses for home ownership, the Cabinet Member noted that while schemes such as shared ownership were becoming less popular, a range of options would be considered to support people into home ownership.
- 1.11 In response to comments, the Committee noted that Cabinet, in conjunction with London Councils, is lobbying the Government to review the Local Housing Allowance which had been frozen, and this freeze had severely impacted local councils.

Cabinet Member for Culture, Leisure, Arts and Sports

- 1.12 Councillor Ammar Naqvi, Cabinet Member for Cabinet Member for Culture, Leisure, Arts and Sports, gave an overview of the budget and savings proposals within his portfolio, which has identified £3.45 million worth of savings (and revenue increases) from leisure centres, and £470,000 worth of savings from libraries.
- 1.13 In response to a query on revenue raising opportunities, the Cabinet Member confirmed that several options were being explored including opportunities for growth in the film industry.
- 1.14 The Committee expressed concern about the £200,000 saving in relation to West Hendon Playing Fields. The Cabinet Member confirmed that this was related to income generation opportunities from the new facilities. In response to concerns about the reduction in the libraries budget, the Cabinet Member confirmed that the saving related to reduction in newspaper purchases which, following consultation, it had been identified were no longer widely read.
- 1.15 Noting that the proposed budget relied on Community Infrastructure Levy (CIL) to fund some revenue expenditure, the Committee requested that Cabinet get legal advice on the use of CIL as set out in the budget proposals was within the legal and geographical requirements for how CIL could be used.

Cabinet Member for Health and Wellbeing

- 1.16 Councillor Alison Moore, Cabinet Member for Health and Wellbeing, gave an overview of the main areas of responsibility within her portfolio covering public health, tackling health inequalities, and ensuring health is considered in all council policies. The Cabinet Member noted that Public Health was funded through the Public Health Grant.
- 1.17 In response to a query on fair funding, the Cabinet Member confirmed that while Barnet was one of the largest and most populous boroughs, it received one of the lowest public health grants and this had a significant impact on what could be delivered as the level of need had grown and become more complex. As such, there was a need to gather and use data, including the recent census data for the Barnet population, to highlight the levels of need and thus lobby government for appropriate funding.
- 1.18 In response to a query on how the £10 million debt owed to the Council by NHS would be recovered, noting that failure to recover the debt would have to come from the General Fund, the Cabinet Member reported outstanding monies related to historical care packages and disputes between health and education elements of children's care packages. She advised the Committee that lobbying was taking place to recover the debt.
- 1.19 The Committee were concerned about the level of NHS debt to the Council and recommended that Cabinet carry out its best endeavours to retrieve these monies and report progress back to the Overview and Scrutiny Committee. Furthermore, it was requested that Cabinet writes to the three local Members of Parliament to ask them to lobby the Secretary of State for Health to request that the NHS pay outstanding debts to the Council.
- 1.20 The Committee sought clarification on the saving of £500,000 on adults with mental health needs given the level of need within this area, and recommended Cabinet provide assurances on the potential impacts of these savings proposals.
- 1.21 The Committee further noting the expenditure within the budget that assumes funding coming in from the NHS, including £1 million in continuing health care and £10 million in outstanding debt, recommends the following concerns to Cabinet:
- a. Should explore the fiscal relationship with the NHS as much as is practically possible.
 - b. Should consider the reality of transfer of funds from NHS and evaluate the likelihood of this money being received and the impact should the funding not materialise.
 - c. Look at the money coming from the NHS and money going to the NHS in the aggregate to decide if it is feasible; and
 - d. Having done the above, provide update on the position to the Overview and Scrutiny Committee.

Cabinet Member for Adults and Health

- 1.22 Councillor Paul Edwards, the Cabinet Member for Adults and Health, gave an overview of the budget and savings proposals within his portfolio. He reported that the Local Government Association had stated there is a crisis in adult social care, with demand outstripping supply, especially following the pandemic. As such, the Council was keen to invest in reablement to enable people to stay in their own homes.
- 1.23 In response to a question, it was confirmed that the £300 self-funding brokerage fee was not a for profit for the Council and was used for planning and arranging, brokering and quality management of the move into a care home. In response to a query on the proposed saving under 'Adults 27 (reductions in demand pressures due to prevention work)', officers confirmed that the work was underway to develop these plans and that the use of new software and

technology which will predict people who need services and intervene earlier to prevent them from needing care, would realise this savings.

- 1.24 The Committee expressed concern about 'Adults 27', given that it is the largest saving and would require £3 million savings per year and recommend that more detail be provided about how this will be achieved and Cabinet reconsider saving 'Adults 27' to determine if it was achievable to save these significant sums of money within the time frame.
- 1.25 The Committee, noting that Barnet had one of the highest hospital discharge rates in London which led to additional costs for the Council on work relating to discharges including reablement and ongoing support, recommend that Cabinet Member jointly with the Chair of Adults & Health Overview and Scrutiny Sub-Committee, write to and call on the Government and North Central London Integrated Care Board to provide extra funding for people as they are discharged from hospital and need additional support to return home and maintain independence.
- 1.26 The Committee sought clarification on 'Adults 6' and the £1 million saving. Officers reported that this would capitalise telecare spending. The Committee recommended that Cabinet give further consideration when savings are moved from the revenue to the capital budget to ensure this was an appropriate action to undertake (i.e. capitalisation of spending which could include borrowing).

Cabinet Member for Family Friendly Barnet

- 1.27 Councillor Pauline Coakley Webb, Cabinet Member for Family Friendly Barnet, gave an overview of the budget and savings proposals within her portfolio. She highlighted that the Council were responsible for approximately 300 children in care and the top priority was their wellbeing.
- 1.28 The Cabinet Member highlighted the exceptionally high cost of placements for children and the profits being made by private providers, and questioned why the price was not capped nationally and them being run as "not for profit". The Committee noted that Cabinet Member in lobbying the Government to change the law and either cap the price of care placements, or that private providers were run as "not for profit" so that companies were not making a profit from vulnerable children. Officers confirmed that the placement provision being explored would be provided locally and was expected to be better provision if provided inhouse.
- 1.29 In response to questions on the reduction of agency staff and services, the Cabinet Member confirmed that having in-house foster carers would provide continuity for children in care which would be beneficial. In response a question on SEND transport savings, the Cabinet Member confirmed that every change made to services provided for children with additional needs would be assessed on a case-by-case basis to ensure that it was not detrimental to their wellbeing.
- 1.30 The Committee queried what provision was in place and what the impact would be should the expected £3 million in the Autumn Statement not materialise. Officers confirmed that they would need to implement some of the proposed savings, such as in-house placement care sooner to bridge the gap.

Cabinet Member for Environment and Climate Change

- 1.31 Councillor Alan Schneiderman, Cabinet Member for Environment and Climate Change gave an overview of the budget and savings proposals within his portfolio. He highlighted the savings

and stated that the Council were working towards making Barnet a cleaner and greener borough which had provided additional investment in roads and pavements, digital systems, and increased residential engagement through the Citizens and Youth Assembly. He also stated that the introduction of 2,000 Electric Vehicle (EV) charging points would generate approximately £800,000 income for the Council.

- 1.32 In response to questions from the Committee, the Cabinet Member stated that providing better maintenance for Barnet's roads and highways would prevent future potholes and damaged roads. It was also confirmed that with the proposed income generation schemes within this portfolio, resident engagement would be included in the final consideration of any changes.

Cabinet Member for Community Safety and Participation

- 1.33 Councillor Sara Conway, Cabinet Member for Community Safety and Participation, thanked officers in the Community Safety and Community Participation teams as they worked on building partnerships and creating a safer community for residents. In response to questions, the Cabinet Member stated that the CCTV transformation had been future proofed, and reviews were scheduled to ensure the effectiveness of the system.
- 1.34 In response to a query on the proposed £300K savings (New operating model aligned to newly defined priorities in the Community Safety team) under SSR7, Cabinet agreed to provide details of what the new model was and what the new priorities would be to archive the savings outside of the meeting.
- 1.35 Following consideration of the item, the Chair moved to vote on the recommendations set out in the 'Recommendation to Cabinet' section set out above which were unanimously agreed.

2. Alternative Options Considered and Not Recommended

- 2.1 N/A

3. Post Decision Implementation

- 3.1 Cabinet can either respond to the recommendations: verbally at the meeting; by way of a written addendum to be reported to Cabinet; or provide a written response after the meeting.
- 3.2 The Overview & Scrutiny Committee have requested that the Leader attend the meeting taking place on 23rd January 2024 to report back to the Committee responses to the recommendations below and to highlight how the budget proposals have changed following the public consultation period.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1 Our Plan for Barnet 2023 – 2026 has a priority of 'Being an engaged and effective council' where 'We will be open to scrutiny and transparent about the hard choices that we sometimes have to make.'

Corporate Performance / Outcome Measures

- 4.2 N/A

	Sustainability
4.3	N/A
	Corporate Parenting
4.4	N/A
	Risk Management
4.5	N/A.
	Insight
4.6	N/A
	Social Value
4.7	N/A
5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)	
5.1	N/A
6. Legal Implications and Constitution References	
6.1	<p>The Budget and Policy Procedure Rules (Council Constitution, Part 3D) require:</p> <p>1.1 The draft budget proposals of the Executive shall also be referred to the Overview and Scrutiny Committee for advice and consideration. A copy of the proposals shall be sent as soon as available to all members of that Committee.</p> <p>1.2 The Overview and Scrutiny Committee may conduct further consultation as it considers appropriate except that this should not duplicate any consultation already carried out or proposed to be carried out by the Executive and should not delay the timetable set out by the Executive.</p> <p>1.3 The Overview and Scrutiny Committee shall report to the Executive on the outcome of their consideration of the draft budget proposals and may make such recommendations, as it considers appropriate. The Executive must consider any report or recommendations made by the Overview and Scrutiny Committee before it submits its budget to the Council for approval. When making its report to the meeting of the Council on the budget the Executive must state how it has taken into account any recommendations from the Overview and Scrutiny Committee.</p> <p>1.4 Terms of reference of the Overview & Scrutiny Committee and Sub-Committees (Council Constitution, Part 2B, Terms of Reference of Committees and Sub-Committees includes: “9.2.2 Policy Development and Review – by supporting the Council and Executive in developing the policy framework and budget for the Council, working with partner organisations on issues that may be outside the remit of the Council and reviewing and/or scrutinising decisions made or actions taken in connection with the discharge of any of the Council’s functions”, and that they may “9.3.2.1 assist the Council, the Executive and Portfolio Holders in the development of the budget and policy framework by in-depth analysis of policy issues”.</p>
7. Consultation	
7.1	N/A

8. Equalities and Diversity

8.1 N/A

9. Background Papers

9.1 Overview and Scrutiny Committee, 21 November 2023, Item 7: Agenda for Overview and Scrutiny Committee on Tuesday 21st November, 2023, 7.00 pm (moderngov.co.uk)

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Cabinet

Title	Report of Overview and Scrutiny Committee to Cabinet: Recommendations on Treasury Management Strategy and Performance Update Outturn, Q1 and Mid-Year 2023/24
Date of Meeting	12 December 2023
Wards	All
Status	Public
Key	Non-Key
Relevant Portfolio(s)	Resources and Effective Council
Officer Contact Details	Faith Mwende, Overview and Scrutiny Manager, faith.mwende@barnet.gov.uk

Summary

The Overview and Scrutiny Committee met on 7th November 2023 to review the forthcoming decisions by Cabinet on 12 December 2023 relating to: Treasury Management Strategy and Performance Update Outturn, Q1 and Mid-Year 2023/24. Following consideration of the item, the Committee agreed to make the following recommendations to Cabinet prior to an updated Treasury Management Strategy being referred by Cabinet for approval by Council on 28 February 2023.

Recommendations to Cabinet

- 1. On the proposed approval of an increase to the council's Operational Boundary and Authorised Limit for External Debt to reflect the council's current expectations around use of reserves over 2023-24 and capital expenditure requiring prudential borrowing, the Committee agreed to refer this matter to the Cabinet with a request for reassurance that Cabinet was satisfied that this proposal was prudent prior to referring the proposal to Council for approval on 30 January 2024.**
- 2. The Committee to recommend to Cabinet that largest major capital programme schemes should have their business cases refreshed/reviewed considering the current economic situation.**
- 3. The Committee to recommend to Cabinet that officers provide the information on the Council's Borrowing strategy, so as to understand in the circumstances in which the Council**

could borrow external funds prior to referring the proposal to Council for approval on 30 January 2024.

1. Reasons for the Recommendations

- 1.1 The Overview and Scrutiny Committee met on 7th November 2023 to review the forthcoming decisions by Cabinet on 12 December 2023 relating to: Treasury Management Strategy and Performance Update Outturn, Q1 and Mid-Year 2023/24. Details of their comments and recommendations to Cabinet are detailed below.
- 1.2 Councillor Barry Rawlings, Leader and Cabinet Member for Resources & Effective Council, and Anisa Darr, the Executive Director of Strategy & Resources (Section 151 Officer), presented a report which provided an update on treasury management performance through the first half of 2023/24, presenting data at three points in time as comparators. These were 2022/23 outturn (31 March 2023), end of quarter one (30 June 2023) and the mid-year point (30 September 2023). The report also set out the expected borrowing plans for the second half of 2023/24 within the context of the Council's capital programme and expected use of reserves through 23/24 based on forecast outturn as at Q2.
- 1.3 On the proposed approval of an increase to the council's Operational Boundary and Authorised Limit for External Debt to reflect the council's current expectations around use of reserves over 2023-24 and capital expenditure requiring prudential borrowing, the Committee agreed to refer this matter to the Cabinet with a request for reassurance that Cabinet was satisfied that this proposal was prudent. **Action: Scrutiny Officer to Refer Item to Cabinet**
- 1.4 The Committee also agreed to recommend to Cabinet that largest major capital programme schemes should have their business cases refreshed/reviewed considering the current economic situation. **Action: Scrutiny Officer to Refer Item to Cabinet**
- 1.5 The Committee also agreed to recommend to Cabinet that officers provide information on the Council's Borrowing strategy, so as to understand the circumstances in which the Council could borrow external funds. **Action: Scrutiny Officer to Refer Item to Cabinet**
- 1.6 Following consideration of the item, the Chair moved to vote on the recommendations in the report which were unanimously agreed.
- 1.7 **RESOLVED that the Committee:**
- 1. Note the report, the treasury activity and performance updates against the Prudential Indicators**
 - 2. To refer the issue above on the proposed to increase to the council's Operational Boundary and Authorised Limit for External Debt to Cabinet for consideration.**
 - 3. To refer the recommendation above requesting that the largest major capital programme schemes should have their business cases refreshed/reviewed considering the current economic situation to Cabinet for consideration.**
 - 4. To refer the recommendation above requesting information on the Council's Borrowing strategy to be given by officers Cabinet for consideration.**

2. Alternative Options Considered and Not Recommended

- 2.1 N/A

3. Post Decision Implementation	
3.1	Cabinet are requested to consider and respond to the comments and recommendations made by the Overview & Scrutiny Committee prior to referring the recommend changes to the Operational Boundary and Authorised Limit in the Treasury Management Strategy to Council on 30 January 2024.
4. Corporate Priorities, Performance and Other Considerations	
	Corporate Plan
4.1	Our Plan for Barnet 2023 – 2026 has a priority of ‘Being an engaged and effective council’ where ‘We will be open to scrutiny and transparent about the hard choices that we sometimes have to make.’
	Corporate Performance / Outcome Measures
4.2	N/A
	Sustainability
4.3	N/A
	Corporate Parenting
4.4	N/A
	Risk Management
4.5	Recommendations 1 and 2 made by the Overview & Scrutiny Committee seek assurance that Cabinet are managing risks relating to borrowing and management of the Capital Strategy.
	Insight
4.6	N/A
	Social Value
4.7	N/A
5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)	
5.1	N/A
6. Legal Implications and Constitution References	
6.1	Part 4A of the Council’s Constitution, section 2.15.2 sets out that “Cabinet will receive reports on its treasury management policies, practices and activities. This will also be considered by the Overview and Scrutiny Committee and Sub-Committees. These reports will incorporate the prudential borrowing limits and performance indicators.”
6.2	Following consideration of the report, the Committee may, in accordance with the following Committee Procedure Rules: 38.2.2 Make reports or recommendations to Full Council or the Cabinet with respect to the discharge of any functions which are the responsibility of the executive.

38.2.4 Make reports or recommendations to Full Council or the Cabinet with respect to the discharge of any functions which are not the responsibility of the executive.

38.2.6 Review or scrutinise the performance of anybody carrying out any function on behalf of or in partnership with the Council.

6.3 Committee Procedure Rule 40 details how the Cabinet and/or Council will deal with matters referred from the Overview and Scrutiny Committee or Sub-Committees.

7. Consultation

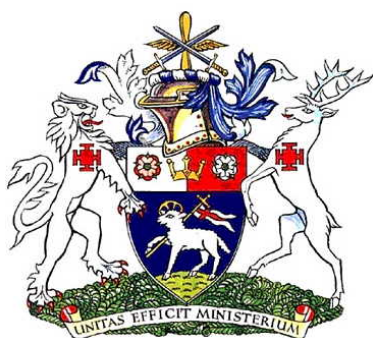
7.1 N/A

8. Equalities and Diversity

8.1 N/A

9. Background Papers

9.1 Overview and Scrutiny Committee, 7 November 2023, Item : [Agenda for Overview and Scrutiny Committee on Tuesday 7th November, 2023, 7.00 pm \(moderngov.co.uk\)](#)

Cabinet

Title	Report of Overview and Scrutiny Committee to Cabinet: Recommendations on Plot 1 Brent Cross Town Regeneration
Date of Meeting	12 December 2023
Wards	All
Status	Public
Key	Non-Key
Relevant Portfolio(s)	Cllr Barry Rawlings, Leader of the Council and Councillor Ross Houston, Deputy Leader, Cabinet Member - Homes and Regeneration
Officer Contact Details	Faith Mwende, Overview and Scrutiny Manager, faith.mwende@barnet.gov.uk

Summary

The Overview and Scrutiny Committee met on 27th November 2023 to review the forthcoming decision by Cabinet on 12 December 2023 relating to: Plot 1 Brent Cross Town Regeneration.

Following consideration of the item, the Committee agreed to make the following recommendations to Cabinet.

Cabinet can either respond to the recommendations: verbally at the meeting; by way of a written addendum to be reported to Cabinet; or provide a written response after the meeting.

Recommendations to Cabinet

1. The Overview and Scrutiny Committee (Committee) endorses the Council welcoming Sheffield Hallam University to Brent Cross Town and welcomes the opportunities it will bring for local people and benefits to the Borough as a whole.
2. The Committee supports the principle of the Council intervening to provide funding support for delivery of Plot 1 through the provision of interim project finance.
3. The Committee recognises that the proposal should be considered in light of the new Subsidy Control Act 2022.
4. In light of recommendation 3, the Committee recommends that Cabinet pay particular attention to the commercial structure, and in particular whether our risks are well aligned with those of commercial partners.

5. **The Committee recognises that officers have identified and put in place measures to manage the risks associated with the proposed investment, but also note that such an investment can never be wholly risk free; and highlight that it is important that if issues do materialise we work closely with partners to address them in a way that best protects the interests of the Council, the joint venture with Related Argent, and the delivery of Brent Cross Town.**
6. **The Committee recommends that Cabinet pays particular attention to due diligence on the financial position of Sheffield Hallam University especially in relation to any reliance on international students for the scheme to be viable and impact of any immigration changes to their financial position.**
7. **In light of the above, the Committee recommends that Cabinet may wish to consider whether to explore any appropriate adjustments to the proposed financial structure.**

1. Reasons for the Recommendations

- 1.1 The Overview and Scrutiny Committee met on 27th November 2023 to review the forthcoming decision by Cabinet on 12 December 2023 relating to: Plot 1 Brent Cross Town Regeneration. Details of their comments and recommendations to Cabinet are detailed below.
- 1.2 Councillor Ross Houston, Portfolio Holder for Homes & Regeneration, Cath Shaw, Deputy Chief Executive, and Anisa Darr, Executive Director Strategy & Resources presented a report which detailed a proposal for Barnet Council to make interim funding available for construction of the first commercial office building at Brent Cross Town (BXT), the lower floors of which have been pre-let to Sheffield Hallam University. It was noted that this would be a significant milestone for the scheme, as Sheffield Hallam would bring its first remote campus to BXT and with four faculties, namely, Digital and Technology, Business and Finance, Health and Wellbeing and Nursing. This would in turn support the creation of a thriving business ecosystem at BXT and a unique selling point for commercial occupiers seeking to recruit and undertake research in the above-mentioned areas.
- 1.3 In response to a query on why if other parties were unwilling to enter the arrangement and why the local authority should be willing, the Cabinet Member stated that one of the proper functions of a local authority when it comes to investment is to do it to enable regeneration. This scheme would meet this function in partnership with a key bank and other investors, in a manageable risk environment, thus allowing for the building to be built, with a tenant in place, with interest paid back from day one.
- 1.4 In response to a question of the financial robustness of the scheme, specifically concerns about the current financial climate, the lower than originally estimated appetite for office space, and the delay in the shopping centre, the Cabinet Member commented that decoupling the proposed shopping centre from the rest of the scheme had allowed the bulk commercial and residential element of the Brent Cross regeneration scheme to go ahead. The Cabinet Member further noted that the proposals and the master plan did not rely on this scheme being linked to the shopping centre, but rather focused on creating a new town centre with a mix of commercial, leisure and residential, which this proposal would support delivery of.
- 1.5 In response to a query on the demand for university places at the Sheffield Hallam remote campus, it was confirmed that not only was the university confident enough to sign a legal contractual agreement to pre-let the site, but this was supported by the CBRE market report. Furthermore, the advice commissioned from KPMG in relation to the Subsidy Control regime required them to assess the condition of the market providing further assurance.

- 1.6 In response to a query on what else the loan could be spent on, the Cabinet Member confirmed that this was a standalone scheme and didn't preclude us investing in other areas such as housing for example. However, he stated that the Council would need to be mindful of the increased capital exposure of capital funding if used for other purposes. Officers also confirmed that the proposal wouldn't reduce the Council's ability to borrow capital for other schemes, such as housing, and the interest rate being paid would cover the borrowing costs. Interest payments would cover the council's borrowing costs plus the Minimum Revenue Provision which meant there was no implication on the Council's ability to deliver other services or create a requirement to absorb any of this pressure elsewhere - the proposal would be completely self-contained.
- 1.7 The Committee commented that considering what had been achieved so far and with the new station due to open shortly, in these circumstances it was an appropriate use of public funds to fund the scheme, particularly when there was a pre-let to a quasi-public sector body and a timetable for delivering a key regeneration scheme.
- 1.8 In response to a question on whether the scheme could proceed without this loan, the Cabinet Member confirmed that the Cabinet and officers had looked at options to make the scheme work and this was a good solution and would provide some benefit to the Council. Furthermore, this would support the progress of the wider Brent Cross scheme, as it doesn't just have implications for Sheffield Hallam and the commercial sector, it impacts the broader scheme and in particular the future delivery of housing. As such, the proposal would protect the momentum of the wider scheme and delivery of housing on the site.
- 1.9 Following consideration of the item, the Chair moved to vote on the recommendations set out in the 'Recommendation to Cabinet' section set out above which were unanimously agreed.

2. Alternative Options Considered and Not Recommended

2.1 N/A

3. Post Decision Implementation

3.1 Cabinet can either respond to the recommendations: verbally at the meeting; by way of a written addendum to be reported to Cabinet; or provide a written response after the meeting.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

4.1 Our Plan for Barnet 2023 – 2026 has a priority of 'Being an engaged and effective council' where 'We will be open to scrutiny and transparent about the hard choices that we sometimes have to make.'

Corporate Performance / Outcome Measures

4.2 N/A

Sustainability

4.3 N/A

Corporate Parenting

4.4 N/A

	Risk Management
4.5	N/A.
	Insight
4.6	N/A
	Social Value
4.7	N/A
5.	Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)
5.1	N/A
6.	Legal Implications and Constitution References
6.1	<p>The terms of reference of the Overview & Scrutiny Committee and Sub-Committees (Council Constitution, Part 2B, Terms of Reference of Committees and Sub-Committees) includes:</p> <p>“9.4.1.1 Review and scrutinise the decisions made by, and performance of, the Executive, Portfolio Holders and/or Committees and Council officers both in relation to individual decisions and over longer periods of time;</p> <p>9.4.1.2 Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas.</p> <p>9.4.1.4 Make recommendations to the Executive and/or appropriate Committee and/or Council arising from the outcome of the scrutiny process;”</p>
6.2	<p>The terms of reference of the Overview & Scrutiny Committee and Sub-Committees (Council Constitution, Part 3C, Committee Procedure Rules: Following consideration of the report, the Committee may, in accordance with the following Committee Procedure Rules:</p> <p>38.2.2 Make reports or recommendations to Full Council or the Cabinet with respect to the discharge of any functions which are the responsibility of the executive.</p> <p>38.2.4 Make reports or recommendations to Full Council or the Cabinet with respect to the discharge of any functions which are not the responsibility of the executive.</p> <p>39.2.5 Make reports or recommendations to Full Council or the Cabinet on matters which affect the borough or its inhabitants.</p> <p>38.2.6 Review or scrutinise the performance of anybody carrying out any function on behalf of or in partnership with the Council.</p> <p>39.3 In relation to the development of the Council’s policy on matters which do not form part of the budget and policy framework, the Overview and Scrutiny Committee and/or Scrutiny sub-committees may make proposals to the Executive or the Council for developments in so far as they relate to matters within their terms of reference.</p>
6.3	Committee Procedure Rule 40 details how the Cabinet and/or Council will deal with matters referred from the Overview and Scrutiny Committee or Sub-Committees.
7.	Consultation
7.1	N/A

8. Equalities and Diversity

8.1 N/A

9. Background Papers

9.1 Overview and Scrutiny Committee, 27 November 2023, Item 6: Agenda for Overview and Scrutiny Committee on Monday 27th November, 2023, 6.00 pm (moderngov.co.uk)
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Cabinet

Title	Plot 1 Brent Cross Town Regeneration
Date of meeting	12 December 2023
Report of	<p>ClIrr Barry Rawlings, Leader of the Council and Councillor Ross Houston, Deputy Leader, Cabinet Member - Homes and Regeneration</p>
Wards	Cricklewood
Status	<p>Public (with accompanying exempt report and appendices) Exempt report and appendices not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended, as the report includes information relating to the financial or business affairs of any particular person (including the authority holding that information)</p>
Key	Key
Urgent	No
Appendices	<p>Appendix A – Location Plan Appendix B – Site Plan Appendix C – Building Illustrations</p>
Lead Officer	Cath Shaw, Deputy Chief Executive cath.shaw@barnet.gov.uk
Officer Contact Details	David Childs MRICS BXS Development & Commercial Manager david.childs@barnet.gov.uk
Summary	
<p>This report recommends that the council make interim funding available for construction of the first commercial office building at Brent Cross Town (BXT), the lower floors of which have been pre-let to Sheffield Hallam University.</p> <p>Early delivery of the building is crucial to regeneration at BXT, maintaining delivery momentum and securing the commitment of a key ‘anchor’ occupier.</p>	

The proposed intervention responds to short-term market-failure, specifically uncertainty in capital markets. The recommended funding arrangement ensures that in addition to delivering key regeneration outcomes, the council's cost of borrowing (including Minimum Revenue Provision (MRP)) is fully met with a modest return on investment.

Capital will be recouped in a 3-5 year period once the new building is completed and occupied. The council will also receive a share of any profits that may be generated on sale or re-financing of the project.

Funds would be borrowed from the Public Works Loan Board for this specific purpose and repaid by the project. Short-term investment here does not impact or reduce the funding available for public services.

Recommendations

Cabinet is asked to:

- 1. Confirm the Cabinets support for bringing Sheffield Hallam University to Plot 1 at Brent Cross Town, as a key contributor to the area's regeneration and future growth.**
- 2. Note the due diligence undertaken to date, including accountancy, subsidy control and legal advice, and the proposals in relation to additional due diligence, as set out in the exempt appendix D & E.**
- 3. Recommend to council the approval of £100m of development funding for Plot 1 for a period of 3-5 years on the terms set out in the exempt appendix subject to the further due diligence noted above and addition to the capital programme and treasury management amendments.**
- 4. Subject to the further approvals set out in recommendations 2 and 3 above, delegate authority to the Chief Executive, in consultation with the Leader of the Council, to finalise all further due-diligence and agree the terms and legal documentation required to give effect to this proposal and enter into the loan agreement.**
- 5. Delegate to the Chief Executive, in consultation with the Leader of the Council, approval of a Phase Proposal and agreement of related documentation, which enables Plot 1 to be drawn down pursuant to the provisions and procedures set out in the Brent Cross South Project Agreement between the Council and Related Argent, as explained in paragraphs 1.57-1.64.**

1. Reasons for the Recommendations

Background and Current Position

- 1.1 Brent Cross Cricklewood Regeneration is one of London's largest regeneration schemes. The masterplan for new Brent Cross Town (BXT) aims to deliver 6,700 new homes, community facilities & schools, and a thriving town centre that will contain over 500,000 sq.ft. of retail, restaurants, cafés and other support services.
- 1.2 This major regeneration initiative is under-pinned by construction of a new Thameslink station, Brent Cross West (BXW), that will open shortly and provide excellent rail connectivity to Brent Cross Town from central London and beyond.
- 1.3 The Council has been working in partnership with its appointed development partner, Related Argent (RA), since it formed the Brent Cross South Limited Partnership (BXS-LP) in 2016 and has already delivered much of the core infrastructure needed to support the scheme masterplan.
- 1.4 The BXS-LP partnership structure enables the Council to leverage the skills and resources of RA in its capacity as 'master-developer'. RA provides development management services, project

manages strategic infrastructure, and either builds out plots, such as the residential and office elements, or introduces specialist third-party developers, investors and operators in market sectors (e.g. later-living and hotels).

- 1.5 Early residential plots are currently being built, supported by new facilities and services. These include bus, pedestrian and cycle links to BXW station, and the new Claremont Park.

BXT Business District

- 1.6 A key aspect of the BXT masterplan is a new business quarter, containing approx. 3.5 million square feet of new workspace and offices, clustered around BXW station. This core component of the scheme will grow over the next 5-10 years and could ultimately provide employment for 25,000 to 30,000 people within a 10-minute walk of the new High Street.

- 1.7 The business quarter will bring economic activity and provide essential support for restaurants, shops and leisure facilities (which need far more footfall and spending-power than a largely residential scheme could support) so is key to achieving a vibrant and sustainable town centre.

- 1.8 Questions have been raised about the demand for new office space as we emerge from Covid pandemic induced lock-downs, during which people became more used to working from home. While this is an understandable concern, market activity shows that businesses understand the benefits of collaboration in the workplace; while individuals want to meet and interact with colleagues in a productive and socially rewarding work environment.

- 1.9 Therefore, while hybrid working is becoming more common-place and remote working is easier than pre-pandemic, most organisations still have a need for physical space. The emerging trend is therefore one of organisations attracting staff back to the workplace by providing better quality accommodation with improved facilities (such as social areas, gyms, cafes, changing rooms and showers for cyclists) in more flexible and better-connected work premises.

- 1.10 This occupier 'flight to quality' is polarising the occupational markets, with best-in-class new buildings attracting strong demand and rising rents (with occupiers typically taking less but much better-quality space) while older buildings are increasingly becoming un-lettable.

- 1.11 In a local context, a number of major corporate occupiers and organisations whose interests align with the council and BXT's values, are looking at space in the new business district; and this interest is stimulated by the council and RA's commitment to Net Zero, Health & Wellbeing and super-connectivity.

- 1.12 Accordingly, there are good reasons to believe that a new, high quality business district at BXT will attract a variety of occupiers, to whom its sustainable credentials, accessibility and occupational costs compare favourably with other Greater London and provincial centres. This view is supported by evidence that similar top-quality schemes in the Richmond (£62.50 psf), Reading (£50 psf), Watford (£50 psf) and Maidenhead (£51.50 psf) are achieving premium rents significantly ahead of (i.e. 20% to 25% above) the established rental tone in those markets.

Sheffield Hallam University

- 1.13 The above-mentioned attractions of BXT's new business district were evidenced last year, when Sheffield Hallam University (SHU) signed up for nearly half the space in the first commercial office building next to the station entrance at Plot 1.

- 1.14 In this significant milestone for the scheme, Sheffield Hallam has agreed to bring its first remote campus to BXT and locate four faculties here: Digital and Technology, Business and Finance, Health and Wellbeing and Nursing. These are all disciplines that resonate strongly with both *Our*

Plan for Barnet and the BXT vision and complement the existing local Further & Higher Education offer.

- 1.15 The many students, SHU staff and visitors will bring a vibrancy to BXT which is different to most traditional office centres. Examples elsewhere (e.g. White City and Kings Cross) show the many and varied benefits that centrally-located academic institutions bring to communities such as this.
- 1.16 SHU is also the UK's leading university in providing opportunities for students from under-represented backgrounds, has the biggest social mobility programme among its peers and two-thirds of Hallam students come from state schools and colleges. These and other such initiatives led to SHU winning Outstanding Contribution to the Local Community at the Times higher education awards in 2022.
- 1.17 The Borough will benefit further in many and varied ways from SHU coming to BXT, including higher education opportunities, economic activity, job creation and the revenue generated through non-domestic rates (which will help pay for local services).
- 1.18 This will therefore be a crucial milestone in the creation of a thriving business ecosystem at BXT and a unique selling point for commercial occupiers seeking to recruit and undertake research in the above-mentioned areas.
- 1.19 The benefits of investment at BXT extend to the support for delivery of other (e.g. community and residential) elements of the scheme and future plot drawdown and sales depend on momentum being maintained in all aspects of the regeneration programme.
- 1.20 SHU's commitment was predicated on its new campus being ready to open in September 2026 (for the 26-27 academic year) and, with a 24-month programme for construction and fit-out of the new space, the timetable to achieve that objective is now becoming very tight.
- 1.21 However, detailed planning consent has already been obtained (Reserved Matters granted 14 October 2022) and a main contractor has been procured by the developer, so the project faces no pre-commencement hurdles apart from the requisite finance package being put in place.

Current Challenges

- 1.22 Sheffield Hallam's pre-let commitment on nearly half the new building would normally have enabled the project to be financed through a combination of institutional 'equity' capital and short-term debt. Over the past 12 - 15 months the commercial property funding market has been at an effective standstill and continues to be so. This has made it impossible for RA to put together a sustainable overall funding package that would allow delivery of the building to proceed.
- 1.23 This, in turn, is creating risk of delay to establishment of the commercial quarter and the impact of such delay (on both the credibility and momentum in the scheme) would be substantial and potentially contagious to other elements of the project.
- 1.24 The benefits of investment in Plot 1 extend to support it lends to delivery of other elements of the BXT scheme (e.g. community and residential) and the council's receipts from future plot drawdown and sales depend on momentum being maintained in all aspects of the project.
- 1.25 For example, the delivery of further student accommodation and a proposed new hotel (with their attendant economic development and employment benefits) will maintain and potentially enhance LBB future land receipts, for use at BXT and elsewhere in the Borough, but would be compromised if the first new office building is 'stuck on the blocks' and this important catalyst for further investment at BXT is compromised.
- 1.26 As an example of the impact that would be caused by Plot 1 stalling, the announcement of Sheffield Hallam's commitment to Brent Cross Town generated significant interest in the new

business quarter among end users, including FTSE companies and other organisations whose interests and values are closely aligned, but that momentum would be lost (and possibly reversed) if SHU were to pull out.

- 1.27 Conversely, once Plot 1 is on site and potential end-users have a clearer timeline for occupation, there are good prospects of further pre-lets on the remaining space and the above-mentioned flight to quality trend gives confidence that Plot 1 will be fully let well before the building is completed. This, in turn, will stimulate interest in the next office plots, supporting the occupier demand and rental growth that helps to establish the new business district.
- 1.28 The focus on further marketing will be on attracting complementary occupiers who enhance the perception of BXT and the partnership with SHU offers the opportunity to target sectors which see value in co-location – particularly Health, Wellbeing and Sustainability.
- 1.29 The ability to form a ‘cluster’ provides reasons to locate at BXT beyond pure real estate criteria and this trend has been evident at other major schemes in London, such as White City and Here East (Stratford). Exemplifying health and wellbeing also resonate with a broad audience of potential occupiers, who regard the workplace environment as an expression of their brand and values.
- 1.30 In terms of direct benefits associated with this proposal, it is also worth noting that delivering Plot 1 in a timely manner and maintaining scheme momentum will help to keep the Council’s future land receipts on track (and most probably enhance them) as further commercial plots in the new business district are brought forward for development.

Proposal

- 1.31 Against the backdrop of a challenging commercial funding market and a need to enable the new campus opening for the 2026/27 academic year, the council, Related Argent and SHU have explored possible options to un-lock this crucial plot.
- 1.32 The proposal, which is outlined in detail within the exempt paper that accompanies this public report, represents an important intervention that will help deliver key regeneration outcomes and support a central pillar of BXT’s future success and sustainability.

It is important to note that all three parties, not just the council, are taking additional actions beyond those envisaged in the original deal in order to ensure that the project is able to be delivered. The actions to be taken by RA and SHU are outlined in the associated exempt report and appendices.

Overview & Scrutiny Committee

- 1.33 In view of the significance and potential implications for the Council in making this decision, the Overview and Scrutiny Committee (O&S) was asked to review the proposal ahead of taking it to Cabinet and to provide recommendations for Cabinet to consider in arriving at its decision.
- 1.34 The proposal and draft Cabinet report was presented to O&S Committee on 27th November 2023 and received cross-party support in principle from the Committee. The Committee’s report and recommendations will be presented as a separate paper for consideration by Cabinet.

Financial Appraisal

- 1.35 Detailed financial analysis of the proposal is contained in the exempt paper and accompanying exempt appendix, which accompanies this report.
- 1.36 That analysis includes accounting treatment (upon which specialist advice has been sought) input from the Council’s property advisors, plus subsidy control and related advice.

Subsidy Control Considerations

- 1.37 As mentioned above, part of the due-diligence around this proposal involves analysis by the Council's financial advisors and lawyers on questions of subsidy control or 'state-aid'.
- 1.38 Subsidy control rules and guidance under the previous EU regulatory framework, that were well defined and tested, have been replaced post-Brexit with a new regime which is contained in the Subsidy Control Act 2022 (the 'Act').
- 1.39 The new regime is arguably more permissive than former EU regulations and, while the same terminology still tends to be used, the concept of 'subsidy' is not seen as a bad thing in principle. It should be noted that subsidy can be given in the form of direct financial support (such as a grant) or – as in this case – providing development funding on more favourable terms than might typically be available in the financial markets.
- 1.40 The Act and related Department for Business & Trade guidance recognise there are many sound reasons why public bodies may choose to provide support for initiatives that deliver significant regeneration, economic and social benefits of the type involved described in this report.
- 1.41 Under the new Act a public body wishing to provide support of the type proposed here, must consider the potential existence and degree of subsidy involved and defined processes need to be followed in making that assessment.
- 1.42 In circumstances where the value of potential subsidy exceeds certain thresholds, a referral to the Subsidy Advice Unit at the Competition & Markets Authority should be made.
- 1.43 Such procedures are involved, time-consuming and potentially costly so, while initial guidance has been sought from the Council's expert advisors, the full analysis and assessment has not yet been completed.
- 1.44 Initial advice from the Council's legal and financial advisors is that subsidy control considerations will almost certainly apply to the interim finance aspects of these proposals and, if Cabinet is minded to support the recommendations, a detailed assessment process (as set out in the Act) and most likely a CMA referral, will be conducted after Cabinet, and the CMA report will be considered before any binding commitments are entered into.

The initial legal and financial advice provided by the Council's advisors in this connection is referenced in the exempt paper and appendices which accompany this report.

Impact on Council Borrowing Limits

- 1.45 If approved, the proposed borrowing required to finance the loan would represent a significant in year increase to the Capital Programme not envisaged in February 2023 when various Treasury Prudential Indicators for 23/24 were set in the Treasury Management Strategy Statement ("TMSS").
- 1.46 Treasury Indicators were set based on information disclosed at December 2022 Strategy and Resources Committee. Two important Treasury Prudential Indicators are the Operational Boundary and Authorised Limit, these Indicators influence borrowing levels. The Council's policy for setting these indicators is explained in its [23/24 TMSS](#) (from pages 23-24).
- 1.47 As part of its mid-year reporting, the Treasury Team reviewed its overall borrowing expectations based on data available at M6. This review concluded that, in addition to expected borrowing towards Plot 1, the council's borrowing requirement was expected to increase significantly. This process has resulted in the Treasury Team recommending to Cabinet that both its Operational Boundary and Authorised Limit should be increased.

- 1.48 Cabinet will consider this request on 12 December 2023 and if agreed, Cabinet will make a formal proposal to Council for the Council meeting on 30 January 2024.
- 1.49 Note that the Overview & Scrutiny Committee have reviewed the request and have noted the significant increase suggested as being a concern in terms of overall sustainability. More broadly, and reflecting current financial pressures, the council is reviewing its capital programme and implementing a “short-term” borrowing strategy with an expectation that longer-term rates may reduce (as per advice from the council’s Treasury Advisors Link).
- 1.50 The implied increase in borrowing, Operational Boundary and Authorised Limits from Treasury’s mid-year update are summarised in the table below:

£m	1) Based on 31 December 2022 data	2) Based on 30 September 2023 data	3) As 2) including Brent Cross Plot 1)
Borrowing 1 April 2023 inc. Other Long-term Liabilities ("OLTL")	701	699	699
Expected Total External Borrowing 31 March 2024	719	973	1073
Operational Boundary for External Debt and OLTL	820	1,159	1,159
Authorised Limit ("AL") OB plus £100m)	920	1,259	1,259
Headroom (AL less expected total borrowing)	201	286	186

- 1.51 As demonstrated in the table above, under the proposed increase to the Authorised Limit, if £100m was borrowing to finance the loan for Plot 1, there would be £186m of further headroom towards our Authorised Limit allowing for the level of expected borrowing and use of reserves over 23/24 estimated at 30 September 2023.
- 1.52 Presuming the Authorised Limit is increased at Council, as recommended, the Treasury Team feel there is sufficient headroom within the limits to accommodate the additional borrowing requirement for Brent Cross Plot 1.
- 1.53 However, if Council on the request of Cabinet is not prepared to increase the limits as recommended, then the council would not have capacity to take on the additional borrowing required.
- 1.54 As noted in the Treasury mid-year update, the Operational Boundary and Authorised Limit are not, in themselves, an indication of the sustainability and viability of the capital programme. They are, rather, operational indicators for the treasury team to ensure that any borrowing requirements are consistent with the capital programme. This means that the treasury team is not “signing off” on the level of borrowing requested as being viable, rather reacting to the level of borrowing implied by the capital programme and need to externalise internal borrowing due to use of reserves. Whilst each capital project is assessed for viability and sustainability at an individual level it is important that in aggregate the council is satisfied that the implied increase to borrowing does not introduce unnecessary or unsustainable risks to the council, and the treasury team will raise this point with the Capital Strategy Board.

Business Plan & Plot Drawdown Process

- 1.55 In order to implement the proposals described in this report, it will be necessary for Plot 1 to be ‘drawn-down’ by the Related Argent development subsidiary and that process involves a set of steps which are governed by a Project Agreement dated 11th July 2016 (as amended) between the Council and BXS-LP.
- 1.56 Under the Project Agreement (PA) the shareholders of the BXS-LP joint venture, the council and Related Argent, maintain a BXT Business Plan which provides an over-arching guide to project strategy and related matters that in turn inform BXS LP decisions. The PA required the Business Plan to be reviewed periodically, in light of progress with the scheme, plus economic and market conditions, to ensure that key decisions are made and implemented against the backdrop of current circumstances and agreed priorities.
- 1.57 In this context, the BXS-LP partners are currently finalising an updated Business Plan and Cabinet recently delegated authority (at its meeting on 18 July 2023) to the Chief Executive, in consultation with the Portfolio Holder for Homes and Regeneration, to approve the new Plan on behalf of the Council.
- 1.58 The PA also requires that “Phase Proposals” are produced, in accordance with the current Business Plan, for approval and these provide the basis upon which development plots are drawn down for development. Phase Proposal requirements include the terms upon which each individual plot developer (either a third-party or RA subsidiary) will be granted a long ground lease and, as a condition of grant, commit to building out the agreed scheme on that plot.
- 1.59 Plot 1 is not yet the subject of an approved Phase Proposal and so that (single-plot) process will need to be completed promptly if Cabinet agrees to proposals set out in this report.
- 1.60 In this context, the Heads of Terms agreed between the Council and RA contemplate the requisite Phase Proposal being finalised and agreed by the parties (including LBB as landowner) in parallel with the post-Cabinet decision processes described in the exempt part of this report.
- 1.61 The Phase Proposal for Plot 1 will be based on the same financial data as appraisals which underpin the proposals set out in the exempt part of this report and the Phase Proposal will also be reviewed by LBB’s property advisers (CBRE) and its solicitors (Gowling WLG) for consistency and compliance with both the Project Agreement and provisions of this report.
- 1.62 Accordingly, as the process for plot drawdown are well established under the Project Agreement, this report recommends that approval of the Plot 1 Phase Proposal and subsequent legal agreements (such as grant of the ground-lease) be delegated to the Chief Executive in consultation with the Leader.

2. Alternative Options Considered and Not Recommended

- 2.1 A number of alternative options to address the challenges outlined in this report, ranging from simply leaving outcomes to the market, to more significant intervention on the council’s part, were considered in arriving at the proposals which are now being put before Cabinet.
- 2.2 Details of the options considered are set out in the exempt paper and exempt appendices which accompanies this report.

3. Post Decision Implementation

- 3.1 Following approval of the proposal, officers will finalise commercial and legal terms with the other parties for consideration by the Chief Executive and Leader of the Council in accordance with recommendations 4 and 5 above.
- 3.2 Council will consider the recommendations from Cabinet in relation to further subsidy control assessment work and, if required, a reference to the Subsidy Advisory Unit at the Competition & Markets Authority.
- 3.3 Further details of next steps (including commercially sensitive agreements with the other parties involved) are outlined in the exempt paper and accompanying appendices.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1 The Council's Plan for Barnet 2023-2026 puts Caring for People, our Places and the Planet at the heart of everything we do.
- 4.1 The Brent Cross Cricklewood regeneration scheme seeks to embody the key themes of the Corporate Plan, including people, place and planet.
- 4.2 The BXT development will have an on-site energy centre and the largest air-source heat pump installation in Europe. It will provide low carbon heating the planned 6,700 new homes and all energy supplied will come from 100% renewable sources.
- 4.3 BXT is delivering new and improved parks and greenspaces, with the local community at the heart of the development and community activities are planned throughout the year which encapsulate the Borough of Fun strategy.
- 4.4 The Brent Cross Town community fund has now been running for over 5 years and supports local community groups each year with funding towards improvement projects, yet again putting local people at the heart of the development.
- 4.5 The regeneration at BXT therefore supports many aspects of the Corporate Plan and vision, will create learning opportunities for residents and employment in local businesses, contribute to reducing poverty and support community wealth building, resource Borough of Fun initiatives and advance our journey to net zero.
- 4.6 The benefits of bringing SHU to Barnet are outlined in paragraphs 1.13 to 1.18 above. In particular, it will contribute to the 'Tackling Inequality', 'Tackling Poverty' and 'Safe Attractive Neighbourhoods and Town Centres' themes.

Corporate Performance / Outcome Measures

- 4.7 A benefit realisation plan is in place, to measure numerous benefits being delivered by the BXT development. Many of these have been baselined from the original Business Case and include tangible benefits such as new homes, school places, open/green space and other metrics.
- 4.8 In addition, the Brent Cross Town Joint Venture partners have worked with Manchester University to develop a 'Flourishing Index' which seeks to measure how well people at Brent Cross Town and surrounding communities are doing. Baseline data has been recorded and future surveys will provide insight into health & wellbeing of residents as the scheme develops.

4.9 This proposal will support a number of outcomes that under-pin the Council's corporate aims and performance objectives, through delivery of a key element of the BXT programme. The measures include creation of new jobs, education and training opportunities.

Sustainability

4.10 Brent Cross Town is a Net Zero scheme and, in addition to low carbon infrastructure, the new commercial buildings to be developed at BXT will be constructed to the highest environmental standards, consistent with the BXSLP partnership strategy.

4.11 Environmental measures which are relevant to the design, construction and operation of the subject building include the Building Research Establishment's 'BREEAM' assessment (where BXSLP is targeting the highest 'Outstanding' classification for all its commercial office buildings) and 'NABERS' system for measuring operational energy consumption in offices (where RA are aiming for a 5* rating that will make the Plot 1 building best-in-class).

4.12 The requirements of end-users and investors increasingly support the partnership's agenda, with numerous aspects of the planning and design at BXT (including a balanced eco-system of places to live, work and play) and the '15-minute town' concept being examples of sustainability in its broadest sense.

4.13 Brent Cross Town is also a highly sustainable location, with excellent access by all modes of transport and the enhanced connections provided by the new BXW station will be a game-changer for people living and working in the neighbourhood.

Corporate Parenting

4.14 This proposal has no direct impacts on looked-after children or care leavers. Sheffield Hallam University is committed to broadening access to Higher Education and has been awarded the National Network for the Education of Care Leavers (NNECL) Quality Mark until 2025, recognising the University's enhanced support for students who are care experienced.

Risk Management

4.15 Details of the risks involved, together with mitigation measures are set out in the exempt paper which accompanies this report. The risks addressed in detail in the exempt paper include:

- Property & Financial
- Developer or Contractor Default
- Tenant Risk (including anchor tenant covenant)
- Letting & Rental Risk

4.16 It is considered that the risks are all proportionate to the outcomes and benefits to the Borough and are also manageable through the oversight and governance that will be put in place.

4.17 It should be noted that while this proposed investment does not impact or reduce the funding available for public services, there are risks associated with this loan that could, in a downside situation, impact or reduce the money available for public services.

Social Value

4.18 This proposal will support the establishment of a crucial regeneration project for Barnet, with all the attendant economic, environmental and community benefits for the Borough.

4.19 Securing the long-term commitment of SHU to BXT and the associated inward investment that it brings, will have many long-term positive impacts and make an invaluable contribution to the new community's future prosperity.

- 4.20 The SHU campus will provide an extended range of higher-education opportunities for residents in the Borough and expand the local skill base.
- 4.21 The selected main contractor for Plot 1 has excellent corporate social responsibility (CSR) reputation and the construction contract will also require a set of measures around employment of local labour, skills and apprenticeships. These initiatives will include objectives to recruit long-term unemployed, over 50's and a requirement that 100% of workers employed on site (directly or through sub-contractors) are paid the current Living Wage for London.
- 4.22 Brent Cross Town will also be an exemplar project from an urban environment perspective, with highly sustainable buildings in an easily walk-able town-centre location, unrivalled connectivity and delivering many new jobs for local people.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

- 5.1 Approval of this proposal will result in a number of workstreams that principally fall under the remit of BXT's property and commercial team, working closely alongside Finance colleagues.
- 5.2 If adopted by Cabinet and Full Council, the proposals and actions set out in this report will involve a significant financial commitment by the Council and require an appropriate high level of experienced resource, plus expert support, throughout the 3-5 year period in question.
- 5.3 The main resource required will be an experienced BXT team member, acting as the commercial lead and LBB client to the project's legal advisors. This would involve at least 50% of a suitably experienced commercial development manager's time for the next 4-6 months, steering the proposal through Council approvals, clienting the documentation of various legal and funding agreements, plus managing the plot drawdown process.
- 5.4 Once the scheme is on site, the development manager's time requirement is likely to reduce to around 1 day per week through the construction and leasing programme but may increase again (possibly 2 days per week) post-completion, up to the conclusion of the re-financing or sale process. The cost of this resource will be met by receipts from the loan arrangement.
- 5.5 The contribution of LBB Finance team will be invaluable and a resource requirement over the initial transaction period (described in para 5.2 above) could be in the order of 1-2 days per week, before reducing to an average of 1 day p/w thereafter. This resource will be covered within existing LBB budgets but be recoverable through the Plot 1 legal agreement mechanisms.
- 5.6 The support of external advisors, solicitors, valuers and a 'fund monitor' (who will be charged with reviewing and signing off project expenditure) will be involved in oversight of the project while on site and post-completion. These professional services will mainly be paid for through developer contributions, with the rest being covered by loan receipts.
- 5.7 Under the current proposal the council will borrow £100m from the Public Works Loan Board (PWLb) on an assumed five-year maturity loan. This amount will be on-lent to RA in line with an agreed fixed cashflow profile.
- 5.8 The general fund will be protected as the cost of borrowing is fully recoverable from RA as plot developer in accordance with terms of the draft loan agreement. This is inclusive of prudently charged minimum revenue provision (MRP) and a non-utilisation fee for council held balances until the loan is fully drawn.

6. Legal Implications and Constitution References

- 6.1 All of the activity and legal transactions contemplated in this report will be carried out pursuant to and in compliance with all relevant statutory and legal requirements including, where appropriate, all procurement activity which will be undertaken in accordance with the council's Contract Procedure Rules and the Public Contracts Regulations 2015 (as amended) or any replacement public procurement regime that may become law in the UK as applicable. More detailed advice from Gowling WLG is included in the exempt report.
- 6.2 The terms of reference of Cabinet include the following responsibilities:
- Development of proposals for the budget (including the capital and revenue budgets, the fixing of the Council Tax Base, and the level of Council Tax) and the financial strategy for the Council.
 - Monitoring the implementation of the budget and financial strategy.
 - Recommending major new policies (and amendments to existing policies) to the Council for approval as part of the Council's Policy Framework and implementing those approved by Council.
 - Approving policies that are not part of the policy framework.
 - Management of the Council's Capital Programme.
- 6.3 Under Part 2D of the Council's constitution, Cabinet is responsible for Key decisions, namely:
- An executive decision which is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the budget for the service or function to which the decision relates; or
 - An executive decision which is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough.
- 6.4 Under the Council's Constitution, Article 3 Full Council sets out the functions that are reserved for decision by Full Council, including decisions relating to the control of the Council's borrowing requirement, the determination and control of its capital expenditure and the setting of virement limits.
- 6.5 Under Part 2A of the Constitution, Terms of Reference of Council, only the full Council can exercise the following functions: 1.2 approving or adopting the policy framework and the budget, including setting Council tax, determining borrowing limits, approval of the capital programme.
- 6.6 The Council has a range of powers to enter into the legal agreements and to implement the transactions referred to in this report. These include:
- the general power of competence under section 1 of the Localism Act 2011;
 - the power to invest under section 12 of the Local Government Act 2003 – subject to Cabinet approval to increase the Operational Boundary and Authorised Limit by £100m the Council has had regard to the Statutory Guidance on Local Government Investments, the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and is content that the investment meets the requirements set out in these documents –;

- the 'incidental power' in Section 111 of the Local Government Act 1972 that enables the Council to do anything which is calculated to facilitate, or is conducive or is incidental to, the discharge of its functions;
- sections 120 and 123 of the Local Government Act 1972 (power to acquire and dispose of land);
- the Environmental Protection Act (in relation to waste collection and disposal functions); and
- the Town and Country Planning Act 1990 (development, planning and disposal powers).

6.7 The Council will also consider the provisions of the Subsidy Control Act 2022 in determining how to implement and decisions of Cabinet in this matter, which may include a full assessment (and potential referral) of the proposal to the Competition & Markets Authority for consideration.

7. Consultation

7.1 Proposals for Plot 1 have been the subject of extensive publicity and consultation, over a number of years, as the Brent Cross South & Cricklewood Regeneration project has moved through various stages of its evolution.

7.2 The scheme masterplan was approved back in 2014 and, more recently, the Reserved Matters planning application for the subject building was publicly consulted on before being approved.

7.3 Sheffield Hallam University's commitment to take a large part of the new Plot 1 building was also widely publicised in 2022, including a number of references in the local media.

8. Equalities and Diversity

8.1 There are no equalities or diversity issues related to this decision and, on the contrary, bringing Sheffield Hallam University to BXT will have a number of positive effects in terms of educational opportunities and other benefits for residents of the Borough and Greater London region.

8.2 BXT is an exemplar regeneration project that will provide numerous opportunities for local people, it will benefit those with protected characteristics under the equality act and the development will be accessible to all sectors of the community.

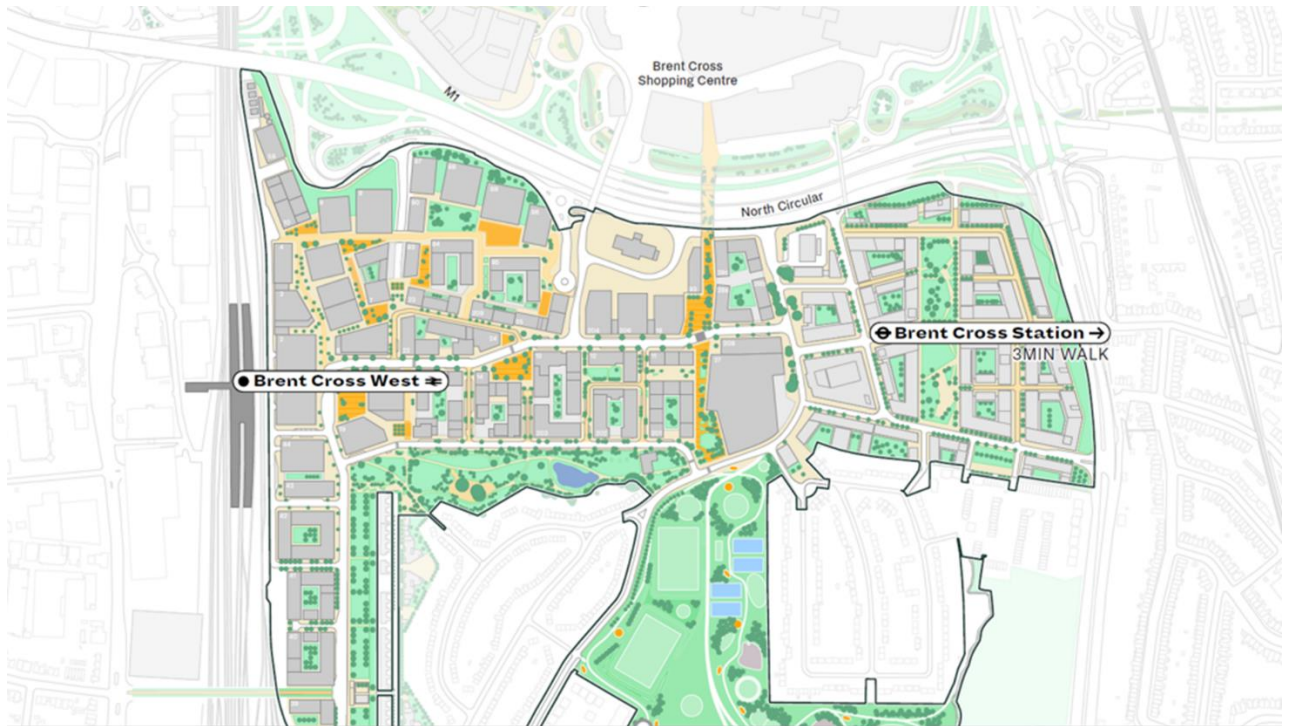
9. Background Papers

9.1 None.

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PLOT 1 BRENT CROSS TOWN
CABINET REPORT for 6 DECEMBER 2023

APPENDIX A – LOCATION PLAN



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PLOT 1 BRENT CROSS TOWN
CABINET REPORT for 6 DECEMBER 2023

APPENDIX B – SITE PLAN



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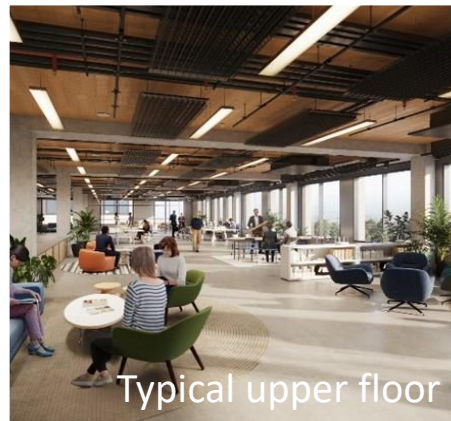
PLOT 1 BRENT CROSS TOWN
CABINET REPORT for 6 DECEMBER 2023
APPENDIX C – BUILDING ILLUSTRATIONS



Brent Cross West station SEEB (Plot 1 to left)



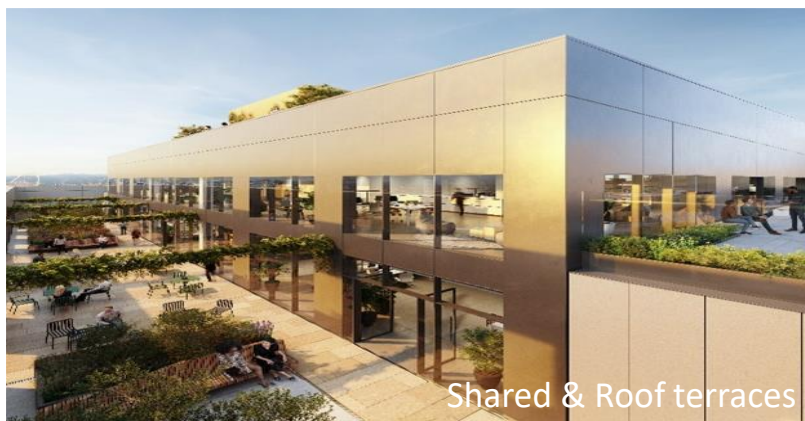
Reception adj Brent Cross West station



Typical upper floor



View from Copper Square



Shared & Roof terraces

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of the Local Government Act 1972.

AGENDA ITEM 27

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