Department for Communities and Local Government

Brent Cross Cricklewood Thameslink Station

Full Business Case – Summary

(v2)

Purpose

This Full Business Case seeks reconfirmation of Government investment in the Brent Cross Cricklewood Regeneration project to deliver approximately 7,500 new homes and up to 27,000 new jobs - within one the largest and most strategic regeneration projects, not only in London, but indeed across the UK.

The Outline Business Case was considered by the Finance Sub-Committee in February 2015. Following this, the Chancellor of the Exchequer confirmed support in the March 2015 Budget Statement:

"Brent Cross regeneration scheme – The government will provide £97 million funding and ring-fence the local 50% share of business rate growth to support the London Borough of Barnet and the Greater London Authority plans for the regeneration of Brent Cross, unlocking 7,500 new homes."

This funding commitment was reaffirmed by the Chancellor in the November 2015 Spending Review.

This was subject to approval of the Full Business Case, and the following feedback provided by DfT that the Business Case should:

- include a full transport business case
- continue to demonstrate adequate value for money (including regeneration effects) when developed
- the Council should commit to take on the full capital cost and risk of delivery of the new station.
- the Council should commit to funding any operational subsidy to the Train Operating Company until the station becomes self-financing.
- the Council should work with DfT, Network Rail and train operators to develop a detailed plan for the funding and delivery of the new station throughout the project.

The Full Regeneration Business Case was considered by the Finance Sub-Committee on 25 February 2016.

Approach

The business case adopted the Green Book – Five Case Model Approach and has been structured into the following sections:

Strategic Case:

This section will communicate why there is a need for the proposed development scheme and the overall value brought by the development to the region.

Economic Case:

This section will demonstrate how this proposal will optimise the public value that can be achieved.

Commercial Case:

This section will summarise how the preferred option will result in a viable proposal that will be commercially acceptable.

Financial Case:

This section will communicate how the scheme will be funded and can be financially viable.

Management Case:

This section will demonstrate how the proposed scheme can be delivered successfully.

1.1 Introduction

1.1.1. This business case document seeks approval for Government investment in the Brent Cross Cricklewood regeneration project through the early delivery of a Thameslink mainline rail station and critical infrastructure required to facilitate the development.

1.1.2. This investment will unlock the significant economic and social benefits potentially available from the Brent Cross Cricklewood location – including 7,500 new homes and up to 27,000 new jobs. This represents one the largest and most strategic regeneration projects, not only in London, but indeed across the UK and wider EU.

1.1.3. Brent Cross Cricklewood has the potential to become a new and much needed economic centre for London, combining housing (at least 15%, and up to 30%, affordable homes) employment, retail, leisure and social infrastructure such as schools, public realm and green space. This 'new town centre for London' will offer benefits to both the local population and, through its strategic location and enhanced connectivity, the whole Greater London region.

1.2 Strategic Case

1.2.1 According to projections by the GLA Intelligence Unit, London's population is set to rise sharply to ten million by 2030 and possibly to 11.3million by 2050. London is about to experience one of the most rapid population increases of any major European city[1].

1.2.2 As London Mayor Boris Johnson has pointed out, the scale of the challenge is enormous and providing sufficient housing and infrastructure to cope with this population increase is not to be underestimated. The Mayor has stated: "*That is why I am developing a long-term infrastructure plan that will aim to meet the challenge head on. Key to the plan are schemes like Brent Cross Cricklewood, which as one of London's largest brownfield development sites has the capacity to deliver thousands of new homes and jobs. We have been working closely with Barnet Council to secure investment in a new Thameslink Station at Brent Cross Cricklewood and I look forward to seeing this crucially important part of London transformed over the coming years*"[2] .

1.2.3 The strategic context

1.2.3.1 The development of Brent Cross Cricklewood directly addresses core strategic objectives in national plans (e.g. the UK National Infrastructure Plan 2013), London-wide plans (e.g. London Infrastructure Plan 2050, Vision 2020, the London Plan and the Jobs and Growth Plan for London) and sub-regional and local plans in the Barnet area. Each of these plans supports the overall strategic proposition that London's population and economy are set to grow strongly in the coming 5-10 years, and that it is a key role of the public sector, at all spatial levels, to facilitate investment in the housing and infrastructure to support growth.

1.2.3.2 The projected increase in London's population, and the need for the capital to continue maximising its economic contribution to the UK, means that housing and infrastructure development must be delivered effectively and sustainably. Delivering broad-based, mixed-use development schemes with a fully integrated transport system on under-utilised brownfield sites is seen as fundamental to the UK's ability to unlock future economic growth. Brent Cross Cricklewood, a 151-hectare site strategically located within a large, fast-growing population centre in outer London, is well placed to contribute to this goal.

1.2.3.3 The London Plan, in particular, identifies the site as a key Opportunity Area capable of supporting regional shopping, housing and employment, while it is also recognised by the West London Alliance (WLA) as a key

[1] 'London Infrastructure Plan 2050: a consultation', Greater London Authority, 2014
[2] Property Week, 11th July 2014

location for West London with the potential to link to the Mayor's plans for Old Oak Common (Crossrail and HS2).

1.2.4 Business Need - The case for change

1.2.4.1 Brent Cross Cricklewood is both an under-used brownfield location and a key gateway into London. It is well connected by road – strategically located by the A5, M1 and A406 (North Circular) – but poorly connected by public transport. Although Barnet is a relatively prosperous London borough, it still contains pockets of significant deprivation in close proximity to the site. Housing affordability challenges are faced by a broad cross-section of the population. Both higher and lower-skilled residents would benefit from the new employment created, which will be in a mix of office-based and retail sectors. There are also potential business benefits in developing outer London employment and retail centres to provide alternatives to travelling into central London.

1.2.4.2 Development plans at the Brent Cross shopping centre site stalled during the recent economic downturn, jeopardising both the 4,000 jobs the centre already supports and future regeneration prospects in the wider area. Planning consent only permits development of the shopping centre in conjunction with wider redevelopment of the Brent Cross Cricklewood site. The planning presumption in favour of town centres also makes standalone investment in the shopping centre extremely challenging.

1.2.4.3 The development prospects at the site can be split into two packages:

- Brent Cross North: the domain of existing shopping centre owners Brent Cross North Partners (Hammerson and Standard Life Investments) and includes securing the 4,000 existing jobs at the centre plus creating up to 8,000 new jobs, as per the owners' stated ambition. The proposals include doubling the size of the shopping centre and providing the critical infrastructure required to facilitate comprehensive regeneration and small residential opportunity;
- Brent Cross South: comprises 7,272 new homes (including affordable properties), employment space for up to 19,000 new jobs, transport improvements including a new rail station plus social infrastructure - three new schools, public realm, park and leisure facilities.

1.2.4.4 Together, Brent Cross North and South have the potential to create a significant step-change in economic performance for Barnet and to provide a substantial boost to the wider London economy by facilitating the comprehensive regeneration of this area to create a new regional town centre in London. There is a high degree of interdependence between the two sites: the Brent Cross North Partners has committed to significant infrastructure spending under a co-operation agreement with London Borough of Barnet (LBB), and some of this (e.g. utilities) will facilitate the first phase of Brent Cross South.

1.2.4.5 The overarching challenge is that, despite its obvious regeneration potential, Brent Cross South demonstrates a commercial viability gap initially modelled at £1.03bn (including interest costs). LBB has taken responsibility for driving the project forward in an attempt to secure the associated regeneration objectives, which are naturally of the highest strategic importance to the organisation.

1.2.4.6 Work by LBB to reduce costs and improve phasing had previously identified a position at the Outline Business Case stage whereby 2,461 of the 7,272 housing could have potentially been delivered in a viable, profitable Phase 1. However, this Do Minimum option is no longer viable due to the re-allocation of costs between Brent Cross North and Brent Cross South as a result of the revised infrastructure strategy.

1.2.4.7 Along with good schools, local amenities and green spaces, accessibility to public transport is one of the key drivers of house prices in London[3]. The new Station is therefore needed for two key reasons:

- As part of the integrated transport strategy to enable and accommodate the development proposals to come forward, and prevent a car-dependent culture becoming established.
- As the only way to improve viability and deliver the remainder of the scheme.

1.2.4.8 Delivering the Thameslink Station early is projected to have a significant impact on housing values. Based on a highly conservative comparison with the projected impact of Crossrail, it is considered that the new station will result in local house prices increasing above market growth by 1% p.a. for 5 years prior to station opening and 1.75% p.a. for 5 years post the station opening, followed by a 0.25% p.a. reduction in additional growth every 5 years afterwards until the effect fully stabilises back down to 0%.

1.2.4.9 These figures assume that the effect of the new Thameslink Station is no more than half that of Crossrail. Modelling also suggests that the cost of delivering the station cannot be supported by the scheme and thus requires public funding.

1.2.4.10 The impact of the new station will result in the south side phases of the development programme all being viable on the basis of 15% affordable housing. A mechanism in the planning consent allows for the proportion of affordable housing to increase to up to 30% across all phases (1-5) if the viability position

[3] See for example: 'Valuing housing and green spaces: Understanding local amenities, the built environment and house prices in London', GLA Economics Paper No 42, 2010; D. Banister (2005), 'Property values and Public Transport Investment', University College London; G M Ahlfeldt (2011), 'If We Build, Will They Pay? Predicting Property Price Effects of Transport Innovations', Spatial Economics Research Centre, London School of Economics.

improves. This reduces the risk of any developer acquiring 'super profits', as the first effect of house price rises above those projected will be to increase the proportion of affordable housing delivered.

1.2.5 Options for Delivery

1.2.5.1 Since Outline Business Case (OBC) Approval in March 2015 prevailing economic conditions have altered (notably around construction costs) and the Brent Cross North Partners have advised the Council and GLA that the required upfront infrastructure costs circa £250m, prior to the opening of the expanded shopping centre, was placing a significant burden on the overall viability of Brent Cross North project. The Brent Cross North Partners identified a potential viability gap of £152m (uninflated).

1.2.5.2 An alternative funding strategy has therefore been developed that corrects what had been a disproportionate allocation of the infrastructure costs to Brent Cross North by way of the public sector and south side joint venture (JVLP) providing support towards the upfront infrastructure costs. The proposed funding strategy comprises the following elements:

- A value engineering review of the existing critical road infrastructure
- Council providing a £25m package of support focusing on early land acquisition and waiving commuted sums
- Contribution from south side developer
- Extension of business rate ring-fencing

1.2.5.3 The Council's Assets, Regeneration and Growth Committee's approved to amend the existing commercial agreements with the Brent Cross North Partners on 30 November 2015 in line with the revised funding strategy subject to agreeing a package of measures that the Brent Cross North Partners will be required to contractually commit. These measures will ensure that Brent Cross North Partners along with other measures that will support effective delivery of the South and give greater certainty that the North will progress in a timely way.

1.2.5.4 This has led Brent Cross Cricklewood Regeneration programme to be separated into 3 distinct projects:

1a – **The updated 'New Preferred Option'** for **Brent Cross South** - delivery of 7,262 new homes space for 19000 jobs alongside retail/leisure, new public spaces, community facilities and 467,255 sqm of commercial space. The Council establishes JV with Argent Related Companies to deliver homes, jobs and infrastructure on the land to the south of the A406.

1b - **Delivery of the Mainline Station**- as part of south side scheme, the Council is now leading on the delivery of the Station in partnership with Network Rail and public sector stakeholder partners

2 - **Brent Cross North** - Brent Cross Shopping Centre and critical infrastructure (including 238 new homes and space for 8,000 new jobs) which will be developed by the Brent Cross North Partners

1.2.5.5 The New Preferred option is largely similar to the preferred option set out in the Outline Business Case but reflects the following developments since March 2015, namely: increased residential sales values following an improvement in market conditions, increased residential construction costs, the revised infrastructure funding strategy (with Brent Cross North continuing to deliver some critical road infrastructure and Brent Cross South delivering greater south side critical infrastructure) Public Sector Partners continuing to fund and deliver the Thameslink Station and elements of the south side critical infrastructure (by 2021 rather than 2031 and extending TIF from 10 to 15 years).

1.2.5.6 A Risk Mitigation Option is also being considered in the event that the north side scheme does not progress. This is largely similar to the preferred option set out in the Outline Business Case but includes additional critical infrastructure required for the south side delivery that are currently being provided by the north side scheme. While this demonstrates a viable scheme, there are some significant risks associated with this option as explained in the Strategic Case Chapter.

1.2.6 Strategic Benefits

1.2.6.1 The benefits for the scheme fall into 3 broad groups:

- Benefits associated with enabling delivery of Brent Cross South;
- Benefits associated with facilitating ‘comprehensive development’ as required by the planning permission, hence allowing delivery of Brent Cross North;
- Benefits associated with the presence of a new train station and transport interchange. Overall, the scheme and early delivery of the station will contribute towards establishing a new, vibrant, mixed use economic centre for London.

1.3 Economic Case

1.3.1 Full Business Case Long-listed Options

1.3.1.1 A large number of distinct delivery options were considered at length in developing this Full Business Case. A basic ‘Do Nothing’ option was examined and this would result in essentially no regeneration of the area across both the north and south side sites. There would be only additional 100 housing units in the council / HSL land provided and the opportunity to create circa 27,000 new jobs would be lost. Moreover, because the planning consent allows expansion of the shopping centre only as part of a comprehensive redevelopment, Brent Cross North would not be deliverable risking the future of the shopping centre and the 4,000 jobs based there.

1.3.1.2 The Full Business case also looked at the previous Do Minimum option which consisted of delivering 2,461 residential units on Brent Cross South, centred around the Living Bridge. However, as the re-allocated costs between the North and South side have to occur predominantly upfront in order for this option to be delivered, the burden is simply too great for the south side and the Do Minimum scheme therefore becomes unviable and undeliverable and has been discounted.

1.3.1.3 We also re-assessed the impact of the Master Developer for the south side delivering the Station at its own cost as part of the overall scheme delivery. We assessed both early and late station delivery options by the private sector. However, the cost burden is so great under both options, that both were unviable and undeliverable and therefore discounted.

1.3.1.4 We re-assessed the previous Preferred Option which was viable and deliverable in the Outline Business case. However, when we assessed the impact of the re-allocated costs from the North to the South into the previous financial model, the extra cost burden on the South resulted in an unviable scheme on the basis the Master Developer would not have been able to secure its required rate of return from the development. On this basis the scheme would not have be delivered. Therefore, the previous Preferred Option has also been discounted. However, we have been able to adapt the previous Preferred Option to get to a New Preferred Option which is viable and deliverable and forms the basis of this Full Business Case.

1.3.1.5 A number of other transport solutions were considered as alternatives to the early delivery of the Thameslink station solution but were discounted due to viability and because the step change in public transport provision required to support the development would not be achieved. In this context it should be noted that the Brent Cross Cricklewood planning permission already establishes an integrated transport strategy, with significant investment in other modes, notably a new bus station, funded through the Brent Cross North scheme.

1.3.1.6 The following delivery models were discounted due to a lack of viability, deliverability and affordability:

- Previous Do Minimum Option of reduced scheme delivery by the private sector
- Whole scheme private sector delivery
- Private sector delivery of Brent Cross South, including the Thameslink station in the later phases of the scheme

- Private sector delivery of Brent Cross South including Thameslink station in the early phases of the scheme
- Previous Preferred Option of Brent Cross South being delivered by the private sector

1.3.2 Short-listed Options

1.3.2.1 In undertaking the strategic property review and due diligence work in respect of Brent Cross South, the importance of the proposed Thameslink Station in facilitating the comprehensive regeneration of the area became increasingly clear. The Station is primarily needed as part of the integrated transport strategy to enable the development proposals to come forward. However, given that there are a limited number of ways to raise development values (good schools, good amenities, access to green spaces, access to public transport) it also became clear that given already established enhancements in other areas, the proposed station was the only remaining way to improve viability by lifting values.

1.3.2.2 It has already been established that the early delivery of the Thameslink station in the scheme results in a significant uplift in housing values both before the development of the station and post development. Not only that, but the Thameslink Station is critical to the delivery of the commercial elements (offices) of the scheme. Without the station, there is very limited prospect of the new commercial space being delivered. However, this was insufficient for scheme viability if the development of the station rested with the private sector in the Brent Cross South development. This is due to a significant financing commitment in advance of profit achievement. This led to the conclusion that the station needed to be delivered outside of the main scheme and it needed to be funded by the public sector. The re-allocation of costs from the North side to the South side have impacted on the viability of Brent Cross South, but with the residential market continuing to improve in the local area and the improved prospects of achieving higher office values as a direct result of the investment in the station has led us to be more optimistic on the prospects for the delivery of the commercial elements, which has led to a new preferred option, which is the only fully viable option for delivering the North and South side , known as the 'New Preferred' option.

1.3.2.3 **New Preferred Option** involves bringing forward delivery of the Thameslink station and elements of the south side infrastructure that will be funded by the public sector. Only by funding the station and infrastructure works outside of the core development scheme (i.e. removing the cost burden from the developers) does the south-side project become a viable private sector proposition.

1.3.2.4 The Preferred Option will ensure that the following elements of the scheme are capable of being delivered:

- 7,262 private units (of which 15% are affordable units)
- Supermarket

- 25,470sq m of retail floorspace
- 455,220 sq m commercial space (once the station is delivered)
- Primary school
- Senior School
- Special Needs School
- Childcare Facilities
- 3 nature parks
- Public square
- Care Home
- 30 hectares of additional remediated land
- Main line station

1.3.2.5 **Risk Mitigation Option** – If the North side is not going to be delivered, the South side will have to pay for the delivery of additional infrastructure items in order for the significant quantum of new homes south side to be delivered. However, the viability of the South side is such that the current scheme cannot afford to pay for this increased cost burden. Therefore, the only way these additional costs can be afforded is to increase the overall development density on the South side, which will require a new planning permission. This is known as the Risk Mitigation Option. In addition to the items being delivered under the New Preferred Option, the Risk Mitigation Option will also deliver a further 616 additional residential units (of which 15% will be affordable) and 9,290 sq m of additional retail floorspace. This option would require further planning permissions as well as amendments to the funding strategy to deliver the station, which remains critical to the south side housing delivery. The south side business rates could support the necessary borrowing but this represents a more risky income stream than the growth in business rates from an existing shopping centre, and will lengthen the payback period.

1.3.3 Cost-benefit analysis

1.3.3.1 There is no single economic appraisal guidance that provides a directly applicable cost benefit analysis methodology for this particular business case. However, the HM Treasury Green Book business case methodology includes a suite of guidance documents and a number of these have been used to provide the overall basis for the cost benefit analysis undertaken. The comparator scheme that has been used as a best practice example for this appraisal is the London Underground (Northern Line Extension) Economic and Business Case.

1.3.3.2 A significant element of the cost benefit analysis is related to the impact of the scheme in terms of resulting net job creation. It is recognised that the Department for Communities and Local Government (DCLG) discounts this element of the analysis when considering the overall benefit cost ratio for the scheme. The BCR has therefore been calculated with and without the job creation impact.

1.3.3.3 In addition to jobs created, a number of core socio-economic benefits have been evaluated as part of the economic appraisal. These benefits include:

- Private residential units delivered,
- Affordable residential units delivered,
- Additional retail floorspace,
- Additional commercial development,
- Extra S106 transport payments,
- Net new primary school places,
- Net new secondary school places,
- Net new special needs school places,
- Parks and leisure-related space, open space,
- Extra care accommodation,
- Volume of remediated land,
- The Thameslink Station, and
- Highway infrastructure.
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Given the wide range of benefits that are likely to accrue from the development proposals, a number of different estimation and valuation techniques were adopted and applied. In all cases, best practice guidance from DCLG, HMT other sources was utilised as practically as possible.

1.3.3.4 Using this approach, the valuation of benefits from the Preferred Option is £2.81bn (£2,808,026,172). This demonstrates the starkly significant investment shift from the do nothing position to the strategic investment in the whole Brent Cross Cricklewood scheme. Do nothing now being the considered alternative situation, following the demonstration of the lack of viability of the original Do Minimum Option due to the changed circumstances in the development of Brent Cross North.

1.3.3.5 In terms of costings, the cost that has been estimated for the whole scheme based on the updated Preferred Option, including financing costs, is £1.938bn (NPV). Optimism bias adjustments have been calculated in line with the supplementary Green Book guidance to ensure that the overall view of the potential economic impact of the completed development is realistic and not overly optimistic. The applied optimism bias has been reduced from 43%, included in the March 2015 business case, to 2% to reflect the greater development certainty and strong planning and governance situation related to the updated Preferred Option.

1.3.3.6 The Benefit Cost Ratio for the whole Brent Cross Scheme on an additionality basis, comparing the additional benefit of the Preferred Option when compared to the Do Nothing situation, is 3.5 : 1 (excluding job creation, this is 2.9 : 1). This indicates that it is expected that every £1 investment in this scheme would result in £3.50 of economic benefit. In these terms it is a potentially strong economic case. The March 2015 Preferred Option has been compared with the updated Preferred Option set out in this business case. The benefit cost ratios are 3.9: 1 (excluding job creation 3.3 : 1) and 3.5 : 1 (excluding job creation 2.9 : 1) respectively. As summarised in the table below:

Table 1 Benefit Cost Ratio summary

	Economic Costs and Benefits (Present Values)	
Financial Impacts	**Preferred Option (March 2015)**	**Preferred Option (Updated)**
TOTAL FINANCIAL IMPACTS	**£590,945,381**	**£817,140,706**
TOTAL FINANCIAL IMPACTS (adjusted for optimism bias)	**£847,711,149**	**£833,892,091**
TOTAL ECONOMIC IMPACTS	**£3,293,426,467**	**£2,934,985,825**
BENEFIT COST RATIO	**3.9 : 1**	**3.5 : 1**
BENEFIT COST RATIO (without job creation)	**3.3 : 1**	**2.9 : 1**

1.3.3.7 The quantified cost-benefit analysis shows that the net additional investment associated with the updated New Preferred Option is still exceeded by the net additional benefits it is expected to deliver, both commercially to the developers and in wider terms to society. The risks of the New Preferred Option continue to be subject to robust analysis and mitigation, based on the experience of relevant individuals and organisations on projects elsewhere, and specific delivery experience in relation to key infrastructure such as the Thameslink station.

1.3.3.8 The important aspect of the Brent Cross Cricklewood scheme, based on the updated New Preferred Option, is that it creates value across a number of important benefits. The creation of new jobs is an important factor but so are the housing, transport, highways and community aspects of the scheme. The economic case has clearly demonstrated the significant impact of the early development of the Thameslink station on the deliverability and viability of the Preferred Option, based on publically funded delivery. The station, alongside the remediated land and highway infrastructure investment, results in a significant expected uplift in the value of the housing provision and provides vital access for existing and new residents, workers and visitors. In addition, the sensitivity analysis has demonstrated the overall robustness of the cost benefit analysis, on a worst case scenario 2.5 : 1 and based on generally accepted additionality for retail and commercial development, with no housing benefit value, 1.2 : 1. On this basis the strength of the 3.5 : 1 ratio is successfully demonstrated. In addition, the qualitative benefits identified further demonstrate the community value of the proposed scheme in addition to the economic value.

1.3.3.9 It has been demonstrated that it is advisable to include a Risk Mitigation Option in this business case to explore what development could be achieved at Brent Cross South in the event that only a very limited Brent Cross North development goes ahead. The BCR for the Risk Mitigation Option is 2.5 : 1 (excluding job creation 2.2 : 1), which reflects the more challenging nature of this option. The optimism bias has been set at 43% against the cost position to reflect the fact that this option is relatively untested. As with the New Preferred Option, the sensitivity analysis has demonstrated the overall robustness of the benefit cost analysis, on a worst case scenario 2.0 : 1 and based on generally accepted additionality for retail and commercial development, with no housing benefit value, 0.9 : 1. On this basis the strength of the 2.5 : 1 ratio is successfully demonstrated. However, the finance case further demonstrates the challenging nature of this option in terms of affordability.

1.4 Commercial case

1.4.1.1 The key deliverable is to secure a start on-site for Brent Cross North and Brent Cross South by 2017 and to unlock the regeneration of Brent Cross South and speed up the delivery of the 7,272 new homes through bringing forward the construction of the Thameslink Station.

1.4.1.2 As a result of the change in delivery strategy, the Council is leading on Brent Cross South allowing the Brent Cross North Partners to focus on the delivery of the expanded Brent Cross shopping centre and the significant infrastructure required to support the comprehensive regeneration proposals.

1.4.1.3 The Council approved the commencement of an Invitation to Negotiate OJEU compliant procurement route to secure the preferred development partner to deliver the south-side masterplan.

1.4.1.4 On 22 July 2014, the OJEU notice was published and the Pre-Qualification Questionnaire issued. Six bids were received on 10 September 2014. On 5 October 2014, the Council announced the following shortlist to progress to Invitation to Negotiate stage:

1. Argent (Property Development) Services LLP and Related Companies LP
2. Barratt PLC and London & Quadrant Housing Trust
3. Capital & Counties Properties PLC
4. Far East Consortium International Limited with Countryside Properties PLC, Notting Hill Housing Trust and Southern Grove

1.4.1.5 Submissions were received from all four bidders on 29 January 2015. The evaluation process took place through February 2015 and Argent LLP and Related Companies (Argent Related) were selected as the preferred development partner in March 2015.

1.4.1.6 Argent Related together with the Council are currently preparing the vision and full business plan for approval by the Council's Assets, Regeneration and Growth Committee by March 2016, before the creation of a formal joint venture limited partnership.

1.4.1.7 The Council will take a share in the joint venture as a result of contributing its land value. The precise return will be dependent on the outcome of the re-allocated costs

1.4.2 Thameslink Station

1.4.2.1 Over the last 10 years, the development of the Thameslink Station project has been progressed by the Brent Cross Development Partners through Cricklewood Regeneration Limited in conjunction with Network Rail (and also Department of Transport) to develop a single stage option. The Development Partners submitted the Brent Cross Station and Stabling Remodelling Grip 2 Feasibility Report in January 2013. The Thameslink Station and adjoining transport interchange is fundamental to the creation of a regional town centre and forms an integral part of the fully integrated transport system that offers priority to sustainable transport modes including rail, bus, cycling and walking and enables the development to come forward.

1.4.2.2 As part of Brent Cross South, London Borough of Barnet is now leading on the delivery of the Station in partnership with Network Rail and public sector stakeholder partners. The original business case prepared in 2009 has been updated and provides a BCR of 1.6 for the Transport Scenario, which compares Do Minimum (the Full Development, No Station) and the Do Something (Full Development with Station) to enable analysis of the benefits associated purely by the new station.

1.4.2.3 The new station is designed to serve the new town centre including shoppers, residents and office workers commuting and counter-commuting to the new town centre. In the last 10 years, the development of the

Thameslink Station project has been progressed by the Brent Cross North Partners through Cricklewood Regeneration Limited in conjunction with Network Rail (and Department of Transport) to develop a single station option. The Council is now taking the lead and entered into a Design Services Agreement with Network Rail in November 2015 to progress the design development. Following the development of the single option a Design & Build contractor will be appointed to take the contract through to detailed design and construction.

1.4.2.4 The Council will contract Network Rail to manage the 'on Network' project works, with Re retained in commercial and engineering assurance roles, ensuring involvement in all commercial activities whilst enabling a robust commercial and engineering change control process.

1.5 Financial case

1.5.1 The current estimate of the cost of the Thameslink station at Brent Cross Cricklewood, to be built out between 2016-2019, is £215 million, uninflated. This is a capital cost. Any revenue costs associated with the station operation or on-going maintenance are assumed to be borne by Network Rail and the Train Operating Companies. The Council will be responsible for the full capital cost and risk of delivery of the new station and any required operational subsidy to the Train Operating Company until the station becomes self-financing. In addition to the Station Cost the proposed transfer of infrastructure commitment from Brent Cross North to Brent Cross South results in £56 million to be publically funded. The Council is committing to taking on the full capital cost and risk of delivery of the new station and any required operational subsidy to the Train Operating Company until the station becomes self-financing.

1.5.2 The overall exchequer gain from the preferred option is relevant to the assessment of the business case. For example, there will be returns from stamp duty for additional homes and business rates. The Chancellor's announcement of 100% Business Rates Retention is likely to impact on the amount each of the public sector bodies retains but the total growth in business rates will still benefit the public sector. There is also likely to be a significant increase in income and corporation taxes from the economic activity that the preferred option will generate.

1.5.3 **Funding options**

1.5.3.1 Given that the Preferred Option is to fund the station outside of the scheme and via the public sector, a number of options were considered at the Outline Business Case stage. The potential funding options were considered in light of Central Government concerns and the criteria agreed by Barnet Councillors to ensure that borrowing decisions are made in compliance with the Prudential Code (for example that borrowing can still be paid back in 25 years if assumptions on business rate yields reduce by 40%). The potential funding options considered are set out in the finance chapter. These included partial business rates retention, full business rates retention, Government grant, loan and equity investment and land receipts. These were discounted for a variety of reasons, predominately relating to risk.

1.5.3.2 The agreed funding approach based on the Preferred Option in the March 2015 business case was announced in the March 2015 Budget as follows:

'Budget 2015 also announces £97 million of funding and ring fencing of the local 50% share of business rate growth to support the London Borough of Barnet and the Greater London Authority's (GLA) plans for the regeneration of Brent Cross. This will unlock 7,500 new homes and create 4.9 million square feet of new commercial development with space for up to 27,000 jobs.'

1.5.3.3 Further confirmation of the grant funding was provided in the Spending Review and Autumn Statement announcement in November 2015:

1.5.3.4 **'The Spending Review and Autumn Statement provides support for key regeneration schemes, including:** £97 million to fund a new Thameslink station at Brent Cross'

1.5.3.5 The proposed funding approach for the New Preferred Option is as follows

Table 2: January 2016 funding package compared with the March 2015 funding package

Details	**Funding Package (March 2015)**	**Funding Package (January 2016)**
Station cost + other public costs	£215m (£286m including inflation and interest)	£271m (£384m including inflation and interest)
Business Rates Retention - LBB and GLA share of North development growth	50%	50%
Business Rates ring-fencing – via newly laid regulations	Yes	Yes
Payback period	Fixed at 10 years	13.67 years
LBB Contribution	£113m	£171m
GLA BRR contribution	£73m	£113m
GLA Grant	£3m	£3m
HMT Grant	£97m	£97m

1.5.3.6 It can be seen that the cost has increased to incorporate the costs transferred from Brent Cross North to the publically funded element of Brent Cross South. The proposed package is still based on a 50% Business Rates Retention ring-fenced position. The payback period has extended to 13.67 years to reflect the increased cost commitment. This does bring increased risk to the borrowing position and further emphasises the importance of the HMT grant contribution of £97m and the GLA grant contribution of £3m.