



Housing and Growth Committee

16 March 2019

Title	Brent Cross Thameslink Delivery Arrangements Review
Report of	Chairman of the Housing and Growth Committee
Wards	All
Status	Public with an accompanying exempt report (Not for publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 as amended as this relates to information of a financial nature and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings).
Urgent	No
Key	Yes
Enclosures	None
Officer Contact Details	Cath Shaw, Deputy Chief Executive cath.shaw@barnet.gov.uk 020 8359 4716

Summary

This report seeks approval to undertake a review of the existing Brent Cross Thameslink programme management function to be considered by the Housing and Growth Committee at the next meeting on 11 June 2020.

Officer Recommendations

That the Housing and Growth Committee agree to approve to delegate authority to the Deputy Chief Executive in consultation with the Chairman of the Housing and Growth Committee to

- a) **Undertake a review of the existing programme management functions for the Brent Cross Thameslink (BXT) Special Project and prepare a Business Case for any proposed revisions to the delivery arrangements for BXT;**

- b) Instruct Gowling WLG to support and provide legal and procurement advice to support the review and procurement of any revised delivery arrangements for BXT;**
- c) Undertake market testing using Transport for London Professional Services Framework (to inform and develop a preferred option and procurement strategy);**
- d) Review the Business Case, select the preferred revised delivery arrangement option and approve the procurement strategy for that option;**
- e) Liaise with Re Partnership to agree any consequent exit route and transitional arrangements for the BXT Special Project Agreement.**
- f) Commence procurement to secure the preferred revised alternative delivery option and once complete, report the Business Case and preferred option to the next meeting of the Housing and Growth Committee on 11 June 2020 for final approval.**

1. WHY THIS REPORT IS NEEDED

- 1.1. At its meeting on 17 June 2019, the Policy and Resources Committee considered a report on the 'Review of Capita Contracts' which included an initial review of services RE provides in relation to Brent Cross as part of the RE contract through Special Projects and authorised the Deputy Chief Executive to: a) review the future contractual arrangements with Re for those permanent staff, contractors and sub-consultants involved in the management and governance of the Brent Cross Cricklewood (Brent Cross) development scheme; and b) to commence staff consultation on any proposed changes arising out of that review and to report the outcome of the review and consultation to the Assets, Regeneration and Growth Committee, for noting, in due course, with any decisions to be referred to Policy and Resources.
- 1.2. The report to Policy and Resources Committee noted that there are two key services: a central team that provides integrated project management, planning support and a clienting function across the Brent Cross programme; and a Brent Cross Thameslink delivery team managing procurement and delivery of a train station and associated infrastructure, waste transfer station and Train Operating Company accommodation.
- 1.3. The Brent Cross central function was transferred back to the Council on 01 February 2020. The other Brent Cross Thameslink Special Project was at a crucial stage in its delivery and utilising expertise from within the wider Capita Group to deliver the services and therefore no changes to the arrangements for the Thameslink Special Project were proposed.
- 1.4. As the Housing and Growth Committee is aware the BX Thameslink Special Project is now in delivery. All significant delivery contracts are already in place (or planned to be in place) in a direct contractual relationship between LBB and the contractor. The reliance on the expertise provided by the wider Capita Group is now significantly reduced.

- 1.5. Consequently, the council and Capita Group have mutually agreed to review the existing project management functions and assess whether there is an alternative delivery arrangement better suited to provide improved governance, assurance arrangements and resilience through the construction programme.
- 1.6. The current Special Project Agreement with Re extends to 31 March 2020. Discussions have commenced on the arrangements for between 1 April to 30 June 2020 based on a costplus model. Capita Group have agreed to support the council's ambition and has offered to support their preparation of alternative delivery options to bringing the Special Project Agreement to an end as soon as is reasonably practicable, ensuring a planned and properly controlled transition.
- 1.7. There are four broad delivery alternative arrangements that can be reviewed beyond the existing SPA arrangements with Re and specialist support from Capita Group.

a) Option A – Full In-house management.

This option presumes that the Council creates a delivery team, directly employed by the Council (or through the Council's existing agency relationships), with direct line management through to the LBB Executive team. In this option it is presumed that the Council would subsume the delivery team within an existing Council Department, and support the team using existing LBB resources and infrastructure.

b) Option B – In House management with Agency Support.

This option is the same as option A, however a sourcing agency is employed to recruit and engage most or all of the staff to be utilised on the project. The agency would take on some of the HR support tasks and functions including timesheets and payroll.

c) Option C – In house management with Strategic Support

This option is the same as option B, however the council establish a more strategic support relationship with the third-party agency or management consultant as a discipline service provider (ie. the people are employed through the agency/consultant and supplied to the council in fulfilment of a service obligation). In this case the level of support provided by the agency/consultancy to the team would go beyond basic support functions, and they would be expected to provide the council with expert advice, guidance, and process assurance. However, the service provider would have minimal or no delivery liability.

d) Option D – Full External Programme Management.

In this case the council's contracts with an external consultancy to take on all aspects of programme management, through a comprehensive Programme Management commission. The council would revert to fulfilling a Client role. The service provider would take on the responsibility for managing the Programme in broadly the same way in which Capita does today (albeit through

a dedicated commission, probably based on an industry standard form of contract). The consultant would therefore take on the normal industry standard professional liabilities associated with a commission of this nature.

- 1.8. The Deputy Chief Executive considers that Option C is likely to provide the most balanced solution between cost, access to expert advice and resource, and the overhead burden to the council. However, this option needs to be properly assessed through the preparation of the Business Case. There are several important issues and considerations in considering a revised project management function arrangement. Some of the more important ones are set out below, though this is not an exhaustive list. This will be developed in the required Business Case.

a) LBB Liability. The council currently holds the ultimate cost liability. This is partly mitigated through the works contracts (and the target cost provisions) and through contingency sums held within the project budget. An alternative delivery team arrangement will not significantly change this position. Option D does provide some theoretical protection against the negligent management and administration of the delivery contractors, and both options C and D will provide access to expertise which may help to establish a more effective risk management strategy.

b) Data and Information transfer. One of the most significant challenges will be the transfer of documents, data, and archive information in both electronic and hard copy.

c) Staff transfer and sourcing. Many of the current project staff are employed as contractors to Re, with short notice periods. It should be relatively straightforward for the team to move to council under any of the four options. However, it should be assumed that some staff will be reluctant to leave, or are directly employed by Capita and therefore subject to longer notice periods.

d) Team accommodation and logistical support. This is an issue which is likely to be common to all options. There are around 40 staff employed on the project. It can be assumed that at least half will already be accommodated in the existing on-site accommodation. Arrangements would have to be made to accommodate the balance which could be achieved by building extra site accommodation, utilising other Council premises, or some other short-term solution. The project team will be able to utilise the IT Asite platform that is being introduced across the BXC project.

e) Procuring a support organisation. Options B – D all require the engagement of a third party. There will be a significant time factor in procuring a different partner. The practical alternative is to use a Consultant from an existing EU compliant framework contract which the council has access. The most relevant one being the Transport for London Professional Services Framework.

- f) **Existing Design and Work Share partners.** Capita Group have agreed to provide Collateral Warranties for their designs up to Grip 4 allowing these designs to be adopted by the subsequent station designer and appointed contractor.
- g) **Commercial Impact.** There is a need to assess the commercial impacts to the project and to the council and the continuing wider strategic relationship with Re/Capita.
- h) **Programme Impact.** There is no absolute reason why implementing the transfer of functions should impact on the programme, provided:
- a. The transfer is well planned with all logistical arrangements and resources in place at the transfer date.
 - b. Risks have been identified and mitigation plans put in place.
 - c. Capita Group are supportive of the transfer.
- 1.9. It is however unrealistic to assume that everything will drop into place without any issues, and to recognise that the change will cause distraction for staff and contractors. It is therefore necessary to assume that there will be some programme disruption, and it is logical to consider and plan for this eventuality. Therefore, part of any planning and implementation process will be to work with the delivery contractors to keep them informed, and to allow them to highlight their areas of concern, particularly around any support needed to maintain key dates such as possessions etc. These concerns should be built into the risk management plan, with “what-if” scenarios developed and agreed in advance with the delivery contractors.
- 1.10. In order to undertake this review process, this report seeks the approval of this committee for the Deputy Chief Executive in consultation with the Chairman of the Committee to review the options for an alternative delivery project management function arrangement and prepare a Business Case in accordance with the Council’s project management toolkit . This requires a Full Business Case setting out, for each option, the advantages, disadvantages and risks of that option; and that for the preferred option a detailed financial appraisal is undertaken. For more significant projects, best practice is to adopt the Treasury’s ‘Five Case Business Model Approach’, which involves:
- A **strategic case** – a robust and evidence-based case for change, including the rationale for intervention, and a clear definition of the outcomes to be achieved.
 - An **economic case** – identifying and appraising a ‘long list’ of realistic and achievable options, to assess how well they meet the objectives and critical success factors agreed for the scheme; and subjecting a shortlist of options to cost-benefit analysis to identify a “preferred option”.
 - A **commercial case** – typically this focuses on ensuring that the preferred option will result in a viable procurement and well-structured deal. In this case, the emphasis is on commercial deliverability, given the starting point of the existing contractual relationships.
 - A **financial case** – to demonstrate that the preferred option will result in a fundable and affordable deal.

- A **management case** – to demonstrate that the preferred option can be delivered successfully.

1.11. This report therefore seeks approval to delegate to the Chief Executive in consultation with the Chairman of the Committee to

- 1) Undertake a review of the existing programme management functions for the Brent Cross Thameslink (BXT) Special Project and prepare a Business Case for any proposed revisions to the delivery arrangements for BXT;
- 2) Instruct Gowling WLG to support and provide legal and procurement advice to support the review and procurement of any revised delivery arrangements for BXT;
- 3) Undertake market testing using Transport for London Professional Services Framework (to inform and develop a preferred option and procurement strategy);
- 4) Review the Business Case, select the preferred revised delivery arrangement option and approve the procurement strategy for that option;
- 5) Liaise with Re Partnership to agree any consequent exit route and transitional arrangements for the BXT Special Project Agreement.
- 6) Commence procurement to secure the preferred revised alternative delivery option and once complete, report the Business Case and preferred option to the next meeting of the Housing and Growth Committee on 11 June 2020 for final approval.

2. REASONS FOR RECOMMENDATIONS

2.1. The Council's project management toolkit requires that a Full Business Case sets out, for each option, the advantages, disadvantages and risks of that option; and that for the preferred option a detailed financial appraisal is undertaken. For more significant projects, best practice is to adopt the Treasury's 'Five Case Business Model Approach', which involves:

2.2. Public consultation conducted as part of the Strategic Contract Review, and reported to Policy and Resources Committee on 17 June 2019, endorsed the three strategic aims of i) delivering high quality services; ii) securing best value for money for Barnet's residents; and iii) strengthening the Council's strategic control of services. Residents expressed a preference for in-house provision. This has been considered in recommending this review given that BXT is not in delivery and is no longer so heavily reliant on specialists provided by Capita Group.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1. The alternative is to continue with the existing arrangements. However, the council is not recommending this option as the project has now moved into delivery phase. The project governance and delivery arrangements should be reviewed to ensure that it remains fit for purpose and to drive efficiencies across the BXT programme and ensure value for money.

4. POST DECISION IMPLEMENTATION

- 4.1. Following the report coming to Committee, work will progress in accordance with the recommendations.

5. IMPLICATIONS OF DECISION

5.1. Corporate Priorities and Performance

5.1.1. The aims of this review are consistent with those set out in the December report to Policy and Resources Committee, confirmed through the consultation process, which were designed to ensure high quality, good value services as envisaged in the Council's Corporate Plan.

5.1.2. The comprehensive regeneration of Brent Cross Cricklewood is a long-standing objective of the Council and a key regeneration priority of the Mayor of London. The regeneration of Brent Cross Cricklewood supports the Council's Corporate Plan 2024 which states our three outcomes for the borough focus on place, people and communities:

- A pleasant, well maintained borough that we protect and invest in
- Our residents live happy, healthy, independent lives with the most vulnerable protected
- Safe and strong communities where people get along well.

5.1.3. Under a pleasant, well maintained borough that we protect and invest in, the priorities are:

- ensuring decent quality housing that buyers and renters can afford, prioritising Barnet residents
- investing in community facilities to support a growing population, such as schools and leisure centres
- responsible delivery of our major regeneration schemes to create better places to live and work, whilst protecting and enhancing the borough.

5.1.4. The scheme to transform Brent Cross Cricklewood will play a major role in delivering future prosperity, doubling the size of the shopping centre and linking seamlessly to a new town centre for Barnet and North London across the North Circular Road. Brent Cross Cricklewood is one of Barnet's priority regeneration areas and will provide approximately 7,500 new homes over the next 20 years. It is a key part of the wider revitalisation of the A5 corridor, linking Brent Cross Cricklewood with developments at West Hendon, Colindale and Edgware and improvements to Cricklewood Town Centre, to create a series of high quality modern suburbs.

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

5.2.1. The purpose of the review is to secure value for money and drive efficiencies across the programme. This will form part of the developing the Business Case and Procurement Strategy.

5.3. Social Value

- 5.3.1. The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before commencing a procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.
- 5.3.2. If so, the social value objectives identified must be written into the procurement process. All of this must be achieved with regard to value for money and in a way that is compliant with existing public procurement law. "Social value" objectives can include the creation of employment, apprenticeship and training opportunities for local people, trading opportunities for local businesses and the third sector; and the promotion of equality and diversity through contract delivery.
- 5.3.3. The Brent Cross Programme provides significant opportunities to build social value. Tracking benefits, such as social value benefits, is actively carried out by the Brent Cross integrated Project Management team, which will continue.

5.4. Legal and Constitutional References

- 5.4.1. Council Constitution, Article 7 (Committees, Forums, Working Groups and Partnerships) provides that the Housing and Growth Committee, is responsible for regeneration schemes and asset management.
- 5.4.2. Procurement of public works and services contracts over the relevant value thresholds must comply with the requirements of the Public Contracts Regulations 2015, to include the placing of OJEU notices where such contracts are not drawn down from a compliant framework.
- 5.4.3. The Public Services (Social Value) Act 2012 requires the Council to consider at the pre-procurement stage whether it can achieve an improvement to the economic, social and environmental well-being of an area as part of the procurement of these services. The "Transfer of Undertakings (Protection of Employment) Regulations 2006" as amended by the "Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014 (TUPE) is likely to apply to any relevant transfers of employment under any new arrangements.

5.5. Risk Management

- 5.5.1. As set out in the BX progress report to this Committee. <https://barnet.moderngov.co.uk/documents/s58340/BXC%20Housing%20and%20Growth%20update%20Report.pdf>

5.5.2. A key consideration is ensuring that experienced staff who will provide diligent review and challenge are working on the programme. The current team provided through the Brent Cross SPIR have amassed significant knowledge and ensuring a smooth transition to the new arrangement needs to be managed carefully to ensure staff are retained. The council will work with Re to ensure that there is regular, joined-up, communication in undertaking this review, and implementation of the transfer of functions.

5.5.3. There is a risk to delivery of the Brent Cross Cricklewood programme if those working on the programme focus their time and attention on the process of moving resources. This will be considered and kept under review throughout the process, including through contract management mechanisms.

5.5.4. Programme governance arrangements are in place. As part of these arrangements, a risk register has been prepared and this is reviewed and updated on a regular basis.

5.6. Equalities and Diversity

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

5.7. Consultation and Engagement

5.7.1. As set out in the separate BX progress report to this Committee meeting.
<https://barnet.moderngov.co.uk/documents/s58340/BXC%20Housing%20and%20Growth%20update%20Report.pdf>

5.8. Insight

5.8.1. The analysis undertaken to date has been based on the current contractual model, information provided by Capita, and legal review of the contract.

6. BACKGROUND PAPERS

Brent Cross progress update Housing and Growth, 16 March 2020
<https://barnet.moderngov.co.uk/documents/s58340/BXC%20Housing%20and%20Growth%20update%20Report.pdf>