



Cabinet

DRAFT (subject to O&S review)

Title	Plot 1 Brent Cross Town Regeneration
Date of meeting	6 December 2023
Report of	Cllr Barry Rawlings, Leader of the Council and Councillor Ross Houston, Deputy Leader, Cabinet Member - Homes and Regeneration
Wards	Cricklewood
Status	Public with accompanying exempt report and appendices Exempt report and appendices not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended, as the report includes information relating to the financial or business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)
Key	Key
Urgent	No
Appendices	Appendix A – Location Plan Appendix B – Site Plan Appendix C – Building Illustrations
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Summary

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.

Early delivery of the building is crucial to regeneration at BXT, maintaining delivery momentum and securing the commitment of a key 'anchor' occupier.

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 Council's strong 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. Approve the provision 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 approval by Full Council on [30.01.2024].**
- 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 1.55-1.62.**

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.
- 1.33 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 taken by RA and SHU are outlined in the associated exempt report and appendices.

Financial Appraisal

- 1.34 Detailed financial analysis of the proposal is contained in the exempt paper and accompanying exempt appendix. which accompanies this report.

1.35 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

1.36 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'.

1.37 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').

1.38 The new regime is arguably more permissive than former EU regulations and, while the same terminology still tends to be used by practitioners, the concept of 'subsidy' is not seen as a bad thing in principle. It should be noted that 'subsidy' can be in the form of direct financial support, or – as in this case – offering more favourable financial terms than might be offered by the private market.

1.39 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.

1.40 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.

1.41 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.

1.42 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.

1.43 Provisional advice is that subsidy control considerations may apply to these proposals and, if Cabinet is minded to support the recommendations, a detailed assessment process (and CMA referral if required) will be conducted after Cabinet, subject to Full Council approval of relevant aspects of these proposals and before any binding commitments are entered into.

1.44 The initial legal and financial advice provided by the Council's advisors in this connection is referenced in the exempt appendix which accompanies 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 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