

NINE ELMS-VAUXHALL STRATEGY BOARD

Draft Minutes of the special meeting held on Friday, 15th July 2011 at 9.30 a.m., at City Hall (Room 1), The Queen's Walk, London SE1 2AA

PRESENT

Members of the Strategy Board: Sir Edward Lister and Mr Giles Dolphin (Greater London Authority); Councillor Mark Harrison (Lambeth Borough Council); Councillor Ravi Govindia (Chairman) (Wandsworth Borough Council); Ms Michèle Dix and Mr Alex Williams (Transport for London); Mr Sean Ellis and Mr Matthew Townend (St James Group); Mr David Laycock (Ballymore Group); Ms Jan Lloyd and Mr Matthew Evans-Pollard (Covent Garden Market Authority); Mr. Jim Moore (National Grid Property Ltd.); Mr Jeremy Castle and Mr Rob Tincknell (Treasury Holdings); Mr Matthew Nicholson (Sainsbury's); and Mr George Kyriacou (CIT – Green Properties).

Officers and observers: Councillor Nigel Haselden, Ms Sue Foster, Mr Zbig Blonski and Ms Sandra Roebuck (Lambeth Borough Council); Mr Paul Martin, Mr Chris Buss, Mr Tony McDonald, Mr Mike Brook, Mr Steve Mayner, Ms Seema Manchanda, Mr Bill McCluskey and Mr Francis de Lima (Board Secretary) (Wandsworth Borough Council), Mr Keith Trotter (Nine Elms Support and Delivery Team); Mr Julian Ware (Transport for London) and Mr Tony Whitehead and Mr Matthew Taylor (Treasury Holdings).

Also present: Mr Tom Ward and Ms Lucie Banham (Banham); Mr John Fannon (Allies & Morrison/Urban Practitioners); and Ms Fiona Fletcher Smit.

Apologies: Apologies for absence were received from Councillor Steve Reed (Deputy Chairman), Councillor James Cousins, Mr Jonathan Rawnsley and Mr David Lunts.

1. Northern Line Extension – funding and financing

Ms Dix introduced Mr Lewis Atter of KPMG who would be making the presentation to the Strategy Board. By way of an introduction, she explained that, at this stage, it was necessary for the partners to find ways to fund and especially to finance the Northern Line Extension. Accordingly, initially KPMG LLP had been commissioned to aid this process. She stated that it was premature, at the present time, to draw firm conclusions; rather, the Strategy Board would need to decide on the way forward. Clearly, there were issues with funding. Ms Dix said that these and other issues would be the subjects of a significantly intensive period of work over the summer culminating in a further detailed report to the Strategy Board at the next meeting on 28th October 2011.

Mr Atter then made his presentation to the Strategy Board, based on the KPMG report (Paper No. SB11-41) that had been circulated with the agenda. In concluding his presentation, he confirmed that, if certain steps are taken and certain agreements are made, the Northern Line Extension is deliverable.

After the presentation, the Chairman thanked Mr Atter for his presentation which, he said, had been exceedingly helpful and had placed the problems associated with the funding and financing of the Northern Line Extension in clear focus. He explained that the tasks now before the Strategy Board were to identify the solutions that would carry the process forward and deliver the Extension. These included solutions to bridge the funding gap, which needed to be quantified precisely; the confirmation of cost assumptions; and, importantly, an identification of the responsibility for specific risks that the various partners would assume.

The Chairman then invited questions and comments. Ms Dix said that, in terms of immediate next steps, it was necessary to continue the design work that was already progressing, together with the public consultation that was currently being undertaken; there would need to be an assessment of the potential impact of the Local Government Resource Review (LGRR) as regards the application of incremental Business Rate income; and there would need to be agreement of Heads of Terms before the Transport and Works Act order stage.

In answer to a question by Mr Ellis about whether the S106 contributions that had been factored into KPMG calculations had been index-linked in the same way as the risks of escalating costs had been, Mr Atter confirmed that they had been in the same way.

Mr Tincknell welcomed the presentation and the report prepared by KPMG which he said was a great job accomplished in a short time. He said that the Strategy Board now had a clearer understanding of the funding and financing issues and challenges and referred to the number of opportunities that also lay ahead. He added that the further work to be undertaken over the summer would clarify matters better and welcomed, in particular, the potential for reducing costs by up to £100m through further design work.

Mr Tincknell then set out five points that he said were the significant next steps that needed to be taken, as follows:-

(a) continue the financial modelling with KPMG which will include:-

(i) the completion of the consultation and thereafter, the technical design which will allow the cost plan to be revised and a reconsideration of the optimism bias;

(ii) seek clarity around the sites and areas where the tariff would be levied;

(iii) seek clarity around the priority of the Northern Line Extension

against other infrastructure;

- (b) increase the sophistication of the model to allow more complex debt profile modelling;
- (c) continue lobbying/influencing the LGRR and/or Tax Incremental Financing (TIF) proposals to ensure that they proceed in the form and timescale that is beneficial to Nine Elms;
- (d) produce an Economic Benefits paper to be considered alongside the KPMG work setting out all the business case for the Northern Line Extension, which shows additionality to the London and UK economies; and
- (e) complete a risk mitigation exercise considering in greater detail procurement, hedging and other methods of risk reduction.

Mr Tincknell stated that, whilst the Strategy Board would be given a brief update on the consultation currently being undertaken, it would be inappropriate to provide any detailed information at this stage. He also said that the landowners were keen to hear from Lambeth Council that the Council was a committed partner in this effort. He concluded that what was perhaps the most comforting aspect of the presentation was the clear indication that “this is a deliverable project”.

Ms Dix then stressed that what was of crucial importance in taking the project forward was the clear confirmation that the Strategy Board was wholly behind the project and that the partners would share the risks. In reply to Mr Ellis’ questions about the timing of the next stages, providing Transport for London’s conditions were met, Ms Dix explained that “nothing is on hold” but that Treasury Holdings’ wish to secure a Transport and Works Act order by September 2011 would not be met because, initially, the current consultation would need to be completed. Accordingly, the timetable for achieving the Transport and Works Act order is now more likely to be spring 2012.

Ms Dix then set out three conditions that were necessary for moving the project forward. The conditions were as follows:-

- (a) Design and consultation have proceeded to the right stage and that the outputs are acceptable. The project team is making good progress and expects to meet this test later this year;
- (b) The Local Government Finance Resource Review has progressed to a sufficient stage to give confidence that the funding from rates is likely to be available. The current timetable is that this could be available from the financial year 2013/14 onwards; and
- (c) There exists a heads of terms document, agreed by the parties, which covers funding, finance and risk allocation, as well as legal structure and

delivery strategy. This would form the basis of a full development contract which would be signed before the Transport and Works Act Inquiry.

In response to comments by Mr Williams, Sir Edward Lister confirmed that the Mayor would be issuing a consultation document on the Local Government Resource Review later this month and would aim for any changes to come into effect for the 2013/14 financial year. He added that the GLA are lobbying the Government strongly on this issue and would, no doubt, refer to this scheme as part of the broader lobbying. Therefore, the approach to central Government would be to lobby for them to support the Northern Line Extension scheme and potentially also to take some of the risk associated with the financing of the project.

Ms Dix endorsed the earlier comments by the Chairman about the need for all partners to accept responsibility for risks, as financing was clearly a problem. She explained that the matter would need to be discussed with the Mayor but that Transport for London, which was unable to borrow more, was not in a position to do this alone..

Sir Edward Lister commented that, for the first time, there was now a document that confirmed, subject to conditions, that the project could be achieved. It was now for the Strategy Board to grapple with the issues and to drive the project forward. However, the “big issues” – the costs and the risks – needed to be clarified. There were also new schemes to be considered that were not originally in the DIFS, and there was also the need to clarify boundaries in Vauxhall – what areas should and should not be included.

In the absence of Councillor Steve Reed, Councillor Nigel Haselden addressed the meeting. He informed the Strategy Board that Lambeth Council welcomed the KPMG report which he said was a helpful and forward looking document, which set out clearly the potentials and the constraints involved in realising the Northern Line Extension. He paid tribute to the work that the officers of the two Councils had undertaken which he said binds the two Councils together, in conjunction with the Greater London Authority.

Councillor Haselden said that the KPMG report provided the clarity that was required and showed that the two Borough Councils should contribute appropriately to the Extension, but that the more significant risks would need to be managed and underwritten at the GLA/regional and national government levels. He suggested that the document was particularly helpful in demonstrating how it underpins the regeneration of the entire area and that it now provided a good foundation for the two Councils, the GLA and the Government to commence concerted work on the Northern Line Extension.

In welcoming Councillor Haselden’s comments, the Chairman said that the Strategy Board would now need to build a strong case to the Government, to persuade the Government to agree to share the risks and the burdens associated with the construction of the Extension. He asked the officers to produce the basis for a resolution by the Strategy Board that incorporates the consensus of views that were being expressed by all parties at the meeting, to

be agreed by all parties and for an approach then to be made to the Government. He acknowledged that, before a formal approach to the Government, there was a need to “open doors to the Government”.

Ms Dix also welcomed the KPMG report and presentation and reiterated the need for the design work, currently being undertaken, now to be completed; for greater clarity on costs and risks to be calculated; and for a strong case to be built for the construction of the Northern Line Extension and also for other transport schemes. However, she suggested that, perhaps, lobbying of the Government ought to be deferred until the further work that had been identified during the discussion had been advanced. She also stressed that it was now essential for Lambeth Council to declare its commitment to the Extension project.

Councillor Haselden endorsed Ms Dix’s reference to the need for work also to be continued on the other proposed transport improvements.

Sir Edward Lister confirmed that the Mayor fully supported the project, in principle, but stressed that the significant issues related to costs and risks required to be resolved.

Noting the comments by Mr Tincknell about the likelihood of the risks diminishing in time, the Chairman cautioned that, whilst this may be the case, it was crucial to bear in mind that, nevertheless, there would be significant risks involved in relation to the funding and financing of this project.

The Chairman also made the case for a public affairs strategy to be prepared for implementation say, in the autumn 2011, to promote the Extension and stressed that this would demand “leadership from the very top of the three political entities” involved in the project.

The Chairman then summarised the conclusions of the meeting as follows:-

- (a) KPMG complete their work on the costs of funding and financing the Extension, with a view to producing a more sophisticated account of these costs and the associated risks;
- (b) Transport for London would continue to advance the design work in connection with the Extension;
- (c) the business case for the Extension and the other transport projects to be prepared by the two Councils with Transport for London and other parties;
- (d) a public affairs strategy for the promotion of the Extension to be prepared by the Communications Working Group; and
- (e) that further key decisions would have to be taken by the Strategy Board at the October 2011 meeting, for which it would be helpful if the more significant papers could be circulated well in advance.

Mr Townend agreed that the Communications Working Group would assume responsibility for the preparation of a public affairs strategy.

Action: (a) Mr Brook (Wandsworth) and Ms Roebuck (Lambeth) to finalise the draft resolution, in consultation with other parties, as appropriate, inter alia, accepting the initial findings of the KPMG study, unequivocally supporting the Extension as of fundamental importance to the achievement of the Vision for the regeneration of the Opportunity Area, recognising the financial risks involved and setting out an outline of the future strategy to be adopted by the Strategy Board in realising the construction of the Extension; (b) Councillor Govindia, Councillor Reed and Sir Edward Lister to consider the approach to the Government and to maintain close liaison; (c) the Communications Working Group to prepare a public affairs strategy to promote the Extension; and (d) responsible officers (and the Board Secretary) to note the Chairman's request for significant papers to be circulated as much in advance of the 28th October 2011 meeting, as is possible.

2. Northern Line Extension – consultation

Mr Tony Whitehead presented a verbal update on the current position with regard to the public consultation on the Extension. He advised the Strategy Board that he was not in a position, at present, to provide much substantive information, as the consultation process, which commenced with a leaflet drop in the week beginning 9th May 2011, to some 40,000 residents and businesses across the Opportunity Area, was still current.

This leaflet drop was followed up with a series of exhibitions and evening events across the area of the proposed route alignment.

Mr Whitehead confirmed that, as a result of specific feedback during the consultation process, the consultation period had been extended to allow for second document to be distributed within the same distribution area as the initial May leaflet drop. The second leaflet, which was distributed towards the end of June, was aimed at maximising the opportunity for the public to participate in the original route options process. An additional programme of public exhibitions was held in support.

Mr Whitehead informed the meeting that the extended consultation period (involving both documents) would end in August 2011. The feedback received would eventually be channelled into the design and alignment processes. He said that he hoped to be in a position to submit a full report to the Strategy Board on the outcome of the consultation, at the October meeting.

Councillor Harrison commented that the quality of the consultation process had improved over time. He informed the Strategy Board that, despite some vocal local opposition, Lambeth Council was participating fully in the consultation process and, accordingly, he, Councillor Reed and Councillor Haselden had attended a number of consultation meetings and had made the case robustly that Lambeth Council should be supportive of the development

of the Northern Line Extension and should contribute appropriately to its costs.

The Chairman welcomed this commitment by Lambeth Council and thanked Mr Whitehead for his verbal update of the current consultation.

Action: Mr Whitehead to submit report on the outcome of the consultation to the Strategy Board in October 2011.

3. Date of next meeting

The Chairman drew the Strategy Board's attention to the date of the next meeting and asked working group co-ordinators and the authors of the other reports being submitted, to abide by the deadline for the submission of reports, set out in the agenda.

4. Tribute

The Chairman advised the Strategy Board that this had been Mr de Lima's last meeting as Board Secretary. He thanked Mr de Lima for his hard work for the Strategy Board since its inception and for endeavouring to introduce a disciplined approach to the Strategy Board's processes. He wished Mr de Lima well for the future.

Mr de Lima thanked the Chairman for his kind words and good wishes.

The meeting ended at 10.36 a.m.

Francis de Lima
Board Secretary

Strategy Board/FDL/18.7.11