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| Item No. 15. | Classification: Open | Date: 16 September 2014 | Meeting Name: Cabinet |
| Report title: | | Kipling Garages, Weston Street, Bermondsey, SE1 - Grant of Long Lease | |
| Wards affected: | | Grange | |
| Cabinet Member: | | Councillor Fiona Colley, Finance, Strategy and Performance | |

FOREWORD - COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, STRATEGY AND PERFORMANCE

I am delighted to bring forward this report which seeks to further our partnership working with the Leathermarket JMB by enabling them to bring forward a ground breaking resident led, genuinely affordable housing development project on the Kipling Estate.

This is a prime example not only of our commitment to build more genuinely affordable homes in the borough, but also enabling council tenants and homeowners to take greater control over their homes and local area.

RECOMMENDATIONS

That the cabinet authorises

1. The head of property to both enter into an agreement for lease and grant of a long leasehold interest in two parcels of land on the Kipling estate, Weston Street, London SE1 (“the Property”), as shown edged black on the plan attached at appendix A, to the Leathermarket Community Benefit Society (CBS) on the terms outlined below; Any minor variations to be delegated to the Head of Property to agree.

BACKGROUND

2. Lessee: Leathermarket CBS
The Term: 125 years
The Reserved Rent: One peppercorn
Permitted Use: Residential Social Rent
Costs: Each party to be responsible for their own costs.
3. The property comprises two triangular shaped parcels of land fronting onto Weston Street, SE1 on the fringes of the Kipling estate. The estate is currently managed by the Leathermarket Joint Management Board (JMB) and comprises a mixture of low rise and high rise buildings constructed in the mid 1960’s. The larger parcel is currently occupied by 20 ‘lock up’ single domestic garages which are currently let on licence agreements which can be terminated at any time. The other parcel of land is vacant open land. These parcels of land comprise 820m² and 162m² respectively.

4. In 1996 Southwark Council outsourced the management of around 1500 homes in North Bermondsey to the Leathermarket JMB. This decision proved successful as the Leathermarket JMB has had three successful continuation ballots with the latest seeing a 76% turnout and a 93% approval of secure tenants. Subsequently the council agreed to make the JMB the country's first self financing Tenant Management Organisation.
5. The JMB is seeking to build on the confidence of the council and its residents and support Southwark to deliver 11,000 new genuinely affordable homes. They propose a development of up to 30 units all of which will be let at 'target' social rents.
6. The JMB has identified that by working with local residents, designing homes that meet local needs, in a way that is sympathetic to the immediate neighbours and allocating a large proportion of these to residents on the estate, they can achieve much greater levels of local support than an outside developer would achieve. This enables the JMB to unlock contentious sites and hidden homes
7. Following the last continuation ballot and concerns expressed at that time, the JMB undertook a detailed housing needs survey of the entire JMB estate. This housing needs survey identified a significant number of LMB tenants (30%+) who wish to move to larger or smaller properties. If the JMB can enable under occupying tenants to downsize, this will release larger properties, which will in turn meet the needs of tenants who are overcrowded.
8. Through a process of analysis of the JMB estate, in conjunction with professional advisors, a number of potential development sites have been identified which include the Property.
9. The JMB has secured pre development funding from a number of sources which has enabled the establishment of the CBS and the appointment of a professional team who have worked with the community to work up proposals and take the project forward. The bulk of this funding has come from the Greater London Authority – Community Right to Build (CRTB) Fund. Other funders include the United Saint Saviours Charity and the National Community Land Trust (CLT) Network.
10. The establishment of the Leathermarket CBS enables the JMB to continue focussing on its core activities of managing and maintaining its existing housing stock. The CBS is the first of its kind to be established in the country and is governed by a board of directors.
11. A professional team has been appointed by the Leathermarket CBC and includes Igloo Regeneration as development managers and Southwark based Bell Phillips as architects.
12. Much of the due diligence has been completed on the Property. A number of surveys have been undertaken including measured, archaeological and topographical. The architects have also undertaken massing exercises.
13. The principle heads of terms have already been agreed, subject to cabinet approval and a legal framework (lease and agreement for lease) approved with lawyers appointed for both parties.

14. The Leathermarket CBS is still exploring funding options. Any gap in funding may be bridged by monies from the council's affordable housing fund, but this will need to be subject to a formal decision at a later date when the state of the scheme finances are finally known. This is likely to be subject to a finance agreement with a suitable payback period.

KEY ISSUES FOR CONSIDERATION

15. Southwark is committed to delivering 11,000 new council homes. The grant of the lease of the Property will enable this important partner organisation to contribute to this overall objective by the provision of up to 30 social rented units for Southwark residents.
16. The exact number of units and a firm proposal have yet to be agreed upon and are still subject to a detailed design process.
17. The Leathermarket CBS intends to gain planning permission to build the homes through a Community Right to Build Order ("CRBO") pursuant to Schedule 11 of the Localism Act. This process will require the holding of a referendum of local residents in order to support and endorse the proposal. This is why it is vital that there is regular community engagement and local ownership of the project. The decision to go down this route is still being actively considered but if it proves too costly and timely then planning permission will be sought in the more usual way.
18. Social rented housing is officially defined as '.....rented housing owned and managed by local authorities and RSL's for which guideline target rents are determined through the national rent regime'.
19. The Property is held within the council's housing revenue account.
20. The grant of this long lease is subject to a declaration of surplus being obtained from the director of regeneration.
21. The parties will enter into an agreement for lease following which a lease will be completed once certain conditional matters have been fulfilled.
22. The conditional matters are
 - Satisfactory preliminary site investigations
 - Grant of satisfactory building consents
 - CBS having funding in place
23. The subsequent 125 year lease will then contain an obligation on the tenant to implement the building consents and to complete the development within a certain time. We are proposing a long stop date for completion of 5 years from the date of the lease.

Next Steps and timetabling

24. Bells Phillips architects are currently developing the preferred massing option from two possible alternatives. Both these options meet or exceed the required 24 minimum that have been identified through the housing needs survey. The next stage will see the design team finalise the shape, height, number of units and internal layout.

25. The following key project milestones have been set;
- Design development: now until November 2014
 - Build Order Referendum/Secure Permission : April/March 2015
 - Practical Completion of the homes: December 2016
26. These timings are dependant on both the availability of development funding and the planning route chosen by the Leathermarket CBS.

Policy implications

27. The new units will be built to the standards of the Code for Sustainable Homes - Level 4. They will be both sustainable and energy efficient. This will help to reduce tenant fuel costs and minimise the risk of moving into fuel poverty.
28. The homes that will arise as a result of this project will support the council's commitment of building 11,000 new council homes.
29. The delivery of these homes will be consistent with the council's thirty year housing strategy vision that was agreed earlier this year. This long term vision has four principles the first of which is that ...'we will use every tool at our disposal to increase the supply of all kinds of homes across Southwark' and the third that 'we will support and encourage all residents to take pride and responsibility in their homes and local area'.

Community impact statement

30. Southwark is a borough which has high levels of housing need. The 2014 Strategic housing market assessment continues to demonstrate the need for affordable housing with the borough experiencing very high house prices that are outside the reach of many of its residents.
31. Those tenants that will be dispossessed of these domestic garages will be found alternatives, where it is possible, either on the estate or nearby.
32. The provision of new homes will enable those under occupying their current homes, including many who are elderly, to downsize into smaller more appropriate sized accommodation whilst in turn releasing larger properties for those households that are currently overcrowded. At least 10% of the new units will be wheelchair accessible.
33. The proposals to develop new affordable homes have been subject to regular and comprehensive consultation with the local community. This will continue as the proposals are refined and finalised. The final proposals will be subject to statutory consultation.

Resource implications

34. The grant of the lease will be at a nominal consideration. There will be no capital receipt. The council has approximately 8,000 single garages and parking spaces and so the impact of changing usage of 20 garages is immaterial to the council's asset register and rental income.

35. Officer time and costs needed to complete the grant of this lease will be met from existing service and budget provision.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

36. Section 1 of the Localism Act 2011 grants councils a general power of competence whereby a local authority has power to do anything that individuals generally may do. However, that power does not enable a local authority to do anything which it is unable to do by virtue of a pre-commencement limitation. Section 32 of the Housing Act 1985 is a pre-commencement statute which imposes limitations on the council’s power of disposal.
37. As the Property falls within the council’s housing portfolio, the disposal can only proceed in accordance with section 32 of the Housing Act 1985, for which purposes the consent of the Secretary of State for the Department of Communities and Local Government is required.
38. A number of general consents have been issued in the General Housing Consents 2013.
39. Consent A3.2 states “A local authority may dispose of vacant land”.
40. The report indicates in paragraph 3 that one parcel of the Property is vacant and the other parcel is occupied by lock up garages held through [short term] licence arrangements which can be terminated at any time to ensure the Property is vacant prior to entering into a legally binding agreement.
41. The report indicates in paragraph 20 that a surplus declaration needs to be obtained. This recommendation is conditional on the surplus declaration being obtained before exchange of the agreement for lease.
42. Subject to paragraphs 39 and 40 of this report cabinet may proceed with the approval of the recommendation.

Strategic Director of Finance and Corporate Services (FC14/021)

43. This report seeks cabinet authorisation to grant a long leasehold interest in two parcels of land on the Kipling estate. The financial implications are contained within this report.
44. The strategic director of finance and corporate services notes that this land will contribute towards the council’s commitment to delivering 11,000 new council homes. The change of land use will be subject to the council’s accounting and valuation policies and procedures.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
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| None | | |

APPENDICES

| No. | Title |
|------------|--------------------------|
| Appendix A | Ordinance Survey extract |

AUDIT TRAIL

| | | |
|---|--|--------------------------|
| Cabinet Member | Councillor Fiona Colley, Finance, Strategy and Performance | |
| Lead Officer | Eleanor Kelly, Chief Executive | |
| Report Author | Paul Davies, Principal Surveyor | |
| Version | Final | |
| Dated | 5 September 2014 | |
| Key Decision? | Yes | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | |
| Officer Title | Comments Sought | Comments included |
| Director of Legal Services | Yes | Yes |
| Strategic Director of Finance and Corporate Services | Yes | Yes |
| Cabinet Member | Yes | No |
| Date final report sent to Constitutional Team | 5 September 2014 | |