

Item No. -	Classification: Open	Date: 3 rd May 2019	Decision maker: Director of Regeneration
Report title:		Delegated Officer Decision - 223 Southwark Park Road, SE16, Acquisition of Leasehold Interest	
Ward(s) or groups affected:		North Bermondsey	
From:		Matthew Jackson, Head of Property	

RECOMMENDATION(S)

1. To acquire the leasehold interest held by Glasdon Estates by accepting a surrender of the existing long lease for an agreed capital sum (payable by the council).
2. To bring forward a meantime food and beverage “offer” on the basis described in paragraph 7 b) below (but with the council’s sole involvement only). The property will be put into meanwhile use to create a destination for The Blue around local food production and to generally increase footfall to the town center, benefiting local traders.
3. To note that the property is held in the Housing Revenue Account, and the principle purpose of the acquisitions is the delivery of new council homes, acquired through the HRA. Detailed redevelopment options are to be appraised, potentially drawing in adjacent LBS owned land (also HRA).

BACKGROUND INFORMATION

4. 223 Southwark Park Road is a large, two-storey retail unit, with prominent frontage. It is located at the entrance to Market Place.
5. The council has granted a lease of the premises, originally for a term of 80 years from 1975. The property had accommodated local furniture firm C Thorowgood Ltd. In 2018 Thorowgood sold its leasehold interest to Glasdon Estates Limited.
6. Following a period of negotiation, the council has the opportunity to merge the leasehold interest in the property with its own freehold. The benefits of doing so are discussed below.

KEY ISSUES FOR CONSIDERATION

The Lease

The lease currently held by Glasdon expires in 2056 (37 years unexpired).

Options considered

7. Several options have been discussed with Glasdon, with negotiations progressed on the following:

a) LBS make a cash offer to buy the lease, creating an unencumbered freehold

Firstly, the council would be prepared to make a cash offer to acquire the existing leasehold interest.

The acquisition would give the council complete control, open up other opportunities in the immediate vicinity (including the possibility of additional housing), and provide a free hand in implementing the meantime use mentioned below.

b) Glasdon and the council work together, agreeing a meantime use for 223

The second option entailed a collaborative approach, exploring the wider opportunities for a joint project, with a temporary use of No.223 to be agreed in the meantime. To facilitate this, we would agree to permit a wider use of the premises, details to be agreed, temporarily for a period of five years.

The preferred meantime use forward is as a hub for the sale of food production in Bermondsey. The area has a rich history as the “Larder of London”, but very few retail outlets where local people and Londoners can source these products direct. A meantime use to bring together the cluster of food operators into one hub has real demand, and could further transform the Blue market-place.

c) LBS to take an intervening lease on market terms

Proposed by Glasdon. In addition, they would require a more open user clause at the end of the lease. The option does not reflect the respective strengths of each's negotiating position and has not been pursued.

d) LBS considers other action

Given the strategic implications for the Blue, the Council could consider the use of compulsory purchase powers to acquire the interest.

8. The acquisition of the property for housing will fulfil the requirements of a s120 of the Local Government Act 1972 as the provision of housing is one of the council's functions; in addition, the local area will benefit from the new homes and the enhanced environment around the homes, and from the construction jobs created through its development.

Policy implications

9. The area around Southwark Park Road and Market Place is one of particular interest to the council. It received special consideration in the 2016 Asset Management Plan for commercial premises approved by Cabinet, is the subject of a Business Improvement District (the “Blue Bermondsey BID”), has recently been the beneficiary of significant capital investment through the Good Growth Fund, and has potential to benefit further from local regeneration.

Community impact statement

10. The acquisition itself has no direct community or equalities impact, although it will return control of a strategically important asset to the council. The meanwhile use of the property will contribute to the retail and community offer in this locality for everyone, including people with protected characteristics, and, in the longer term, help to deliver new homes.

Resource implications – financial issues

11. The property is held in the Housing Revenue Account, and the principle purpose of the acquisition is the delivery of new council homes.
12. The merger of the leasehold interest in to the freehold will facilitate this objective, whilst releasing additional value in the council’s favour. The transaction will give the council a freehold interest with which it can deal freely (rather than one that is subject to an intervening lease with 37 years remaining).
13. In these circumstances the parties would share between them the latent value released. As a result, the Head of Property is of the view that the purchase demonstrates best consideration. This is further supported by the other benefits of acquisition i.e. facilitating strategic objectives in delivering new homes and opening out additional development options for the same purpose.
14. In addition to the acquisition price the council will incur transaction costs (surveyors, legal) and Stamp Duty Land Tax. The VAT position will be ascertained in the course of due diligence.
15. The seller will be responsible for its own costs.
16. The transaction will cause a receivable geared rent to be extinguished.

Consultation

17. The Director of Regeneration has fully discussed the proposal with the Strategic Director of Housing and Modernisation and the Cabinet Member for Social Regeneration, Great Estates and New Council Homes, who are in favour of the scheme.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

18. Section 120 of the Local Government Act 1972 gives the council power to acquire land by agreement for the purposes of (a) any of the council's functions under the Local Government Act or (b) the benefit, improvement or development of the area. The report sets out at paragraph 7 how these requirements are met.
19. Section 9 of the Housing Act 1985 states that a local housing authority may provide housing accommodation by erecting houses or converting buildings into houses on land acquired by them for the purposes of the Housing Act.
20. Section 120(2) of the Local Government Act 1972 further provides that where land is acquired for a purpose and it is not immediately required for that purpose, it may be used for the purpose of any of the council's functions until it is required for the purpose for which it was acquired. This provision would authorise a "meanwhile" use as envisaged by this report.
21. Taken together these provisions give the council adequate legal powers to acquire the property for housing and to use it for other temporary uses in the interim period prior to construction of housing.
22. Normally the acquisition and disposal of land is a matter reserved to the council's cabinet, subject to certain financial thresholds and other exceptions, by virtue of Part 3C of the council's constitution. The Cabinet decision of 22 January 2019 delegated to the Director of Regeneration in consultation with the strategic director of housing & modernisation and with the Cabinet member for social regeneration, great estates and new council homes authority to acquire and dispose of sites in furtherance of the delivery of the council's housing delivery programme for the reasons set out. The Director of Regeneration advises in paragraph 17 of his report that such consultation has occurred.

Strategic Director of Finance and Governance (H&M19/011)

23. This report is requesting the Director of Regeneration to approve the acquisition of the leasehold interest in 223 Southwark Park Road to facilitate the delivery of new council homes. The acquisition will be funded from the council's Housing Investment Programme, using Right To Buy receipts and other resources including S106 monies and borrowing as appropriate. The financial implications are set out paragraphs 11 - 16 above.

FOR DELEGATED APPROVAL

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council's constitution, I authorise action in accordance with the recommendation(s) contained in the above report (and as otherwise recorded in Part B below).

Signature



Date.. 23/05/2019..

Designation: Professor Kevin Fenton, Strategic Director of Place and Wellbeing on behalf of Director of Regeneration Stephen Platts

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers (including contract reports)
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

1. DECISION(S)

As set out in the recommendations of the report

2. REASONS FOR DECISION

As set out in the report

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

Not applicable

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION (IF APPLICABLE)*

Not applicable

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

Not applicable

BACKGROUND DOCUMENTS

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.

Background Papers	Held At	Contact
Case file	Property Team, Regeneration Department, 160 Tooley Street	Matthew Jackson Tel: 020 7525 1332
Asset Management Plan for commercial premises (2016)	http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=6004	Matthew Jackson Tel: 020 7525 1332
Cabinet decision of 22 January 2019 – Ann Moss Way	http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?Id=50018946&Opt=0	Matthew Jackson Tel: 020 7525 1332

APPENDICES

No.	Title
Appendix 1	Plan

AUDIT TRAIL

Lead Officer	Stephen Platts, director of Regeneration	
Report Author	Matthew Jackson, Head of Property	
Version	Final	
Dated	3 rd May 2019	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
List other officers here	N/A	N/A
Cabinet Member	Yes	No
Date final report sent to Constitutional Team / Community Council / Scrutiny Team	8 th May 2019	