

Item No.	Classification: Open	Date: 4 th November 2003	MEETING NAME Executive
Report title:		Bermondsey Spa Site A - Changes to Disposal Arrangements	
Ward(s) or groups affected:		Grange Ward. Bermondsey Community Council	
From:		Strategic Director of Regeneration	

RECOMMENDATIONS

1. That the Executive consider the information contained within this report and support the following proposals:
 - a. The change of lead developer from Roof to Hyde Housing Association as the lead developer for the site
 - b. A change in the commercial terms of the transaction from a capital receipt to a capital receipt and a 125 year leasehold interest of the ground floor of the new development.
 - c. The grant of a commercial leasehold interest of the ground floor of 125 years to the Primary Care Trust for use as a Health Centre for a consideration equal to or greater than the cash receipt foregone.
2. That the Executive give approval for the Strategic Director of Regeneration under the powers delegated to him, to negotiate and agree detailed heads of terms with Hyde Housing and the Primary Care Trust and for the Borough Solicitor to enter into a contractual agreement to develop the land and transfer the Council's freehold in exchange for both a cash receipt and the ground floor investment let to the PCT.
3. That the Council continue to allocate funds (see Closed item) from the anticipated capital receipt for funding improvements to Bermondsey Spa Park Community facilities as agreed in the first report to Committee November 2001 and to further allocate funds to pay for the site clearance and preparation works of Spa Park.

BACKGROUND INFORMATION –see appendix 2

CONSULTATION

4. The Bermondsey Spa Masterplan was approved by Full Council on 18th October 2000.
5. The various developers' proposals on Site A were examined at length by the Bermondsey Spa Consultative Forum and feedback following Public Exhibition. The proposals by the consortium comprising: PTE Partnership, Roof Group and Hyde Housing Association were selected.
 - a. Council Officers from the Housing Department; Leisure Services; Social Services and Southwark Property also selected this consortium.

- b. Following the submission of a planning application on site A, further public consultation is taking place. The Bermondsey Community Council has considered and supported the proposed scheme.

KEY ISSUES FOR CONSIDERATION

6. The site has been declared surplus to requirements and Members took the decision to dispose of the site for the development of this scheme in November 2001.
7. Progressing this disposal has been a lengthy and difficult process and most of the problems have been as a result of the private sector attempting and failing to fund and deliver a Health Centre on the Ground Floor.
8. If members wish to see a development take place on this site incorporating a much needed public facility such as the Health Centre then the Head of Property believes that the proposal whereby the Council takes a fully let commercial investment to the PCT (a blue chip Government covenant) in lieu of part of the receipt, is the only way that this can now be delivered.
9. The Council is able to dispose of the investment immediately or at any time and realise the value. It can hold for the medium to longer term as a strategic investment receiving an open market rental stream and anticipated capital growth.
10. If Members do not wish to adopt this strategy then the Head of Property believes that the proposal for a ground floor Health Centre will have to be dropped and an entirely residential scheme developed instead.
11. A planning application has been submitted by the developers for site A. Discussions are ongoing with Southwark Development Control and if significant changes have to be made to the planning application this in itself could ultimately preclude a Health Centre being delivered on Site A.
12. A scheme without a Health Centre would be purely residential and the Council would not have to step in as the investor. The Council is not obliged to provide Health buildings and facilities for the PCT but works closely with the PCT to achieve improved better health care for Southwark residents.
13. The strategic Director of Regeneration is satisfied that Hyde Housing Association has the capability and resources to undertake a development proposal of this nature.

FINANCIAL IMPLICATIONS

Closed Item

RESOURCE IMPLICATIONS

26. The Projects team continues to resource this project in terms of officer time.

EQUAL OPPORTUNITY IMPLICATIONS

27. The proposals outlined in this report will extend the Council's ability to tackle issues of inequality and disadvantage within the Borough by facilitating economic regeneration of the area.

LOCAL AGENDA 21 CONSIDERATIONS

28. The redevelopment of this Brownfield site will contribute towards the sustainable development of the Borough and London.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

THE BOROUGH SOLICITOR & SECRETARY – LEGAL ISSUES

29. The report recommends that the Executive agrees to a number of variations to the previously agreed proposals for this site by accepting that Hyde Housing Association acts as the lead developer for the site and that instead of a freehold disposal of the whole of the site the Council should accept a lease back of the ground floor, which would then be leased to the Primary Care Trust.
30. The Executive should be satisfied that that Hyde Housing Association has the resources, experience and capacity to act as lead developer before agreeing the recommendation.
31. The land is currently held by the Council for non-housing purposes. Section 123 of the Local Government Act 1972 enables the Council to dispose of land on such terms as it thinks fit provided that it obtains the best consideration that can reasonably be obtained. This section therefore enables disposal on the terms originally envisaged (freehold disposal subject to payment of a capital sum) or on those currently proposed. In agreeing to the new structuring of the disposal arrangement the Executive needs to be satisfied that the reduced capital sum together with a lease and rental stream represents "best consideration" for the purposes of the legislation. The Strategic Director of Regeneration confirms that the reduced capital sum, together with the capitalised value of the anticipated rental stream is equivalent to the capital sum originally offered for the site and that this represents best consideration.
32. Although the Council has no legal obligation to provide either land or buildings for use by the Primary Care Trust as a health center, this is consistent with health and social services legislation that enable the Council to work with PCT's to improve health in its area, and is consistent with the Council's policy objectives and the Community Strategy.

THE CHIEF FINANCE OFFICER

33. The disposal of site A to Hyde Housing Association will generate both a capital receipt and a revenue rental stream. The former is 100% usable to support capital expenditure. The latter results from the leasehold interest that the Council will receive and will supplement existing revenue budgets.
34. In reference to paragraph 15 above, the disposal of the leasehold interest at a later date would generate a capital receipt.
35. The Bermondsey Spa regeneration involves capital improvements to the area. These are to be funded from capital receipts as they are generated from the disposal of specific properties. The recommendation (3) seeks Member approval to use the proceeds of site A when received to fund improvements to Bermondsey Spa Park community facilities. A proportion will also be used to fund demolition costs that have had to be incurred at another site in the regeneration area.

THE STRATEGIC DIRECTOR OF HOUSING

36. As with Bermondsey Spa sites E-U, the involvement of Hyde HA as lead developer is regarded as something that Hyde have the capacity and ability to take on. This is consistent with the emerging role of housing associations as developers of complex schemes involving mix of tenures and uses. An allocation of Social Housing Grant from the Housing Corporation is already in place and enables the level of affordable housing to be increased beyond the 25% normally associated with a section 106 agreement.

THE STRATEGIC DIRECTOR OF SOCIAL SERVICES

37. The Department fully supports the proposals outlined in the paper, which allow Southwark Primary Care NHS Trust to develop a much needed health care facility on the Bermondsey Spa site. The proposals are a further example of health and social care working in partnership within Southwark to improve the health and well being of local residents.

EXECUTIVE MEMBER COMMENT

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Bermondsey Spa Site A	Southwark Property Chiltern House, Portland Street SE17 2ES	Marcus Mayne

AUDIT TRAIL

Lead Officer	Tim Thompson	
Report Author	Marcus Mayne	
Version	4	
Dated	29 October 2003	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Borough Solicitor & Secretary	Yes	Yes
Chief Finance Officer	Yes	Yes
Strategic Director of Housing	Yes	Yes
Executive Member	Yes	
Date final report sent to Constitutional Support Services		

APPENDIX ONE
Background Information

- 1 Site A at Bermondsey Spa is situated at the junction of Grange Road and Spa Road and is a level vacant site of just under one acre that has been declared surplus to requirements.
- 2 Site A was subject to a competitive marketing process where consortia of developers and Housing Associations were required to consider a development brief and submit proposals and bids for the site. These schemes went out to consultation with local representatives on the Bermondsey Spa working Group and to public exhibition.
- 3 The result of this consultative process was the selection of a preferred scheme led by the Roof Group and Pollard Thomas Edwards (Architects) with Hyde Housing Association and this was approved at Committee in November 2001.
- 4 The scheme is highly innovative providing a development to environmental sustainability standards far in excess of anything achieved before in the Borough and in only one other scheme in the Country. The developers will be obliged to try and achieve an EcoHomes rating of 'excellent'. This is achieved by meeting a whole range of targets including energy conservation, water saving, car use, building materials and design standards.
- 5 The scheme provides for a 42% level of affordable homes comprising 25% low cost rented and 17% intermediate housing.
- 6 The most problematic part of the scheme has been the desire to provide the Grange Road and Spa Road area with a new Health Centre together with crèche , Pharmacy and Dentist and occupies the ground floor of the building.
- 7 The developers experienced considerable difficulties and delays in dealing with the Grange Road Medical Practice who ultimately would not commit to the scheme. Southwark Property worked with the PCT to deliver a solution whereby the PCT took the space instead.
- 8 The medical investment partner working with the developer could not guarantee funding and the developer therefore ran into funding difficulties with their own financiers. This together with the uncertainty in the past six months over the residential market for new build led the developer to reduce their offer.
- 9 The PCT are very committed to delivering a Health Centre and there is considerable local support and expectation following the public consultation process for a new Health Centre on site A.
- 10 After lengthy negotiations it has been found that the only way for this scheme to be delivered in its original form is for Hyde Housing Association to take the lead role and act as developer. The PCT have agreed subject to contract to take a lease for the entire ground floor of the development, not just the Health Centre element.
- 11 To deliver the Health Centre and make the scheme work the Council will need to take the majority of its capital receipt for disposal of this site in the form of the value of a new 125-year leasehold interest of the entire ground floor that will be let on commercial terms to the PCT at a market rent.

- 12 The Council would then be at liberty to either dispose of its interest should it wish to on the open market or hold the property as an investment for the income stream and potential capital growth as the Bermondsey Spa improves.
- 13 The financial implications of such an action are discussed in the Closed Report.

APPENDIX TWO
Site Location Plan



TITLE. **Bermondsey Spa Site A,
Grange Road,
Bermondsey, SE16.**

DRAWING No. **LBS 581**
**INFORMATION PURPOSES
ONLY**

DRAWN BY. **MMANKTELOW**
Property Division

DATE. **27/10/2003**

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