

Cabinet

Tuesday 22 November 2011

4.00 pm

Ground Floor Meeting Room G01A - 160 Tooley Street, London
SE1 2QH

Supplemental Agenda No. 2

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Date: 18 November 2011

Item No. 14.	Classification: Open	Date: 22 November 2011	Meeting Name: Cabinet
Report title:		Elephant and Castle Regeneration – Shopping Centre	
Ward:		East Walworth	
Cabinet Member:		Councillor Fiona Colley, Regeneration and Corporate Strategy	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY

The transformation of the Elephant and Castle shopping centre is essential to the regeneration of the local area. Further to the in principle decisions of the council, St Modwens (KPI) and Lend Lease in May of this year to enter into agreements for regeneration at the Elephant, I am now pleased that we are taking this significant step forward to confirm the agreements.

The agreements formally coordinate the regeneration objectives of all parties for the delivery of the shopping centre and progresses what we hope will be a far earlier transformation of the centre than would otherwise be possible.

As demolition of the Heygate moves forward, and Lend Lease’s masterplan takes shape, this is an exciting move towards the provision of expanded and much improved retail space in the town centre. The transformation of the shopping centre provides the opportunity of improving its appeal as a shopping destination to a wide catchment, providing a new civic public space at the front of the shopping centre and creating new pedestrian links through the site and through the adjacent viaduct - opening up new east-west linkages and enhancing interchange between tube, rail and bus.

This is a tremendous opportunity to help give the area a new identity and create a place at the heart of the Elephant and Castle that feels pleasant and comfortable to be in.

RECOMMENDATION

That cabinet agrees:

1. To enter into agreements with Lend Lease (Elephant and Castle) Ltd and KPI III SARL to take forward the regeneration of the Elephant and Castle Shopping Centre on the principal terms set out in Appendices A and B of the closed version of this report and to vary the Elephant and Castle Regeneration Agreement to reflect the change in delivery approach as a result.

BACKGROUND INFORMATION

2. At its meeting on 17 May Cabinet resolved that the council shall enter into two agreements and vary the Elephant and Castle Regeneration Agreement to reflect the change in delivery approach as a result. The agreements were
 - (i) With KPI III SARL (a company in which St Modwen Properties plc has a major interest) the owner of the Elephant Shopping Centre to provide for its regeneration
 - (ii) With KPI III SARL and Lend Lease the council's principle partner in the Elephant and Castle to co-operate to work together to bring forward the overall regeneration of the area
3. As well as approving the agreements mentioned cabinet also resolved that a report back shall be made after the conclusion of negotiations in respect of those agreements. This report is in furtherance of that resolution.

KEY ISSUES FOR CONSIDERATION

Conclusion of negotiations

4. Negotiations concluded with KPI III SARL [KPI] (a company associated to St Modwen PLC) and Lend Lease [LL] and are recorded in Heads of Agreement at Appendices A to B of the closed version of this report. Respective lawyers are currently instructed to agree the wording of the documentation to effect these agreements subject to the cabinet's approval. Once these agreements are concluded, the Regeneration Agreement between the council and Lend Lease will be amended to reflect changes in approach.

Indicative timetable

5. The agreement will provide for the target dates set out below:
 - a) KPI submitting the outline planning application by 30 September 2012.
 - b) KPI submitting a full planning application by 30 November 2014.
6. These dates are subject to achieving a satisfactory resolution of the current transport and issues relating to the tube network and northern roundabout.
7. Once the full planning application has been approved the regeneration of the centre will commence once conditions such as funding and viability have been satisfied.

Community impact statement

8. The Elephant and Castle regeneration has been the subject of extensive consultation and the recommendations in this report will result in additional consultation as will the planning application for the overall regeneration of the area. A full equalities impact assessment for the overall regeneration has previously been carried out and will be reviewed at the time of a planning application for the overall regeneration.

Resource implications

9. Effecting the recommendations will not result in the need for any resources over and above those already identified for the regeneration project. There are no immediate resource implications arising from this report and any development schemes emerging from the regeneration of the shopping centre, in the future, will be subject to separate reports.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

10. The comments of the strategic director of communities, law & governance are set out in the closed report.

Finance Director

11. This report seeks approval from Cabinet to enter into agreements with Lend Lease (Elephant and Castle) Ltd and KPI III SARL to take forward the regeneration of the Elephant and Castle shopping centre, and to vary the Elephant and Castle regeneration agreement to reflect the change in delivery approach as a result.
12. The finance director notes that there are no immediate resource implications arising from this report and any development schemes emerging from the regeneration of the shopping centre, in the future, will be subject to separate reports.

REASONS FOR URGENCY

13. To enable the development agreement between KPI SARL to be completed on programme so as not to delay the regeneration of the Shopping Centre. In particular, the board of KPI SARL will not release funding to move forward detailed design work until the agreement has been signed. The cost of the design work is considerable and KPI SARL need a contractual commitment from the council (this report) to enter into such expenditure. A delay in completing the contract by the council will mean design works begin three months later than programmed with a consequential knock on effect to the regeneration programme. This is contrary to the council's aspiration to bring forward the regeneration as soon as possible.
14. The report needs to be considered on the same agenda as the Elephant and Castle Regeneration Agreement variation report as the co-operation agreement referred to in paragraph 2 (ii) forms part of an overall package in relation to the regeneration.

REASONS FOR LATENESS

15. It was not possible to circulate the report five clear days in advance of the meeting due to various consultations and negotiations with Lend Lease and KPI SARL. In particular a board decision of Lend lease that did not take place until 15 November was needed to finalise the report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Correspondence file	Property Services 160 Tooley Street, London SE1 2QH	Patrick McGreal 0207 525 5626
Cabinet Report of 17 May 2011	http://modern.gov.southwarksites.com/mgConvert2PDF.aspx?ID=19141	Patrick McGreal 0207 525 5626
Cabinet minutes of 17 May 2011	http://modern.gov.southwarksites.com/mgConvert2PDF.aspx?ID=3341&T=1	Patrick McGreal 0207 525 5626
Cabinet report of 7 July 2010	http://modern.gov.southwarksites.com/mgConvert2PDF.aspx?ID=10891&ISATT=1#search=%22elephant%20castle%22	Patrick McGreal 0207 525 5626
Cabinet minutes of 7 July 2010	http://modern.gov.southwarksites.com/mgConvert2PDF.aspx?ID=11179&ISATT=1#search=%22elephant%20castle%22	Patrick McGreal 0207 525 5626

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Regeneration and Corporate Strategy	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Patrick McGreal Property Services	
Version	Final	
Dated	17 November 2011	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	17 November 2011	

Item No. 15.	Classification: Open	Date: 22 November 2011	Decision Taker: Cabinet
Report title:		Elephant and Castle Regeneration – Variation of Regeneration Agreement	
Ward:		East Walworth	
Cabinet Member:		Councillor Fiona Colley, Regeneration and Corporate Strategy	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY

Since signing the regeneration agreement with Lend Lease last July the regeneration of Elephant & Castle is at last really happening. The first blocks of the Heygate Estate have been demolished and consultation is well underway on plans for the new homes, shops and open spaces that will take its place.

We are now recommending some variations to the regeneration agreement to ensure that this momentum is maintained. These include earlier demolition of the remainder of the Heygate Estate, changes to bring forward the construction of the Rodney Road phase at a lower density than the original plans in line with consultation feedback (but without any loss of new homes overall) and the introduction of annual reviews of the regeneration agreement to ensure it remains up to date.

RECOMMENDATION

That Cabinet agrees:

1. To vary the Regeneration Agreement as set out in the closed version of this report.

BACKGROUND INFORMATION

2. Cabinet resolved on 7 July 2010 to enter into a Regeneration Agreement (RA) with Lend Lease to deliver the regeneration of the Heygate Estate and Elephant and Castle Shopping Centre. This was a significant milestone that after many years moved the regeneration from concept to delivery.
3. Since the completion of the Agreement significant progress on moving the project forward has been made including:
 - (i) The part of the Heygate Estate to the east of Rodney Road comprising the Wingrave blocks has been demolished. Architects have been appointed to design the regeneration of this vacant site and consultations have commenced.
 - (ii) Plans are in preparation to secure the demolition of the remainder of the Heygate Estate.
 - (iii) All tenants on the Estate have been moved and only seven residential leaseholders remain.

- (iv) Agreement has been reached with the owner of the Shopping Centre to co-operate on the regeneration including the centre owner taking forward that element of the project. This should enable the earlier progression of this element of the regeneration.
- (v) A strategy has been adopted to bring forward the regeneration of the Elephant and Castle Leisure Centre.
- (vi) A Masterplan for overall regeneration is being prepared and is being extensively consulted upon and adapted in the light of feedback. It is programmed that the Masterplan will be submitted in March 2012 for approval.
- (vii) Lend Lease is preparing an interim use strategy for the Heygate Estate to cover land use the period between demolition of existing buildings and the commencement of construction of new ones.
- (viii) Encouraging in depth discussions on the transport solutions for the northern roundabout and Northern Line Underground Station have taken place. A costed preferred solution has been lodged with the stakeholders and a formal response is awaited.

KEY ISSUES FOR CONSIDERATION

4. The RA is to cover a period approaching twenty years. In negotiating the Agreement, the parties recognised that as a result of changing internal and external influences it will be necessary periodically for it to be varied to reflect those changes and to enable the momentum of the regeneration to be maintained.
5. Since last July the following factors have changed:
 - (i) The intention now is for the owner of the Shopping Centre and not Lend Lease to deliver that aspect of the regeneration. However provision is made for responsibility to revert to Lend Lease in the eventuality of non-performance by the owner.
 - (ii) Detailed planning discussions have taken place in respect of the site to the east of Rodney Road and it is clear that the density of development assumed at the time of negotiation of the RA is not sustainable. The regeneration will therefore be at a lower density resulting in around a hundred fewer properties than envisaged a year ago.
 - (iii) Central government policy in respect of affordable of housing is changing and the interaction between government and council policy in this respect is at the present unclear thus creating uncertainty.
 - (iv) Funding for affordable housing through the Homes and Communities Agency has been severely curtailed and this was not anticipated at the time of negotiating the RA.
 - (v) The anticipated improved housing sale market has not materialised. Indeed with concerns over European debt and a further recession in the western hemisphere the market outlook has deteriorated.
6. It has also become apparent that on financial, safety and reputational grounds that it will be beneficial to the council to bring forward the demolition of the Heygate Estate.
7. As a result of the changes set out above The project management board has recommended three variations to the Regeneration Agreement to cover:
 - Early demolition of the remainder of the Heygate Estate

- Bringing forward construction of the Rodney Road phase
- Annual reviews of the Regeneration Agreement to ensure it remains up to date

8. Details of the proposed variations are set out in the closed version of this report.

Community impact statement

9. The Elephant and Castle regeneration has been the subject of past and ongoing extensive consultation. A full Equalities Impact Assessment for the overall regeneration has previously been carried out and will be reviewed at the time of a planning application for the overall regeneration.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

10. The comments of the strategic director of communities, law & governance are set out in the closed report.

Finance Director

11. The comments of the finance director are set out in the closed report.

REASONS FOR URGENCY

12. The input of additional funding from Lend Lease is conditional upon the cabinet considering and determining the proposed variations at its 22 November 2011 meeting. Failure to consider the report at this meeting puts this additional funding at risk.

REASONS FOR LATENESS

13. It was not possible to circulate the report five clear days in advance of the meeting due to finalisation of negotiations with Lend Lease and in particular awaiting the outcome of their Board meeting that only took place on 15 November.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Cabinet report and minute of 7 July 2010	http://modern.gov.southwarksites.com/ieListDocuments.aspx?CId=302&MID=3330#A18874	Patrick McGreal 0207 5255626

APPENDICES

Appendix	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley; Cabinet Member for Regeneration and Corporate Strategy	
Lead Officer	Eleanor Kelly; Deputy Chief Executive	
Report Author	Patrick McGreal; Property Services	
Version	Final	
Dated	17 November 2011	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team	17 November 2011	

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NOTE: Original held by Constitutional Team; all amendments/queries to
Paula Thornton/Everton Roberts Tel: 020 7525 4395/7221

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		Dated: 18 October 2011	