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| Item No. 15. | Classification: Open | Date: 22 January 2019 | Meeting Name: Cabinet |
| Report title: | | Livesey Exchange | |
| Ward(s) or groups affected: | | Old Kent Road | |
| Cabinet Member: | | Councillor Johnson Situ, Growth, Development and Planning | |

FOREWORD – COUNCILLOR JOHNSON SITU, CABINET MEMBER FOR GROWTH, DEVELOPMENT AND PLANNING

The vision for the Old Kent Road has always been one that builds on its strengths, a plan to deliver more social homes, jobs and improved community facilities but also one that ensures the local community is at the heart of and benefit from those new opportunities. So I am delighted to bring forward this report which delivers on a key part of that vision, a hub for the local community and the delivery of affordable workspace. The Livesey Exchange will be a key part of the delivery of social regeneration at the outset of plans for the Old Kent Road.

Over the last two years the Livesey Exchange has both worked with the local community along the Old Kent Road and empowered many other local groups to deliver projects themselves. As a sign of its success it has received funding from a range of organisations including the GLA's Good Growth fund and also received the support of the local community through a crowd funding campaign.

The report recommends the approval of the Lease Heads of Terms and grant arrangements set out in this report for the Livesey Exchange to construct and operate a new, temporary community building on the Old Kent Road.

I believe the leadership shown by the Council and the success of this project will provide a model and solid foundation for the large amount of affordable workspace and community spaces being developed as part of the plans for the Old Kent Road.

RECOMMENDATIONS

That the cabinet

1. Approves the Lease Heads of Terms and grant arrangements set out in this report for the Livesey Exchange to construct and operate a new, temporary community building on the Old Kent Road.
2. Delegates to the Director of Regeneration powers to negotiate and agree terms relating to the delivery arrangements, including the lease and grant agreements.

BACKGROUND INFORMATION

3. Livesey Exchange (LE) is a project lead by Nicholas Okwulu, also Director of social enterprise, PemPeople (People Empowering People). The project and

Livesey Exchange's purpose is to work primarily with young, local residents and community organisations from Southwark's grassroots community to empower and build capacity for residents through training, employment, resource access and networks.

4. The Livesey Exchange project seeks to build a temporary use structure, lasting 15 years, to act as a flexible and multi-purpose community hub. The hub will provide retail and affordable workspace to support local businesses, event and meeting space for cultural programmes and activities, encouraging formal and informal collaboration and network building, as well as a kitchen and workshops to provide training and skills for the community.
5. The project is a key opportunity for the council to support a local social enterprise, Livesey Exchange, maximise their impact in the Borough to build capacity of the existing community, particularly local young people.
6. Livesey Exchange initially approached the council for the project proposing the site as the Ledbury Estate garages. Design, consultation and feasibility work was undertaken, however after investigation in to the structural integrity of the building, it was decided that the garages would not be suitable. Council officers were proactive in identifying a new site for the project; Council freehold, vacant land on corner of the Old Kent Road and St James Road.
7. The site is allocated for future development as part of the Old Kent Road Area Action plan, due to come forward in Phase 2, in the late 2020's. In the interim the Livesey Exchange aims to bring to life currently vacant land and be at the forefront of the delivery on the Old Kent Road, providing a key community offer for existing residents. After the lease expires, the council will endeavor to reprovide Livesey Exchange's activities into the new or existing spaces on the Old Kent Road.
8. In context of the Old Kent Road Area Action Plan, the building will also act as an independent community space to hold engagement, consultation and other events in relation to the development proposals. It aims to empower residents to benefit from the employment and business opportunities that will be created, through the variety of opportunities to access training, networks, local employment and business support in the new space. The project will compliment activities that are undertaken in the council led Old Kent Road consultation shop located in the northern area of Old Kent Road.
9. The project budget is £599,161 and is made up from various funding sources set out in paragraph 12 below.
10. As well as funding for capital costs of the building, the council has also committed to support Livesey Exchange through:
 - £6,000 from the Local Economy team to support Livesey Exchange's business planning, particularly to establish a sustainable operational mix that meet Livesey Exchange's purpose and well as create a self-sustaining income stream.
 - £6,150 from the Digital Inclusion team in providing computer equipment, digital training and mentoring support and Wi-Fi installation and fees.

11. The council has undertaken cost and design testing of the site to gain an understanding of feasibility. Carl Turner Architects completed a site analysis and a high level design options appraisal and Rex Procter Quantity Surveyors have completed a cost analysis, providing an understanding of £/m2 against various construction methodologies. From these studies the council is comfortable that a simple, flexible structure can be built using the current budget, with potential for the structure to be extended in a phased manner if further funding is gained over time.

KEY ISSUES FOR CONSIDERATION

Funding arrangements

12. The below table illustrates the different funding sources forming the project budget of £599,161 and indicative timescales for expenditure.

| | Approval Status | Amount | Y1 18/19 | Y2 19/20 | Y2 20/21 |
|---|-------------------------|-----------------|-----------------|-----------------|-----------------|
| GLA Good Growth Fund | Approved May 2018 | £267,300 | £20,000 | £247,000 | |
| Southwark Council | | £313,861 | | | |
| • <i>S106 funding</i> | Not approved | £140,561 | | | £140,561 |
| • <i>LBS New Homes Bonus</i> | Approved January 2017 | £130,000 | | £130,000 | |
| • <i>Southwark Tenant Management Fund</i> | Approved September 2016 | £43,300 | | £43,300 | |
| Sub-Total | | £581,161 | | | |
| Livesey Exchange Crowdfunded | Approved August 2016 | £18,000 | | £10,000 | £8,000 |
| Total | | £599,161 | | | |

13. The council has also identified a potential of circa £250,000 of additional funding from the Strategic Investment Pot as part of the South London Innovation Corridor bid.
14. The s106 funding allocation to this project is in the process of being added to the capital programme list and approved. All other funding from the council has been approved.

Delivery arrangements

Governance

15. Livesey Exchange are established, separate from Pempeople, as a Private Company Limited by Guarantee and the Board of Directors currently includes Founder and Director of an arts and events company and the Founder of a performance dance group.

16. The Board will be developed to bring in; a Ward Councillor, wider community representation as well as specific external expertise to advise Livesey Exchange on financial and legal elements.
17. A Steering Group, which meet monthly, with representatives from the GLA and LBS has been established to input on the business plan and the physical building project. The Group also ensure that processes are being adhered to such as ensuring value for money through procurement processes.
18. The Steering Group will agree joint publicity and communications with Livesey Exchange. All communications will be approved by the Board of Directors.

Finance

19. The council will grant Livesey Exchange £581,161, which includes £267,300 of the GLA Good Growth Funding, to pay for the capital cost of the building project. Grant payments will be made against an agreed cashflow based on certified expenditure incurred. The Council will appoint a Monitoring Surveyor to certify progress against programme and spend prior to releasing funds.
20. The conditions of the council grant agreement will pass on all GLA grant obligations to Livesey Exchange.
21. In the event that design develops significantly or the project receives planning approval, but not then proceed with the delivery of the approved plans within 12 months of receiving planning permission, Livesey Exchange will hand all intellectual property, including consultant appointments, contracts and other agreements to the council, to enable the delivery of the project.

Lease

22. The council will grant a 15 year lease for the building and associated land to Livesey Exchange on successful competition of the works, subject to conditions highlighted in the Heads of Terms (Appendix 1).
23. The lease to Livesey Exchange excludes the land held under the titles currently leased to an advertising agency for 3 electronic hoarding boards located on the site frontages. As part of the conditions associated with the lease, Livesey Exchange will be required to demonstrate how they will ensure the advertising boards are incorporated into the design and how it will be ensured that the advertising agency have access to the hoarding boards as per their lease agreement with the council.
24. It is intended that the building will act as security on the funding.
25. Negotiations are underway with Livesey Exchange over the rental level which will reflect the external funding that Livesey Exchange has brought into this project. Rent will be reviewed after 5 and 10 years from the date the lease is executed.
26. The lease includes a mutual break after 5 and 10 years from the date the lease is executed. The council is also entitled to a redevelopment break after 8 years.

27. The Management Agreement sets out principles of; diversity and inclusion, capacity building and local economy in relation to the activities that Livesey Exchange undertake in the building.
28. The Management Agreement also sets out provisions that the Livesey Exchange should meet in regards to balanced uses and site activity to include event space, workspace, training spaces and retail spaces providing opportunities that are inclusive and where possible, are accessible to all and specifically focused on benefitting the residents and organisations of Southwark.
29. Provisions are made in the Management Agreement in relation to the selection process for sublettings, setting criteria to assess prospective tenants on locality to the area, quality of product/service offering, quality of business plan and alignment with Livesey Exchange values.
30. The Management Agreement sets out the requirement for Livesey Exchange to establish a Board of Directors.
31. The Management Agreement sets out the requirement for Livesey Exchange to establish a Steering Group to oversee and advise on the project. Livesey Exchange are to monitor and report to the Steering Group on equalities, diversity and inclusion, training, employment, businesses supported and member and tenant satisfaction.
32. The Management Agreement sets out that Livesey Exchange will appoint a dedicated site security and management team.
33. Livesey Exchange will be responsible for fitting out the space to a Category B level, including furniture, equipment and final finishes, in line with the agreed planning consent and the lease secured. These will be funded by Livesey Exchange.

Business Plan

34. With funding from the Local Economy team, consultancy firm, Counterculture, are supporting Livesey Exchange produce a viable business plan.
35. Both the Grant Agreement and Lease conditions specify that the Council is to undertake due diligence on and approve the business plan.

Identified risks

36. The risks associated with the arrangements above are set out in the table below:

| Ref | Risk | Mitigation | Status |
|-----|---|--|-----------|
| 1 | Financial: Risk of escalating build costs and building not being completed | <ul style="list-style-type: none"> The council will appoint a surveyor to monitor the works on site and associated expenditure during the project. The council has appointed a surveyor to undertake a high level cost review to establish construction methodology against £/Sqm for shell and core and fit out costs, which has been issued to Livesey Exchange's architects as guidance. A detailed cost plan will be produced ahead of planning submission and appointment of a contractor. | Med |
| 2 | Capacity: Livesey Exchange are unable to deliver the building | <ul style="list-style-type: none"> Close monitoring of progress, and Council assistance provided when required. Steering Group established, including representatives from the GLA and LBS. Mechanisms set out in the lease and grant arrangements for the Council to take intellectual property of Livesey Exchange and /or possession of the site, and deliver the project, if required. | Med - Low |
| 3 | Business Plan: There is risk Livesey Exchange's business plan is not sustainable. | <ul style="list-style-type: none"> Specialised consultancy firm, Counterculture, are supporting Livesey Exchange prepare the business plan. Both lease and grant conditions stipulate that the Council will undertake due diligence on and approve the business plan. Board of Directors to be developed to include legal and finance expertise to monitor the sustainability of the business plan on a long term basis. | Med |

| Ref | Risk | Mitigation | Status |
|-----|--|--|--------|
| 4 | Programme: There is a risk the project doesn't complete within desired timeframes. | <ul style="list-style-type: none"> • Close monitoring of progress. • Close engagement with Planners. • Council attendance on Steering Group | Low |

Timetable

| | |
|-----------------------------------|-------------|
| Planning permission submission: | April 2019 |
| Procurement for Contractor: | Summer 2019 |
| Start on Site | Autumn 2019 |
| Practical completion target date: | Summer 2020 |

Policy implications

37. The project directly delivers a number of themes and objectives set out in the Councils' fairer future plan. The space will be a key community asset creating a sense of belonging by providing new opportunities for education, employment and training, allowing existing residents to harness the opportunities which will be created through development of the Old Kent Road. Is it intended the space will provide affordable workspace, aiming to support local businesses and entrepreneurs. The project will also be a new vibrant space, for cultural and community events bringing together the array of diverse local residents in the area.
38. The project will directly deliver objectives and policies set out in national planning guidance, the London Plan, New Southwark Plan and Old Kent Road Area Action Plan. The project will support the Council's wider objectives for the Old Kent Road, allowing for the testing and development of projects and businesses that may be able to take advantage of the new spaces and industries that will be created on the Old Kent Road over the forthcoming years.

Community impact statement

39. The council is supporting a community-led proposal generated by a local social enterprise aiming to build capacity for existing residents, particularly young people, through training, business space, business support, resource access and networks.
40. The aim of the project is to be at the forefront of the delivery on the Old Kent Road. The project aligns with the draft Old Kent Road Social Regeneration Charter vision, in particular, meeting:
 - Commitment 3 Employment, Training and Business – It is intended that the Livesey Exchange will provide affordable workspace for small businesses as well as providing business support, mentoring and a variety of training opportunities in areas such as cooking, art and DIY.
 - Commitment 4 Places to Talk, Meet and Share Culture – The Livesey Exchange will provide a valuable, inclusive new community facility for

cultural and community events and meetings on the Old Kent Road. It is intended Livesey Exchange will curate and host events, but the space will also be available for hire by the local community. The founder of the Livesey Exchange project is a local community member who has numerous links with important cultural organisations across the Borough and London, such as the Tate. The space will provide an opportunity to grow cultural activity in the area and engage a wider demographic of residents along the Old Kent Road.

41. The project will compliment activities that are undertaken in the Council led Old Kent Road consultation shop located in the northern area of Old Kent Road.

Financial implications

42. The proposed scheme (funding) does not lead to any cost implication for the council. Costs are being funded by of approved GLA Good Growth Funds, S106 funding (to be approved) and approved New Home Bonus funding.
43. The break down of the various funding sources totaling £599,161, as mentioned in the table above, are noted as well as the additional £250,000 expected from the Strategic Investment Pot.
44. S106 funding of £140,561 is not yet approved but it is assumed that it will be available to this project in due course.
45. There is an additional £18,000 Crowdfunded approved and funds are with Livesey Exchange.
46. It is assumed that none of these monies have been committed to other schemes and are available for these identified projects.
47. Lease rent is being negotiated at the moment and will be paid by the Livesey Exchange.
48. The use of the funds will be supported and monitored as part of the council's financial monitoring process.
49. The council will protect its financial interests through the risk mitigations described in paragraph 31 above.
50. Council officers will monitor the project and support Livesey Exchange when required. A qualified surveyor will be monitoring progress and Livesey Exchange's expenditure.
51. Staffing and any other costs connected with the contract monitoring will be contained within existing Regeneration Division revenue budgets

Consultation

52. Consultation, through various events and workshops, was undertaken with communities when the site for the project was the Ledbury Estate garages. The Livesey Exchange team will undertake further consultation and engagement for the new site ahead of planning submission.

53. 192 crowdfunding pledges were made towards the project from local businesses, residents, Airbnb, as well as Southwark Tenant Fund and the GLA.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (FC18/031)

54. This report seeks the cabinet to approve the Lease Heads of Terms and grant arrangements set out in this report for the Livesey Exchange to construct and operate a new, temporary community building on the Old Kent Road and to delegate to the director of regeneration powers to negotiate and agree terms relating to the delivery arrangements, including the lease and grant agreements.
55. The strategic director of finance and governance notes that the costs associated with this report will be fully contained within the allocated funds and there are no cost implications to the council, as mentioned in financial implications.
56. The strategic director of finance and governance notes that S106 funding is not yet approved but will be available to the projects when needed.
57. The strategic director of finance and governance notes that Lease rent is being negotiated at the moment and will be paid by the Livesey Exchange.
58. Staffing and any other contract monitoring costs connected with this contract will need to be contained within existing departmental revenue budgets.

Director of Law and Democracy

59. This report seeks approval for the proposed terms of a lease and grant for the new Livesey Exchange which is proposed on vacant land on the corner of the Old Kent Road and St James Road.
60. Whilst the precise figure has not as yet been agreed, the Heads of Terms provide that the rental payable for the 15 year lease will be at a market rental. This rental will be reviewed after 5 and 10 years. The lease will also be excluded from the security and compensation provisions contained within the Landlord and Tenant Act 1954 and together with the break clauses for the council after 5 and 10 years of the term together with the unilateral right to determine after 8 years, the Council has the appropriate ability to recover possession of the premises at the relevant time.
61. It is noted that there will be a surety to the lease since the Livesey exchange is a private company limited by guarantee. This will provide additional protection to the council. This is appropriate since the Council and the GLA together with funding from other sources need to have their grants safeguarded. It should be noted that the necessary authority to allocate the funds from specific section 106 Agreements will need to be confirmed by Planning Committee.
62. As the report explains, this building will provide a key community offer for residents and it is therefore an important project in fulfilling the Council's Fairer Future Commitments. It also is in accordance with the Council's Public Sector Equality Duty as it is a positive step in meeting the obligation imposed by section 149, Equality Act 2010.

63. 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 do. Whilst that power does not enable a local authority to do anything which it is unable to do by virtue of a pre-commencement limitation, no such constraint applies in this instance and the Cabinet has the power to make the decisions sought in paragraphs 1 and 2 of this report.

BACKGROUND DOCUMENTS

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

APPENDICES

| No. | Title |
|------------|---------------------------------|
| Appendix 1 | Lease Heads of Terms (draft) |
| Appendix 2 | Grant Funding Agreement (draft) |

AUDIT TRAIL

| | | | |
|---|---|--------------------------|--|
| Cabinet Member | Councillor Johnson Situ, Growth, Development and Planning | | |
| Lead Officer | Neil Kirby, Head of Regeneration South | | |
| Report Author | Kavita Tailor, Project Manager | | |
| Version | Final | | |
| Dated | 11 January 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 Fiance and Governance | Yes | Yes | |
| Head of Regeneration & Development Team (Legal Services) | Yes | Yes | |
| Cabinet Member | Yes | Yes | |
| Date final report sent to Constitutional Team | | 11 January 2019 | |