

<b>Item No:</b>	<b>Classification:</b> Open	<b>Date:</b> 9 June 2020	<b>Decision Taker:</b> Strategic Director for Housing and Modernisation
<b>Report title</b>	Feasibility Grant Funding Approval (JMB office sites)		
<b>Ward(s) or groups affected</b>	London Bridge & West Bermondsey		
<b>From</b>	Director of New Homes		

## RECOMMENDATION(S)

### That the Strategic Director of Housing and Modernisation

1. Approves the project grant agreement in Appendix 1 for Leathermarket CBS to deliver around 40 council homes and a new office at the JMB Office Site.
2. Notes that the Inception Report Milestone required to satisfy the Feasibility Stage was presented to the Programme Delivery Board on 10 March 2020 and amended as directed by the board.
3. Approves up to £579,157 to be drawn down in to the Planning Stage in line with the project grant agreement.

## BACKGROUND INFORMATION

### Cabinet Decision

4. On the 17 December 2019 Cabinet resolved:
  - That the overarching grant agreement with Leathermarket CBS to deliver 161 council homes be approved.
  - That the project grant agreement for the delivery of individual projects outlined in the overarching grant agreement be approved.
  - That the approval of the grant following this report be delegated to the strategic director of housing and modernisation in consultation with the strategic director of finance and governance.
  - That it be noted that the council will own these properties and residents will be signed up on council tenancy agreements.
  - That it be noted that Leathermarket JMB will be ring-fencing the net rental income from the additional homes provided at Marklake Court and further schemes proposed for the first 10 years, which will bring additional benefits to the council and wider community, estimated at nearly £14m.
  - That it be noted that a separate agreement will be drawn up to agree the ring-fencing of this income, its use and including claw back mechanism by the council.
  - That it be noted that approximately £2m of this will be used to reduce the costs to the development programme.
  - That it be noted that the remaining £12m will be used to deliver an estimated additional 30-35 council homes. With the income accumulated from the new homes being used to start 10 of these homes by 2026/7.
  - That it be noted that the grant of £12,897,245 construction costs plus £2,904,245

professional fees and contingency will be given under the delegated approval to complete the work started on the Joseph Lancaster estate to deliver 40 council homes.

- That it be noted that the council will receive £4,000,000 of Council Homes for Londoners Grant for the successful delivery of these homes at Joseph Lancaster.
- That it be noted that an additional grant will be required to remediate the ground condition of the Joseph Lancaster Nursery Site, following recent asbestos discovery. To date, no archaeological finds have been discovered that may adversely influence programme and/or costs.

## **Leathermarket**

5. In 1996 Southwark Council outsourced the management of around 1500 homes in North Bermondsey to the Leathermarket Joint Management Board (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.
6. Leathermarket Community Benefit Society (CBS) was subsequently set up by the JMB in 2014 as a separate body to deliver affordable homes. The CBS was established in response to local residents raising concerns about the lack of affordable homes in the Leathermarket area.
7. The JMB is seeking to support in delivering 11,000 new genuinely affordable homes, 2500 of these by 2022.

## **Development Opportunities**

8. The JMB is working with local residents, to design homes that meet local needs, in a way that is sympathetic to the immediate neighbours and allocating a proportion of these to residents on the estate. This approach will enable the JMB to unlock contentious sites and hidden homes.
9. Through a process of analysis of the JMB estate, in conjunction with local residents and professional advisors, a number of potential development sites have been identified and documented in the CBS/JMB Estate Improvement Plan.
10. In October 2018 the council was notified that the bid for Council Homes for Londoners Grant was successful and £9.3m of funding was secured for the successful delivery of Joseph Lancaster and the Elim sites in the proposed Leathermarket programme.
11. A grant agreement was agreed by Cabinet in December 2019 to give a clear arrangement for the delivery of the Leathermarket programme of new homes. This is structured as:
  - An overarching grant agreement: This agreement sets out the overarching principles upon which funding may be made available to the grant recipient and the grant recipient's role in securing the delivery of the outputs
  - Project grant agreements: Project grant agreements will set out the detailed terms and conditions upon which specific amounts of funding will be advanced to the grant recipient by the council.
12. The agreements set out the conditions upon which funding is provided from the council to the grant recipient. The agreement specifies the purpose for which grant is to be provided, the reporting arrangements, monitoring and evaluation, liaison and communication between the parties, and the funding provided to the grant recipient.

## **KEY ISSUES FOR CONSIDERATION**

13. The agreements set out the conditions upon which funding is provided from the council to the grant recipient. The agreement specifies the purpose for which grant is to be provided, the reporting arrangements, monitoring and evaluation, liaison and communication between the parties, and the funding provided to the grant recipient.

### **Delivery of JMB Office Site**

14. The JMB office is currently used as a front facing housing office for Leathermarket JMB residents; and back office for Leathermarket JMB staff and CBS staff. It is owned by Southwark Council and comprises on a two story 684 sqm two story building.
15. The JMB site was identified as a potential development site in the CBS's Estate Improvement plan, published in April 2018, to deliver around 40 affordable homes – with the assumption the JMB office could be relocated into new offices ahead of bringing forward this site for redevelopment.
16. The Estate Improvement Plan identified the Elim ball court as the site most suitable to build a new JMB office on the ground floor with affordable homes on the upper floors. The initial CBS rolling programme - approved by Southwark's Cabinet in December 2019 – estimated redevelopment of the JMB site in 2023 – following completion of the new offices on the Elim Ball Court and decant of the JMB office into the new office
17. The initial CBS rolling programme - approved by Southwark's Cabinet in December 2019 – estimated redevelopment of the JMB site in 2023 – following completion of the new offices on the Elim Ball Court and decant of the JMB office into the new office.
18. However, completion of the stage 2 feasibility on the ball court site concluded that it was not be viable to provide both provision of community space (required to replace the ball court) office space and residential. This was mainly due to the rights of lights issues significantly reducing the development envelope of the ball court site.
19. As there are no other sites in the CBS's rolling programme with the capacity to provide office provision, it is proposed that a new office is provided as part of the redevelopment of the JMB office site; offices on the ground floor and affordable residential above. This option would require the JMB housing office to be re-located whilst the new regeneration scheme was under construction.
20. The JMB are able to reduce their current office working space – from the current 684 sqm space to around 4-500 sqm. A full review of office requirements will be undertaken, ahead of progressing designs, taking into consideration the potential for further home working.
21. The proposal is to consider designs which overhangs the current park/play area; to optimise the number of residential affordable homes delivery.

### **The overarching agreement**

22. The project grant agreement sits under the overarching agreement that which sets out that the council (in exercise of its powers) has agreed in principle
  - To make available the project funding in an aggregate principal amount equal to the maximum amount agreed in the project agreement; and.

- To make this project funding available to the grant recipient subject to and in accordance with the terms of the project agreement.

### **Project Grant Agreement**

23. The project grant agreements set out the detailed terms and conditions upon which specific amounts of funding will be advanced to the grant recipient by the council.
24. The grant recipient may submit a claim for an instalment of the grant to fund or part-fund a delivery stage upon meeting the relevant milestone, which the council must approve. These will be sent to the Delivery Programme Board and formal approval will subsequently be from the director of housing and modernisation, who will consult with the the strategic director of finance and governance.

<b>Delivery Stage</b>	<b>Relevant Milestone</b>
Feasibility Stage	Inception Report Milestone
Planning Application Stage	Feasibility Report Milestone
Detailed Design & Contract Procurement	Planning Milestone
Construction Stage	Building Contract Milestone
Final Payment Stage	Retention Milestone

25. The agreement restricts the use of grant to fund the project in accordance with the schedule of costs and for no other purpose.
26. The agreement also sets out the monitoring and reporting requirements for the grant recipient including quarterly financial reports, a risk register and health and safety reports.
27. The council has discretion to withhold or suspend payment of any grant instalment in a number of circumstances including that the grant period has expired or the authority considers that unsatisfactory progress with the project has been made.
28. The agreement sets out observance of statutory requirements to the grant recipients including the Equality Act 2010, the Health and Safety at Work Act 1974 and the Modern Slavery Act 2015. It also requires the recipient so make sure that all Relevant Staff employed or engaged by it are paid an Equivalent Hourly Wage which is equal to or exceeds the London Living Wage.
29. The JMB site is at the Feasibility stage.

### **Project Grant Agreement requirements**

30. It is a requirement under the Project Grant Agreement, in order to meet the Inception Report Milestone that the Programme Delivery Board has approved Inception Report.
31. Inception Report means a report or statement prepared by or on behalf of the Grant Recipient identifying one of the "Outputs" as defined in the Overarching Agreement and proposing to deliver such "Output" and setting out the indicative overall costs of delivering such "Output" and a detailed breakdown of costs relating to the Feasibility Stage.
32. Inception Report Milestone means: the Approval by the Authority of the Inception Report; and confirmation in writing by the Authority that it has sufficient funds available to meet the costs of the Feasibility Stage as set out in the Inception Report Approved by the Authority, which the authority will do by approval of this report.

33. The Inception Report went to the Programme Delivery Board on 10 March 2020 and was approved to go for sign off. Amendments requested by the board have been made.

Inception Report Information	Milestone information provided
Report outlining the outputs from the project	Inception Report
A detailed breakdown of costs relating to the Feasibility Stage.	A detailed breakdown of costs relating to the Feasibility Stage.
Indicative overall costs of delivering such "Output"	Delivery costs targets are outlined in the Inception Report

### Policy Implications

34. The development of this site will provide much needed genuinely affordable housing built to the highest of standards in terms of both design and energy efficiency. In particular the architects will be careful to adhere to the council's own planning policies as well as the London Housing Design Guide and the council's Employers Requirements and design guide.

### Housing Strategy

35. The long-term housing strategy for the borough was agreed by Cabinet on 27 January 2014. It contains a vision for the future of housing in the borough, which consists of four principles.
- Principle 1: We will use every tool at our disposal to increase the supply of all kinds of homes across Southwark.
  - Principle 2: We will demand the highest standards of quality, making Southwark a place where you will not know whether you are visiting homes in private, housing association or council ownership.
  - Principle 3: We will support and encourage all residents to take pride and responsibility in their homes and local area
  - Principle 4: We will help vulnerable individuals and families to meet their housing needs and live as independently as possible
36. A refresh of the Housing Strategy is out to consultation until the 31<sup>st</sup> May 2020.

### Community impact statements

37. The new homes created as part of this resident led programme will enable some households to move from over crowded conditions whilst others will be downsizing, allowing the release of a range of different sized units to be re-let to others in housing need. An equalities impact assessments will be made as part of the feasibility stage once this information has been gathered and analysed.
38. The development of these sites will have wider regenerative benefits for the local community. No residents will be displaced as result of these schemes.
39. Under the Public Sector Equality Duty General Duty public authorities must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.

40. The protected groups covered by the equality duty are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnerships, but only in respect of eliminating unlawful discrimination.
41. The council's "Approach to Equality", which was agreed by cabinet in December 2011, outlines the council's legal duties under the PSED General Duty and its obligations under the Human Rights Act 1998. It also sets out the council's commitment to embedding equality and human rights within the day-to-day responsibilities of all members, officers and contractors, as a part of day to day business.
42. It is essential that when decisions are made they take into account the public sector equality duty's general duty (PSED General Duty) as set out in section 149 of the Equality Act 2010. Officers will undertake further equality analysis as the service works through implementation of the changes.
43. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. The grant agreement requires Leathermarket CBS and its contractors and subcontractors pay LLW and that this will result in quality improvements for the council and provides best value for the council. Anticipated benefits include a more incentivized workforce and improved staff retention. Following award, these quality improvements and any cost implications will be monitored.
44. The impacts of the proposal on those being part of a group with a protected characteristic as defined by the Equality Act are relatively limited and it is view of officers that these are significantly outweighed by the benefits of the additional housing. However, this is for the decision maker to determine.

### **Resource implications**

45. The overarching grant agreement sets out the principles upon which council funding may be made available to Leathermarket CBS, and the role of the CBS in securing the delivery of new council homes, which will be managed by Leathermarket JMB on behalf of the council. It is anticipated that 161 council homes will be delivered through this agreement at an estimated cost of £50 million.
46. All the future schemes approvals are subject to project agreements and milestone approvals. The non housing deliverables within the overall agreement are to enable later delivery of council homes. The grant funding of up to £579,157 provided to Leathermarket CBS will be accounted for as capital expenditure and will be met from resources supporting the Housing Investment Programme, including grant funding from the GLA and borrowing as appropriate. The grant is expected to be fully utilized during 2020-21. A project code will need to be set up before any drawdown is made. Should the scheme not progress, the costs incurred will need to be accounted for as revenue expenditure and met by the HRA.

### **Consultation**

47. The Leathermarket CBS is carrying out an exhaustive consultation on all the schemes.
48. Given the scale and significance of the proposals, the Leathermarket CBS is making substantial efforts to engage the community around the sites.

49. This engagement will be outlined in the statement of community involvement and design and access statement submitted with the planning application.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law Democracy**

50. The report refers to the resolution of Cabinet in December 2019 which is set out at paragraph 6. This approved the overall principle of funding to the Leathermarket CBS but delegated authority for the specific grants for separate sites to the Strategic Director for Housing and Modernisation in consultation with the Strategic Director of Finance and Governance. The Strategic Director therefore has clear authority to take the decision which is the subject of this report.
51. The power to provide housing accommodation on land acquired by the Council (as local housing authority) is set out in Section 8 of the Housing Act 1988. The Council has the power, at Section 111 of the Local Government Act 1972 to do any thing including acts involving the expenditure of money) which is incidental to the discharge of a function. The provision of funding for the construction of housing accommodation to CBS is therefore a measure which is ancillary to the discharge of the council's housing function. In addition, the council has the general power of competence under Section 1 of the Localism Act 2011 to do anything that an individual may do. This would encompass the provision of funding to CBS for the delivery of council housing.
64. Paragraph 50 of the report refers to the benefits of the new homes. These need to be weighed against the impacts of the scheme which are considered in the Equalities Impact Assessment which is annexed to this report. The Strategic Director needs to balance these elements when the decision is taken so as to ensure that due regard is taken and the Public sector Equality duty discharged

### **Strategic Director of Finance and Governance (H&M 20/020)**

52. This report seeks approval from the strategic director of housing and modernisation in consultation with the strategic director of finance and governance to allocate further grant funding to Leathermarket Community Benefit Society Limited (Leathermarket CBS) towards the delivery of 40 new council homes on the site of the existing JMB office on the Joseph Lancaster estate. The amount to be drawn down is limited to £579,157 and will be spent in accordance with the terms and conditions of the project grant agreement.

## **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 June 2020 .....

**Michael Scorer, Strategic Director of Housing and Modernisation**

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

- 1) All key decisions taken by officers
- 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.

<b>1. DECISION(S)</b>
As set out in the recommendations of the report.
<b>2. REASONS FOR DECISION</b>
As set out in the report.
<b>3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION</b>
Not applicable.
<b>4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION</b>
<b>5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST</b>
<i>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.</i>
<b>6. DECLARATION ON CONFLICTS OF INTERESTS</b>
<b>I declare that I was informed of no conflicts of interests.*</b>
<b>or</b>
<b><del>I declare that I was informed of the conflicts of interests set out in Part B4.*</del></b>
(* - Please delete as appropriate)

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
Leathermarket Grant Agreement	Housing and Modernisation, Southwark Council, 160 Tooley Street, London SE1 2QH	Richard George, Programme Manager 020 7525 1222
<a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MeetingId=6571">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MeetingId=6571</a>		



## APPENDICES

No.	Title
Appendix 1	JMB Office Project Grant Agreement
Appendix 1a	JMB Office Claim form

## AUDIT TRAIL

<b>Lead Officer</b>	Stuart Davis, Director of New Homes	
<b>Report Author</b>	Richard George, Strategic Programme Manager	
<b>Version</b>	Final	
<b>Dated</b>	9 June 2020	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	N/A	N/A
<b>Date final report sent to Constitutional Team</b>		23 June 2020