

Item No.	Classification: Open	Date: 23 March 2010	Meeting Name: Executive
Report title:		Elephant and Castle Regeneration Agreement – Update Report	
Ward(s) or groups affected:		Cathedrals, Chaucer, East Walworth and Newington	
From:		Deputy Chief Executive	

RECOMMENDATIONS

1. That Executive note the significant progress made in connection with the Elephant and Castle Regeneration Project in that the principal commercial terms have now been agreed with Lend Lease subject to legal drafting.
2. That Executive instruct officers to complete the negotiation of the Regeneration Agreement (RA) with Lend Lease (LL) in order that the finalised terms can be reported in June for consideration and approval.
3. That Executive note progress made in relation to negotiations with St Modwen and instructs officers to report back in June on the outcome of those negotiations.

BACKGROUND INFORMATION

4. At the reconvened meeting of the Executive, held on 30th November 2009, officers were requested to report back to Executive providing an update on the project and in particular how negotiations were proceeding pertaining to the agreement of a RA. A report was presented to the Executive on the 9th February 2010 providing an update. A further request was made that officers report back to the Executive meeting of 23rd March 2010 to provide a further update on the RA; which is the purpose of this report.

PROGRESS

5. Significant progress has been made since the 9th February 2010 Executive meeting. There have been a series of meetings which have been carried out against an agreed performance management framework which sets out the key actions required and timetable for agreement of the final document. In this context, the Council and LL have been meeting regularly to discuss the key principles and drafting of the RA document and its associated annexures and appendices. This process has resulted in the agreement being redrafted several times in order to better reflect the aspirations of both parties and the discussions that have taken place.
6. It is important to recognise that the RA forms the basis of a long-term relationship between the Council and LL and is a complex legal document with a large number of annexures which sets the framework for that working relationship. It is not simply a more

detailed Heads of Terms. It is therefore critical that appropriate consideration and advice is taken on key aspects of the document to ensure that it is fit for purpose and protects the Council's interest. As a result of the discussions, officers are pleased to confirm that all key principles within the RA have now been agreed between the Council and LL, subject to legal drafting. The drafting is well underway and a verbal update will be provided to the Executive.

7. Concurrently with the negotiations on, and drafting of, the RA the Council and LL have been holding discussions with the owners of the Shopping Centre, St Modwen. These discussions are exploring options on how to bring the shopping centre forward at an earlier date than might have been the case. These discussions have been positive and officers are hopeful that an agreed position between all parties will be possible. However, as agreement has not yet been reached, officers request an extension of time until June 2010 to try and complete these negotiations.
8. It should be noted that, under the terms of the procurement process, the RA itself is between the Council and LL; as the Council will only enter into this contract with one named party. It was envisaged in the Heads of Terms, and is incorporated into the drafting of the RA, that LL can enter into joint ventures and consortia arrangements with other interested parties, subject to certain financial vetting by the Council. The outcome of the discussions with St Modwen will not therefore impact on the content of the RA itself but could provide the basis of a subsequent arrangement between LL and St. Modwen for an early resolution of the Shopping Centre. In the event that an appropriate arrangement has not been negotiated between Lend Lease and the owners of the Shopping Centre by June 2010, officers will still be bringing the RA with LL forward for consideration and approval at that time.
9. New leisure facilities will be an essential outcome of the regeneration process and work has already been undertaken to consider options for the preferred site to be included in the master plan. Detailed site appraisal work is now being carried out on the shortlisted sites in order to allow cost and delivery comparisons, including comparative timescales for delivery on each site. A recommended option will then be presented to the Executive in June 2010 for approval, inclusion in the master plan and project initiation.
10. As outlined in the 9th February 2010 Executive report, the demolition process at the Heygate estate has already begun as the preliminary works such as the 'soft strip' and 'vermin baiting' were being carried out. A demolition agreement has been completed with LL for Phase I.

Statement of Community Impact

11. As acknowledged in the November 2009 Executive report, it is intended to review the EQiA once the Regeneration Agreement has been signed, this is still the position and this will be kept under review.

SUPPLEMENTARY ADVICE FROM PROFESSIONAL ADVISORS

Legal Advisers - Herbert Smith

12. Negotiations are progressing well on the RA. We have had regular meeting and calls with LL's legal team and are intending to finalise the wording of most of the agreement within the next few weeks.
13. The key annexures are being progressed. The legal annexures relating to CPO process, construction warranties and forms of headlease are in circulation and most key principles and much of the detail is agreed.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

14. The legal implications are set out in the report from the Council's legal advisers, Herbert Smith.

Finance Director

15. There are no new financial implications arising from this report. Further financial analysis of the regeneration agreement will be presented once final details of the RA are agreed and presented to the Executive in June.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
24 th November 2009 Executive Report Elephant and Castle Update Development Agreement - Update on negotiations with Lend Lease	Everton Roberts Constitutional Team	Everton.roberts@southwark.gov.uk Ext. 57221
9 th February 2010 Executive Report Elephant and Castle Update Development Agreement - Update on negotiations with Lend Lease	Everton Roberts Constitutional Team	Everton.roberts@southwark.gov.uk Ext. 57221

AUDIT TRAIL

Lead Officer	Eleanor Kelly – Deputy Chief Executive	
Report Author	Stephen Platts – Head of Property	
Version	Final	
Dated	15/3/2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director – Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Executive Member		
Date final report sent to Constitutional Team	15 March 2010	