



Report title

Disposal of Southwark Fire Station Site

Meeting

Resources Committee

Date

16 March 2018

Report by

Head of Procurement and Technical & Service Support

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Summary

As members are aware the London Borough of Southwark resolved to grant planning permission for the proposed development of the Southwark Fire Station Site at the meeting of its Planning Committee on 30 January 2018. The matter is now to be referred to the Mayor for a planning decision.

As a result the developer, Hadston, has made a request that the long stop date for the receipt of satisfactory planning permission for the scheme, currently 31 March 2018, is extended by a further four months to 31st July 2018.

This report recommends this extension is agreed by way of the attached administrative amendment.

Recommendations

That the Committee:

1. Receives the administrative amendment to the Mayoral Directions and notes its contents;
2. Agrees that the longstop date for this development is extended to 31 July 2018 for the reasons detailed in the letter attached as Appendix 1 to this report;
3. If recommendation 2 is agreed, authorises the Director of Finance and Contractual Services to undertake all necessary actions to extend the long stop date in the Sale Contract; and
4. Notes that the final decision on the sale will be taken under the new governance arrangements.

Introduction/Background

1. The Mayoral Directions of 26 March 2015 (MD1486) and of 27 April 2015 (MD1497), the letter sent on behalf of the then Mayor on 18 May 2015 to the London Fire and Emergency Planning Authority (LFEPA) and the letters sent on behalf of the current Mayor on 9 September 2016 and 5 October 2017 to LFEPA all related to the disposal of the former fire station site at Southwark to Hadston.
2. The Authority was informed by way of a verbal update at its meeting on 24th January that the planning application for the site was to be considered at the meeting of the London Borough of Southwark's Planning Committee on 30 January. It was explained that the main report proposing that the scheme be approved highlighted that negotiations between the Council, the GLA and the developer about the extent to which the scheme might be able to support the provision of affordable housing were ongoing. That report stated that in the meantime the GLA had agreed that the purchase price for the site should be adjusted to improve its viability. The report explained that the GLA had commissioned their own advisors, GL Hearn to carry out a valuation of the site which recommended an adjusted purchase price of £42,271,222.
3. Planning permission was resolved to be granted subject to a number of conditions that were set out in an addendum to the main report. That report explained that Hadston had continued to challenge the inputs to the valuation in the main report and that following further negotiation the price had been adjusted again to £42,255,000. The report stated that whilst Hadston continue to question certain assumptions around the valuation that figure had now been fixed.
4. The report also explained that Hadston had not offered to provide affordable housing on site and that they had offered an in lieu payment of £13,856,222 on the basis that this maybe be capable of providing more affordable housing. The report concluded that there are very clear wider benefits of the scheme in terms of delivering an urgently needed secondary school. It stated that further delays in resolving the affordable housing delivery mechanism would impact further on the timescales for the school and that the GLA's latest valuation ensures that the in lieu sum is maximised. The report therefore recommended, on balance, that the in lieu payment should be accepted, and used to deliver new affordable homes through the Council's Direct Delivery programme. The matter is now to be referred to the Mayor for a planning decision.
5. The reports to Southwark Council's Planning Committee of 30 January and the minutes of that meeting are referred to in the list of background documents to this report below.
6. The long stop date in the sale contract by which a satisfactory planning consent must be obtained and not challenged was extended by the Resources Committee at its meeting on 3 November 2017 from 29 October 2017 to 31 March 2018. Hadston have now requested a further extension of an additional 4 months to 31 July 2018. As before, the long stop date cannot be extended without the consent of the Mayor as it was originally set by Mayoral Direction. The letter attached to this report at Appendix 1 provides the administrative amendment to allow the Committee to agree this further extension. It is recommended that the Committee agree to this in order to give the sale the best chance of proceeding.
7. It is important to note that the purpose of this report is to update the Committee on the progress of this transaction and to seek an extension to the long stop date in order to allow it to proceed. A further decision will be required to conclude the deal with Hadston if a satisfactory planning decision is received from the Mayor. This will take place under the new governance arrangements. Members will recall that the decision to enter into the original sale contract was supported by a report from the valuers GL Hearn confirming that it represented the best consideration reasonably achievable by the Authority. That requirement remains under the new

governance arrangements and updated advice based upon GL Hearn's latest valuation for the site will be necessary in order to allow the Deputy Mayor for Fire and Resilience to enter into any revised deal. In the meantime officers are in discussion with GLA colleagues regarding the need for a new or updated Mayoral Direction as a consequence of both the new governance arrangements and the updated valuation of the site.

8. The budget report presented separately on this agenda explains that the Mayor's Final Draft Consolidated Budget includes additional business rates funding for LFEPA of £11.7m spread over the 2018/19 and 2019/20 financial years. This reflects the impact on the anticipated capital receipt from the sale of this site which is now expected to be £11.7m less than planned as a consequence of the viability issues explained in this report. The Mayor's report states that this additional business rates funding is pending the capital receipt which LFEPA will potentially receive for its former headquarters at Albert Embankment.
9. There are a couple of other points to note about the detail of the proposed sale transaction with Hadston. The first concerns a request from Hadson to restructure the deal
10. In overall summary, this is for the disposal to be split into two parts, whereby the housing element of the scheme is sold on a freehold basis to Hadston, with the sections of the property which are earmarked for the school to be sold initially on a long leasehold basis, to the Education Funding Agency (EFA). The underlying freehold of the school site will then also be sold to Hadston in that same transaction, subject to the school's lease. We understand that this change is being sought to assist with the delivery of the school and viability of the overall scheme. Whilst officers accept that the transaction can progress in this way they have raised a number of points of detail and legal drafting that are being resolved with Hadston
11. The second concerns the terms of the use and lease of "The Grotto" element of the scheme. This is the open area which the Authority currently leases from the LB Southwark and which is needed to fulfil the sports requirement of the school. Discussions are ongoing in terms of the length of lease, currently 50 years with the option of a further 49 year extension, the installation of storage facilities for cycles (currently 85) and the regularisation of the existing 40 car parking spaces in the Sawyer Street car park (these spaces are required for operational staff who require the use of a car to carry out their duties). These discussions are also continuing. A conclusion on both these points will be required before any final decision can be taken under the new governance arrangements to complete the sale to Hadston.

Head of Legal and Democratic Services comments

12. The changes to price and deal structure proposed by Hadston and the GLA must comply with the Authority's statutory duty to obtain best consideration on the disposal of its assets as set out in more detail in the body of this Report

Director of Finance and Contractual Services comments

13. The capital programme set out in the 2018/19 Budget Report (FEP 2825), which is also on today's Agenda, includes a capital receipt from the sale of Southwark.
14. This report explains that the expected capital receipt from the sale of Southwark is now less than previously planned as a consequence of addressing affordable housing requirements, and is now expected to be £42.3m. The Mayor has provided additional business rates funding of £11.7m spread over the two years 2018/19 and 2019/20, to offset the expected reduction in the sale price. The report goes on to explain that once the sale of 8 Albert Embankment is concluded, the £11.7m additional funding is to be reimbursed to the GLA.

15. The report notes that the final decision on the sale will be taken under the new governance arrangements, and the capital programme for future years will then be updated following the outcome of that future decision.

Sustainable Development Implications

16. There are no sustainability implications in this report.

Staff Side consultations undertaken

17. Southwark fire station was closed in early 2014 and staff side are aware that the Authority is seeking its disposal

Equalities implications

18. There are no equalities implications in this report.

List of Appendices to this report:

1. Administrative amendment letter dated 26th February 2018

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents	
1. Public Reports pack to LB Southwark Planning Committee 30 th January 2018	
2. Supplemental Agenda Item 2 to LB Southwark Planning Committee 31 th January 2018	
3. Minutes of the LB Southwark planning Committee of 30 th January 2018 (item 5 on 6 th March agenda)	
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