



Mayor and Cabinet

Update to 2022/23 Besson Street Business Plan

Date: 19 July 2023

Key decision: Yes

Class: Part 1

Ward(s) affected: Telegraph Hill

Contributors: Executive Director for Corporate Resources, Interim Executive Director of Place, Director of Law

Outline and recommendations

It is recommended that the Mayor & Cabinet:

Note that the 2023/24 Annual Business Plan will come forward in September 2023.

Note the variation to the scale and duration of the predevelopment loan

Approves the appointment of Katharine Nidd (to replace David Austin) as a Member Representative on Lewisham Grainger Holdings LLP and Besson Street LLP and as a Director of Besson Street Second Member Limited; and

Agrees to enter into a Deed of Indemnity with Katharine Nidd in respect of the appointments referred to at recommendation 2.4.

Timeline of engagement and decision-making

Annual Business plan Update report, approved by Mayor and Cabinet, 6 July 2022

1. Summary

- 1.1. As part of the JV Governance, Reporting and Council Oversight arrangements approved by Mayor and Cabinet in December 2017, it was agreed that the Besson Street Business Plan would be updated annually and then presented to Mayor and Cabinet for approval.
- 1.2. This Part 1 report provides an update to the 2022/2023 Business Plan in advance of the full Annual Business Plan update report which will be presented at the September Mayor and Cabinet.

2. Recommendations

- 2.1. It is recommended that Mayor and Cabinet:
- 2.2. Note that the 2023/24 Annual Business Plan will come forward in September 2023.
- 2.3. Note the variation to the predevelopment loan as set out in Part 2.
- 2.4. approves the appointment of Katharine Nidd (to replace David Austin) as a Member Representative on Lewisham Grainger Holdings LLP and Besson Street LLP and as a Director of Besson Street Second Member Limited; and
- 2.5. agrees to enter into a Deed of Indemnity with Katharine Nidd in respect of the appointments referred to at recommendation 2.4.

3. Policy Context

3.1. Policy Context

- 3.2. Council's Corporate Strategy (2022-2026) outlines the Council's vision to deliver for residents over the next four years. Building on Lewisham's historic values of fairness, equality and putting our community at the heart of everything we do, the Council will create deliverable policies underpinned by a desire to promote vibrant communities, champion local diversity and promote social, economic and environmental sustainability. Delivering this strategy includes the following priority outcomes to the provision of quality housing in the borough:

- Tackling the Housing Crisis – deliver more social homes for Lewisham residents, working to provide as many people as possible with safe, comfortable accommodation that they can be proud of and happy living in.
 - Develop a Lewisham Repairs Charter – improving the condition of the borough's housing stock.
 - Support for renters – providing support through further landlord licensing and enforcement of poorly managed homes, holding landlords to account and giving a voice to renter across the borough.
 - Safeguarding our heritage – preserving and restoring our historic buildings and landmarks, ensuring Lewisham's history is preserved and maintained for future generations.
- Lewisham's Housing Strategy (2020-2026), includes the following themes that relate to the provision of new affordable homes:
1. Delivering the homes that Lewisham needs.
 2. Preventing homelessness and meeting housing need.
 3. Improving the quality, standard and safety of housing.
 4. Supporting our residents to live safe, independent and active lives.
 5. Strengthening communities and embracing diversity.

4. Background

- 4.1. On 9 December 2015, Mayor and Cabinet agreed that the Council should seek to develop a Build to Rent development on the Besson Street site using a Joint Venture (JV) with an experienced private sector partner, in order to bring in expertise and share risk.
- 4.2. On 13 July 2016 and following an extensive review of the ways in which the Council

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could both play an active role in the private rented sector and could generate a sustainable income to support service provision, Mayor and Cabinet agreed that officers should start a selection process, to select a partner to form a JV to deliver a Build to Rent housing scheme on Besson Street.

- 4.3. On 6 December 2017 Mayor and Cabinet approved the selection of Grainger plc as the Council's preferred bidder to form a JV to deliver the Besson Street development in the manner previously agreed.
- 4.4. This 50/50 partnership between the Council and Grainger has created a new ethical and socially minded commercial landlord, which will set new standards including:
 - Offering tenants, a residency period of at least 10 years, by providing a five-year tenancy with an automatic right to renew.
 - Tenants, however, will have the flexibility to leave at a time of their choosing.
 - Rent increases will be fixed at the time of sign-up, and linked to inflation (CPI), so that tenants can know in advance what rent they will pay in the future.
 - Tenants will deal with their landlord direct. There will be no agents, and therefore no fees.
 - Tenants will benefit from a very high standard of housing management and additional services including:
 - 24/7 responsive repairs
 - Pet friendly options
 - The opportunity to customise their home
- 4.5. The structure of the development itself, and the JV landlord that will bring it forward will also create additional social benefits for the Council. The nature of the structure incentivises a patient and long-term return, meaning that there is less pressure on the partnership to generate an up-front return. The Council is effectively investing rather than selling its land, and this again reduces the imperative to drive up-front receipts. The net effect of this arrangement, in the case of Besson Street, enables:
 - A model where homes are rented rather than sold, and owned by the company that develops them, creating an inherent incentive to build high quality new homes and to maintain them effectively.
 - The provision of 35% affordable housing to be delivered as the London Living Rent product aimed at low-to-median earning Lewisham households.
 - Genuine tenure-blind development, with all homes built to the same standard, all tenants having the same service offer regardless of tenure, full pepper-potting across the development and an equal distribution of living and full market rents across all unit sizes.
 - A new and fully fitted out GP surgery and health centre for New Cross. This is in keeping with the original ethos of the scheme, as a healthy living development.
 - A stable, long term and inflation linked income to the Council; and
 - A continuing 50% ownership by Lewisham Council of the site and the development.
- 4.6. In December 2017, Mayor and Cabinet also agreed the Heads of Terms that had been negotiated with Grainger through the partner selection process and agreed that the Council could enter into a JV with Grainger on those terms.
- 4.7. In March 2018 Mayor and Cabinet agreed the final terms of the agreement to form the JV with Grainger and approved the Officers' Mandate and Governance Guide and Indemnities required to establish the JV Company.
- 4.8. At the Mayor and Cabinet in March 2018, authority was delegated to the Executive Directors of Resources and Regeneration to agree the first annual Besson Street

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Business Plan, which was agreed on 10 September 2018.

- 4.9. The JV agreement was then formally signed in November 2018, and since then, the partnership has been working to design the Besson Street development based on the agreed vision of the site.
 - 4.1. At the Mayor and Cabinet in June 2019 the draft second annual Besson Street Business Plan was approved.
 - 4.2. At the Mayor and Cabinet meeting of the 9 July 2020 the third annual Besson Street Business Plan was approved.
- 4.3. The planning application for the Besson Street development was submitted by the Besson Street LLP on 13 November 2019 and was validated on 4 December 2019. The Planning Committee granted planning permission on 30 July 2020 for the following development:
 - 324 residential units (35% affordable at London Living Rent level) in six blocks (Block A1– D), ranging in height between three and twelve storeys
 - 550sqm dedicated resident amenity space, with direct access to a roof terrace
 - 690sqm GP surgery
 - 120sqm pharmacy
 - 122sqm community centre
 - 100sqm flexible commercial space
- 4.4. The original planning application was approved by the strategic planning committee on 30 July 2020.
- 4.5. The application was returned for consideration at the Strategic Planning committee 15th December 2021, following an application stage design review panel review and an independent Noise Survey being undertaken in relation to the adjacent Music Room. The committee resolved to grant permission subject to planning conditions and conclusion of a S106 legal agreement.
- 4.6. The application was referred to the GLA for a Stage 2 response, which raised no objections to the proposals, or the draft S106.
- 4.7. The S106 legal agreement was finalised on the 12 January 2022, and full planning approval was achieved on the 28 January 2022.
 - 4.8. Following the successful achievement of the Initial Viability test, the project has now entered the Final Viability stage in accordance with the current year's agreed business plan.
 - 4.9. The Executive Director for Corporate Resources and Executive Director for Housing, Regeneration and Environment approved the land transfer to the JV in March 2022, in accordance with the current Business Plan as agreed by Mayor and Cabinet of the 14 July 2021.

5. Key updates to the 2022/2023 Besson Street Business Plan

- 5.1. For ease of reference the fifth annual business plan is attached as Appendix A to the Part 2 report.
- 5.2. Due to the increase in building costs and the uncertainty in the market, a decision was made to delay the transfer of the land into the JV and in turn extend the Option Agreement notice which has now been signed by Grainger and LBL.
- 5.3. The 'Initial Viability Test' was confirmed as satisfied in June 2022 and the relevant notices served, however the transfer of the land into the ownership of the JV has not

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yet occurred. The members agreed on 18th October 2022 to postpone the transfer of the land into the JV's ownership until there is greater clarity on the start on site date.

- 5.4. The longstop date for drawing down the land value is currently extended to 6th November 2023.
- 5.5. The decision was made to continue to work up the stage 4 design before commencing the procurement process for the contractor rather than procure at end of stage 3. This decision was made due to the unprecedented rise in inflation and seeking to de-risk the scheme whilst waiting for the market to settle. However, this has now been compounded by the potential changes in building regulations and the potential need to include a second staircase in residential dwellings.
- 5.6. As per the London Mayor's guidance, which came into force February 2023, a second staircase is required for buildings over 30m. However, there is still ongoing consultation as to whether this should also include buildings over 18m. Further interrogation will be required, once there is more clarity on the final form from the new Approved Document B (ADB) post completion of the current consultation.
- 5.7. Approved Documents provide guidance on how to meet the building regulations. Part B contains guidance on fire safety, including means of escape, fire spread, structural fire protection and fire service access.
- 5.8. A Loan Agreement for Grainger plc (GPlc.) to provide funding to the JV for the Final Viability Test Phase (detailed design and main contractor procurement) is in place.
- 5.9. This provides funding for detailed design and main contractor procurement along with the refinancing of all other costs incurred to date. The current loan agreement expires on 30th June 2023.
- 5.10. Given the delays to the commencement for the procurement of the main contractor, current scheme viability and the added uncertainty of the second staircase redesign there is a requirement to extend the terms of this loan agreement.
- 5.11. It would be reasonable to assume that unless there is an extension to the loan and an increase to the Budget for this year, it is likely that the Devco will not be able to proceed and achieve its objective.
- 5.12. The additional costs are linked to the Stage 4 extensions, along with the revised costs for the extended procurement strategy and ongoing site hold costs. It also includes an allowance for the redesign of a second staircase.
- 5.13. Approval is sought to extend the loan agreement to 31 October 2023, and to increase the maximum loan sum as set out in Part 2.
- 5.14. The Besson Street Business Plan for Financial Year (FY) 22/23 forecast expenditure including details of the increase loan amount are detailed in the part 2 report.
- 5.15. The programme for the previous Business Plans, compared to the current programme is set out below. Please note that the updated programme will be presented to the September Mayor and Cabinet.

| Milestones | 1 st Business Plan | 2 nd Business Plan | 3 rd Business Plan | 4 th Business Plan | 5 th Business Plan (Current) |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---|
| Enter into JV legal agreements. Formation of LLP | March 2018 | November 2018 | N/A | N/A | N/A |
| Appoint Consultant Team | March 2018 | December 2018 | N/A | N/A | N/A |
| Commence Planning | March 2018 | December | N/A | N/A | N/A |

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| | | | | | |
|-------------------------------------|---------------------------|--------------------------|------------------------------|-------------|-------------|
| Design Work | | 2018 | | | |
| Consultation, Engagement and Design | April 2019 – October 2019 | January 2019 – July 2019 | January 2019 – November 2019 | N/A | N/A |
| Planning Submission | Autumn 2018 | Summer 2019 | Winter 2019 | N/A | N/A |
| Detailed Planning Consent | Winter 2019 | Spring 2020 | Autumn 2020 | Summer 2021 | Winter 2022 |
| Start on Site | Winter 2019 | Spring 2021 | 2021 | Autumn 2022 | Spring 2023 |
| Practical Completion | Winter 2021 | 2023 | 2024 | Autumn 2025 | Spring 2025 |

6. Financial implications

6.1. Financial implications are referred to in the Part 2 report.

7. Legal implications

7.1. Detailed legal implications are set out in the previous reports to Mayor and Cabinet and other legal implications are contained in the body of this report and in the Part 2 report.

7.2. The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

7.3. In summary, the Council must, in the exercise of its functions, have due regard to the need to:

eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

advance equality of opportunity between people who share a protected characteristic and those who do not.

foster good relations between people who share a protected characteristic and those who do not.

7.4. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation, or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed at 8.3 above.

7.5. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. Members must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

7.6. The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical

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guidance can be found at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>

8. Background papers

- 8.1. Besson Street: Annual Business Plan Update, Approved by Mayor and Cabinet 6 July 2022:

[Besson Street Annual Business Plan Update Part 1.pdf](#)

9. Report author and contact

- 9.1. Angela Bryan – Strategic Development Officer
020 8314 3015 – Angela.bryan@lewisham.gov.uk

10. Comments for and on behalf of the Executive Director for Housing, Regeneration and Public Realm

- 10.1. Sandra Gray – commercial Account
0208 314 9918 – sandra.gray@lewisham.gov.uk

11. Comments for and on behalf of the Director of Law, Governance and HR

- 11.1. Melanie Dawson – Principal Lawyer
0208 314 6908 – melanie.dawson@lewisham.gov.uk

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