



Mayor and Cabinet

Besson Street: Annual Business Plan Update

Date: 14 July 2021

Key decision: Yes

Class: Part 1

Ward(s) affected: Telegraph Hill

Contributors: Executive Director for Housing, Regeneration and Environment, Executive Director for Corporate Resources, Director of Law & Corporate Governance

Outline and recommendations

It is recommended that:

The Mayor and Cabinet agrees the fourth annual Business Plan for Besson Street attached as **Appendix A**; and

Delegates authority to the Executive Director for Corporate Resources and Executive Director for Housing, Regeneration and Environment to implement the Besson Street Business Plan once finalised.

Timeline of engagement and decision-making

Pre-application consultation took place between January 2019 and November 2019 up to the submission of the planning application in November 2019 which was determined in November 2020.

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 information on the fourth annual Besson Street Business Plan, which has been updated based on information from the ongoing design process, the submission of the planning application and the implications of the COVID 19

pandemic. The accompanying Part 2 report provides commercially sensitive financial information in relation to the Business Plan.

- 1.3. The main differences between the previous Business Plan and the new Business Plan are set out in section 5 below.

2. Recommendations

It is recommended that Mayor and Cabinet:

- 2.1. Agrees the fourth annual Besson Street Business Plan attached as **Appendix A** to the Part 2 report; and
- 2.2. Delegates authority to the Executive Director for Corporate Resources and Executive Director for Housing, Regeneration and Environment to implement the Besson Street Business Plan once finalised.

3. Policy Context

- 3.1. The contents of this report are consistent with the Council's policy framework. It supports the priorities set out in the Corporate Strategy 2018-2022:

- Open Lewisham
- Tackling the housing crisis
- Giving children and young people the best start in life
- Building an inclusive local economy
- Delivering and defending: health, social care and support
- Making Lewisham greener
- Building safer communities

- 3.2. This report also contributes to the specific objective in the Corporate Strategy 2018-2022:

We will build a new generation of homes for private rent, providing long-term tenancies of up to 10 years with rent controls

- 3.3. It will also help meet the Council's Housing Strategy 2015-2020 in which the Council commits to the following key objectives:

- Helping residents at times of severe and urgent housing need
- Building the homes our residents need
- Greater security and quality for private tenants
- Promoting health and wellbeing by improving our residents' homes

- 3.4. Lewisham's Core Strategy has the objective to make provision for the completion of an additional 18,165 net new dwellings from all sources between 2009/10 and 2025/26, to meet local housing need and accommodate the borough's share of London's housing needs. This aims to exceed the London Plan target for the borough. The Core Strategy also has the objective to make provision to meet the housing needs of Lewisham's new and existing population, which will include:

- provision of affordable housing
- a mix of dwelling sizes and types, including family housing
- lifetime homes, and specific accommodation to meet the needs of an ageing population and those with special housing needs
- bringing vacant dwellings back into use

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4. Background

- 4.1. On 9th 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 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

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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 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.
- 4.10. At the Mayor and Cabinet in June 2019 the draft second annual Besson Street Business Plan was approved.
- 4.11. At the Mayor and Cabinet meeting of the 9 July 2020 the third annual Besson Street Business Plan was approved.
- 4.12. The planning application for the Besson Street development was submitted by the Besson Street LLP on 13th November 2019, and was validated on 4th December 2019. The Planning Committee granted planning permission on 30th 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 12 storeys
 - 520sqm dedicated resident amenity space, with direct access to a roof terrace
 - 650sqm GP surgery
 - 113sqm pharmacy
 - 122sqm community centre
 - 100sqm flexible commercial space
 - 520sqm dedicated resident amenity space
- 4.13. Planning permission is also subject to the execution of a Section 106 Agreement, and on the assumption that the GLA Stage 2 Report is received back with no substantive comments the Planning Conditions is expected to be formally granted by the end of July 2021.
- 4.14. Following the successful achievement of the Initial Viability test, the project will enter the Final Viability stage and (in accordance with the current year's agreed business plan), the land will then transfer to the JV, this is expected to occur in August of 2021. The details of this process were set out in the previous report to Mayor and Cabinet of the 9 July 2020 and the associated Business Plan.

5. Key updates in the fourth annual Besson Street Business Plan

- 5.1. The fourth annual Business Plan is attached as Appendix A to the Part 2 report. This is an updated version of the previous Besson Street Business Plan that was agreed by Mayor and Cabinet in July 2020.
- 5.2. The Besson Street Business Plan defines the activities of the JV in relation to the Besson Street site. It sets out:
 - The Vision and Red Line Requirements for Besson Street;
 - The Development Management Approach, including key appointees, project board members, programme dates, key design objectives, unit mix, planning strategies

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- and the construction and delivery approach;
 - The Asset and Operational Management Approach, including the community and place making approach and the stabilised operating expenditure aims;
 - The Housing Management Approach, including the product offer and the creation of the Besson Street resident's charter;
 - The Stakeholder and Community Engagement Approach;
 - The Financial Summary, including the minimum financial requirements, the management fees and transfer land value calculation model, funding assumptions, details of future investment, cost predictions based on an increased scheme density, and details of how each partner will obtain approvals from within their own organisations;
 - The Risk Management Strategy; and
 - Agreed Key Performance Indicators.
- 5.3. The second annual Business Plan expanded and provided additional detail to all of the above elements, informed by the ongoing design process, although the essential approaches set out Business Plan remained the same.
- 5.4. The third and current Business Plan has been updated in light of the submission of the planning application, the key milestones in the period post planning approval, and recent COVID 19 issues.
- 5.5. The fourth annual Business Plan was updated to reflect the delayed submission of the planning application, and revised the key milestones for the period post planning approval concluding the pre development phase.
- 5.6. The fourth annual Business Plan updates are summarised below:

The Besson Street Procurement Strategy - A revised Besson Street Construction Procurement Strategy has been drafted and will be implemented in accordance with the principles set out in the JV Procurement Policy. The Procurement Strategy will be reviewed on an ongoing basis and be updated by Gardiner & Theobald as appointed Quantity Surveyor prior to commencement of the Final Viability Assessment Phase. The Besson Street Construction Procurement Strategy Provides a detailed review of suitable procurement options available and reviews key project drivers influencing procurement options, including:

- Programme
- Design
- Specialist sub-contract design and procurement
- Change Management
- Market Conditions
- Communication
- Client and Scope Constraints
- Cost Certainty
- Project Risk

Employment and Local Labour - The JV is committed to ensuring that employment and training opportunities are made available that benefit local residents. Prior to commencement of the works a Local Labour and Business Strategy will be submitted to and agreed with the LPA (as part of the Section 106 commitments). This strategy will include a jobs apprenticeships training and business strategy for the Development setting out strategies and initiatives to provide and improve training employment and business contract opportunities within the Borough of Lewisham and assist local people and local businesses to secure employment or business opportunities at the Development, including:

- Routes to employment including direct access to employment opportunities at the development and addressing wider barriers to employment;

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- recommended training routes to secure jobs;
- proposals to encourage diversity in the workforce;
- measures to encourage local businesses to apply for work and/or secure contracts in relation to the Development;
- training opportunities and employment advice or programmes and employment and training brokerage arrangements;
- provision of opportunities for modern apprenticeships
- interview arrangements for jobs;
- arrangements for working within schools and colleges; and
- targets for monitoring the effectiveness of the strategy.

The JV will actively look to recruit local residents for permanent job opportunities in the end development (for example concierge and maintenance roles).

Community and Engagement - The JV is committed to putting meaningful stakeholder and community consultation at the heart of the process for this development and want to be considered as more than a landlord by the local community. To date the JV has undertaken a comprehensive and inclusive programme of local engagement, which has sought to give all parts of the New Cross community an opportunity to be part of the process. Key actions for this Business Plan period include;

- Review and update the engagement plan.
- Consider how the JV can establish itself with the local community and promote positive sentiments, including review of the hoarding strategy and engagement with local schools.
- Establish a clear way for the local community to reach out to the JV directly.
- Communicate key milestones to local stakeholders.
- The main contractor to send out a monthly newsletter to the neighbours.
- Continue to explore more collaborative opportunities with the local community.

The Programme - for the previous Business Plans, compared to the current programme is set out below:

Milestones	1st Business Plan	2nd Business Plan	3rd Business Plan	4th (Current) Business Plan
Enter into JV legal agreements. Formation of LLP	March 2018	November 2018	N/A	N/A
Appoint Consultant Team	March 2018	December 2018	N/A	N/A
Commence Planning Design Work	March 2018	December 2018	N/A	N/A
Consultation, Engagement and Design	April 2019 – October 2019	January 2019 – July 2019	January 2019 – November 2019	N/A
Planning Submission	Autumn 2018	Summer 2019	Winter 2019	N/A
Detailed Planning Consent	Winter 2019	Spring 2020	Autumn 2020	Summer 2021
Start on Site	Winter 2019	Spring 2021	2021	Autumn 2022
Practical Completion	Winter	2023	2024	Autumn 2025

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- 5.7. The second annual Business Plan confirmed an 8 month delay for the submission of the planning application. Since submission, Covid19 restrictions resulted in a pause to the planning process; due to the application receiving 11 objections, a local meeting was required. A local meeting could not be held immediately as a result of the lockdown restrictions, which has resulted in a further 3 months' delay. However a local meeting was held in 2nd July 2020 and following the Strategic Planning committee on 30th July 2020, planning permission was recommended for approval by Members.
- 5.8. Since then, the JV has been negotiating the S106 with both the Council and the GLA with all the points now nearing agreement. Stage 2 referral to the GLA is expected to follow mid-July with granting of Full Planning Consent anticipated by the end of July.
- 5.9. The original programme has been amended and pushed back, there are a number of reasons for this including (but not limited to): revisions to the design pre-planning to increase the number of homes provided which in turn will deliver 35 more flats at the London Living Rent; extensive negotiation and engagement with the community including agreeing to a deed of easement for the site with the Music Room, and the impact of Covid on the planning process more generally.
- 5.10. This Programme will continue to be regularly reviewed and updated by the Development Manager on a monthly basis and reported against at each Project Board.

The Financial Summary

- 5.11. The financial summary section of the Business Plan has been updated based on the additional information established by the design phase, and as a result of the actual funds required by the planning process.
- 5.12. In the previous Business Plan the funding assumptions for the scheme were set out. These have now been updated to be agreed budgets, and costs based on delivering a 324 home scheme, doctor's surgery, commercial floorspace, pharmacy, communal space and associated CIL and S.106 costs.
- 5.13. Further details on the financial summary are contained in the Part 2 report.

6. Financial implications

- 6.1. The Council will be required to inject equity into the JV to ensure its 50:50 ownership is retained. This equity will take the form of both the land and cash. The Council will initially inject its land into the JV at the point of the initial viability test (after achieving planning and during this Business Plan period, forecast to be August 2021) further details of which are included in the Part 2 report.
- 6.2. Further 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

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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 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. None available for the Part 1 Report

9. Report author and contact

- 9.1. Angela Bryan – Strategic Development Officer
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10. Comments for and on behalf of the Executive Director for Corporate Resources

- 10.1. Shola Ojo – Principal Account
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11. Comments for and on behalf of the Director of Law, Governance and HR

- 11.1. Katherine Kazantzis – Principal Lawyer

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Appendix A – Please refer to the Part 2 report

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