

Cabinet 27 March 2019	 TOWER HAMLETS
Report of: Ann Sutcliffe, Acting Corporate Director, Place Asset Management Part 1: Wayside Gardens, Marsh Wall; Disposal of Land; and Part 2: Pat Shaw House and 401 Mile End Road; Leases from Gateway Housing	Classification: Partially Exempt (Appendices)
Asset Management	
Part 1: Wayside Gardens, Marsh Wall; Disposal of Land; and	
Part 2: Pat Shaw House and 401 Mile End Road; Leases from Gateway Housing	

Lead Member	Mayor Biggs
Originating Officer(s)	Ann Sutcliffe, Alan McCarthy, Mark Baigent
Wards affected	Canary Wharf Bethnal Green and Bow West
Key Decisions?	Yes
Forward Plan Notices Published	20 November 2018 12 February 2019
Reason for Key Decisions	Financial Threshold
Strategic Plan Priority / Outcome	<p>1. People are aspirational, independent and have equal access to opportunities;</p> <p>2. A Borough in which residents are proud of and love to live in;</p> <p>3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our Borough.</p>

The report is in two sections.

Section 1 concerns the disposal of the land comprising Wayside Gardens in Marsh Wall to the developer of a wider redevelopment scheme, which has planning permission.

Section 2 concerns a proposal that the Council take leases of a former residential care home and a former education institution owned by Gateway Housing Association('GHA'). These properties will be used to provide temporary accommodation for homeless households in the borough.

Section 1

Wayside Gardens, Marsh Wall; Disposal of Land

Executive Summary

The report recommends that the Council disposes of the land comprising Wayside Gardens in Marsh Wall to the developer of a wider redevelopment scheme, which has planning permission.

Exempt information (in relation to the Appendix)

By virtue of section 100A of the Local Government Act 1972 and paragraph 3 of Schedule 12A of the Local Government Act 1972, Appendix 3 in this report is exempt as it contains Information relating to the financial or business affairs of any particular person (including the authority handling the information). Specifically, the appendix contains terms relating to this disposal which have been agreed in principle but the premature publication of this information could prejudice the Council position in negotiating the final terms of transaction. In all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the appendix as it could jeopardise the Council's financial position when negotiating the transaction with the proposed purchaser.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Agree that the land at Wayside Gardens is declared surplus to the Council's requirements and is sold to the developer's property holding subsidiary, Drakar Limited, on the basis set out in this report.
2. Delegate authority to the Acting Corporate Director of Place to agree and negotiate the final terms of the proposed disposal and to agree any variations to the terms set out in this report to the benefit of the Council.
3. Ensure that works to improve existing parks and open spaces within the Isle of Dogs area are prioritised as part of the development of the Council's capital strategy and programme.
4. Note that the Council gave notice of its intention to dispose of the open space and that no objections were received by the closing date of 22 November 2018.
5. Note the equalities considerations as set out in section 4.

1. REASONS FOR THE DECISIONS

- 1.1 It is important at a time of increasing financial pressures in the public sector, to pursue opportunities to obtain capital receipts. The subject opportunity

arises due to a proposed property development on land adjacent to and including, the Council-owned land at Wayside Gardens and a sale on a “special purchaser” basis.

- 1.2 The proposed development will bring underused land, comprising low-rise industrial and office sites, into full use and is consistent with the Council’s strategic plan in promoting regeneration and increasing the supply of housing. The proposed development includes; a primary school, public realm, health facilities in addition to affordable housing.
- 1.3 The land at Wayside Gardens, although open space, is currently not directly used by the public due to it being an area of dense, overgrown vegetation, which is difficult to access. An equivalent area of open space will be replaced within the wider provision of public realm in the development, constructed to current design standards and accessible to the public at all times.

2. ALTERNATIVE OPTIONS

- 2.1 The area of the land owned by the Council, at approximately 270 square metres, effectively rules it out for development in isolation. It is the potential sale to a special purchaser (by the fact that the purchaser owns neighbouring land) that creates the opportunity to develop the land, and create a purposeful use for it, thereby enhancing its financial value.
- 2.2 The land could continue to be used as open space but this would require the Council to incur costs to maintain it and ensure it complies with health and safety requirements. Further, the proposed consented development would not proceed in the form currently envisaged.

3. DETAILS OF THE REPORT

- 3.1 Wayside Gardens is a small area of open space, planted with shrubs and trees, adjacent to Lenanton Steps, Marsh Wall and near the Canary Wharf business district. The land comprises approximately 270 square metres (0.067) acres and is difficult to access by the public although it is an area of amenity space in a largely built up environment. A site plan is included at Appendix 1.
- 3.2 Far East Consortium ('FEC') is the developer of an adjacent site, 50 Marsh Wall, 63/69 and 68/70 Manilla Street and would like to deliver a comprehensive scheme, known as Alpha Square. The proposed scheme includes Wayside Gardens. The whole development site will comprise around 0.40 hectares (0.99 acres) and Wayside Gardens accounts for about 7% of the total area. FEC has a subsidiary company, Drakar Limited, which holds development property for FEC. The sale of Wayside Gardens will therefore be to Drakar.

- 3.3 In 2016, FEC secured planning consent for the scheme from the Greater London Authority, which had called in the application. The consent is for buildings of up to 64 storeys to provide a 231 bedroom hotel, 634 residential flats, a two forms of entry primary school, healthcare facilities, commercial space, the retention of a public house and basement parking. Under the terms of the s106 agreement, the developer is required to provide 125 affordable units (90 affordable rented and 35 intermediate).
- 3.4 Planning consent was granted for the scheme in March 2017, among other things on the basis of the open space proposals in the application. The consent is subject to a number of conditions, however those relevant to this report are (using the numbering attached to the planning consent) as follows;
- 1 - which requires the development to be carried out in accordance with the approved plans,
 - 5 – which requires details of the landscaping, with a landscape management plan for the public realm,
 - 9 – details of lighting and security, which cover the public realm details.
- In relation to conditions 5 and 9, the developer is required to submit details to Planning for approval. These details have not yet been submitted. The s106 agreement stipulates that the public realm must be provided and that the above details must include management and maintenance plans for all of the public realm. The costs of management and maintenance are to be met by the developer/land owner for the lifetime of the development. The public realm will be available on a 24 hour basis.
- 3.5 Further information has been obtained from FEC on the nature and extent of the proposed public areas within the scheme. There is both an area of open space replacement and additional public realm. The open space replacement is 272 sm in area and the public realm, 952 sm (excluding the public highway). The public realm includes areas that are soft landscaped and/or to be planted.
- 3.6 Part of the footprint of one of the main buildings is within the area of land owned by the Council. FEC cannot therefore deliver the scheme without purchasing the land from the Council.
- 3.7 Tower Hamlets and FEC have been in discussion for some time regarding the terms for the disposal of the land, although terms could not initially be agreed between the parties representatives. To break the deadlock, it was agreed that the way forward was to jointly appoint a third party acting as independent valuer to both the Council and FEC. GVA were appointed to undertake this exercise.
- 3.8 GVA carried out a detailed analysis of the proposed scheme and provided an independent assessment of the value of the Council's land, as a percentage of the overall scheme. The parties agreed that this third party assessment would be binding in relation to value. The assessed value of the land, which will be the sale price, is set out in the exempt Appendix 3.

- 3.9 The other main points in the heads of terms for the sale are;
- Deposit of 5% of the purchase price to be payable upon exchange of contracts.
 - FEC has an established property holding subsidiary company, Drakar Limited. The sale of Wayside Gardens will therefore be to Drakar.
 - Professional fees costs. FEC/Drakar to cover the Council's reasonable legal and surveyors fees.
 - Completion to take place within six weeks from exchange.
 - Planning overage. In the event that FEC/Drakar achieves and implements a revised planning consent or material variation from that already approved, an independent appraisal of the new scheme will be undertaken by GVA or another firm jointly agreed, and a percentage of any increase in the residual land value will be paid by FEC/Drakar to the Council. This provision will be time limited from the completion of the sale and until implementation of a scheme. The details are set out in the exempt Appendix 3.
 - Clawback. In the event that FEC/Drakar disposes of the land prior to the implementation of development, FEC/Drakar will pay the Council a percentage of the proceeds of any sale above the purchase price. This provision will be time limited from the completion of the sale. The details are set out in the exempt Appendix 3.
 - FEC has agreed to commit to the offer made by other industry players under the Mayor of London's "first dibs" housing initiative.
- 3.10 GVA has confirmed that the purchase price represents best consideration under s123 of the Local Government Act 1972 ('the 1972 Act') and therefore meets the Council's obligations. The Council's disposals protocol allows for the negotiation of a sale with a single party where that party holds a special purchaser position. In this case, FEC is in this position by virtue of its ownership of the remaining areas of the overall development site.
- 3.11 The Council advertised the sale of the land prior to Cabinet making a decision on its disposal, as it falls within the definition of open space in the 1972 Act. The notice was published in the Docklands and East London Advertiser on 1 and 8 November 2018. The deadline for objections to be received was 22 November 2018. No objections were received by the closing date.
- 3.12 FEC is planning to commence works on site in early 2019, with demolition and site clearance. This will include hoarding around Wayside Gardens and removal of the existing vegetation. This would usually need to be done before the spring bird nesting season starts. However, FEC has taken measures from its land to deter bird nesting in Wayside Gardens. Depending on the timescale for completion of the sale, it may be appropriate to allow FEC to carry out site clearance works under licence, which can be agreed under officers' delegated authority.

- 3.13 In order to allow the transaction to be concluded swiftly following a Cabinet decision, Legal Services is producing the contract documentation. FEC has agreed to meet the Council's costs in this regard.
- 3.14 The Council's Parks team has submitted capital investment proposals under the following headings;
- Inclusive Play
 - Quality Parks
 - Signage, interpretation and heritage
 - Improvements to Sports Facilities in Parks
 - Addressing ASB in Parks
- 3.15 These five programmes are in line with the Mayor's commitment to invest in parks and open spaces over the next four years. It is recommended that schemes for Sir John McDougal, Mudchute/Millwall and St John's Parks, which are within the wider Isle of Dogs area are prioritised through the capital programme development to maintain the availability of parks and open spaces in the area following the loss of this amenity at Wayside Gardens.
- 3.16 There is no existing Council managed public realm within close proximity which would be suitable for developing as a pocket park. However it may be possible to undertake some street enhancements in the immediate area. Highways officers have indicated that the surrounding street layout is extremely tight but there is potential for more greening on Byng Street if a proposed one-way project is taken forward.

4. EQUALITIES IMPLICATIONS

- 4.1 The development will provide a range of community benefits including affordable housing, a health facility and a school.
- 4.2 The proposed investment of the receipt in parks improvements projects will help to increase the usage of parks by all parts of the community with consequent health and social cohesion benefits.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.

- 5.2 The main statutory provisions relevant to the proposal are contained in the Local Government Act 1972. Section 123 (1) provides the obligation to obtain best consideration for the disposal, which has been confirmed by independent valuation advice. Section 123 (2A) contains the obligation to give public notice of the intention to dispose of open space and to consider any objections received. This has been discharged through the placing of notices in the Docklands and East London Advertiser in two consecutive weeks' editions. As stated at point 3.11 of this report, at the time of writing this report no objections have been received.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 Following an approach by Far East Consortium (FEC), the owner of a neighbouring site, this report seeks Mayoral approval to declare land at Wayside Gardens (shown in Appendix 1) as surplus to requirements, and requests agreement to dispose of it in order to facilitate the redevelopment of the full site. Disposal will be to FEC's property holding subsidiary company, Drakar Limited.
- 6.2 As set out in the report, in view of the fact that the Council owned land has only a limited value to any other purchaser, officers are of the view that the transaction is a disposal to a 'special purchaser' i.e. a sale to a purchaser for whom the land has a higher value than for anyone else.
- 6.3 Following initial failure to agree a site valuation, GVA Ltd was jointly appointed to act as an independent valuer to both the Council and FEC. The costs of this commission have been fully funded by FEC, as will be any reasonable legal fees incurred by the Council.
- 6.4 Acquisition of the Council's land to create a larger development site will significantly increase the value of the total asset to FEC. Under the agreement recommended by GVA, the sum due to the Council is based on the area of the land owned by the Council as a proportion of the value of the total site area (paragraph 3.8).
- 6.5 A planning overage condition has been incorporated into the Heads of Terms to protect the Council's interests. This overage is dependent on future market events and is not quantifiable, however the inclusion of the provision protects the Council's interests in the event that the developer secures and implements a planning consent for a more valuable scheme in future years. A claw-back arrangement is also proposed whereby the Council will receive an element of any increase in land value in the event that the site is sold prior to development.
- 6.6 The eventual redevelopment of the full site will generate resources through Section 106, Community Infrastructure Levy obligations and affordable housing liabilities. These will be controlled by the Council. The housing units within the development will also increase the Council's entitlement to New Homes Bonus which is currently assessed at approximately £1,600 per annum per additional housing unit. There are 634 new housing units proposed within the development area which would equate to an additional New Homes

Bonus entitlement of £1.01 million per year based on current rates. An additional NHB payment of £350 will be received for each affordable housing unit within the development. This will equate to approximately £44,000 per annum for the proposed 125 affordable units. Following changes to the system the funding for each new property is now paid for a four year period rather than the original six years. The Council will also generate additional Business Rate income from any commercial units on the site, including the proposed hotel development.

- 6.7 Capital receipts accruing from the sale of the site will be fully usable to support capital expenditure incurred by the Council. The property is held under General Fund powers and therefore any receipt is 100% usable. No potential receipts have been assumed as resources available to finance the capital programme. Decisions on the use of the capital receipt will need to be considered in accordance with the priorities identified within the Council's capital strategy and the new capital governance processes. As recommended in this report, these priorities will include works to improve existing parks and open spaces within the Isle of Dogs area, to reflect the loss of the amenity land at Wayside Gardens.
- 6.8 Any costs that the Council incurs in relation to the sale, in excess of the items being financed by FEC, can be met through the 'top-slicing' of up to 4% of the receipt value. These costs will initially be forward funded in advance of the capital receipt being generated, and because they will be offset against the capital receipt raised, are at risk if they are incurred but the sale does not proceed for any reason. In these circumstances they will need to be met from within existing budgets.
- 6.9 The site generates no income for the authority, and disposal will mean the authority is no longer liable for any upkeep of the land.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council's general power of competence to carry out disposals is established in s1-6 of the Localism Act 2011. It is subject to the requirements in the Local Government Act, most notably the s123 requirement to obtain best consideration for any disposal (which has here been discharged by obtaining independent valuation advice as referred to above at 3.7 of this report).
- 7.2 As the land owned by the Council is to be disposed of is a designated Public Open Space, an additional requirement arises under s123(2a) to provide an opportunity for public comment. This is carried out by arranging for the placement of notices in newspapers with a local circulation in two consecutive weeks. A notice has been approved and published in two local newspapers for the required two-week period as stated in 3.11 and 5.1 of this report.
- 7.3 The title to the site has been examined and contains a number of covenants relating to the Council's statutory predecessors which we do not anticipate any difficulties in discharging as part of the sale.

- 7.4 The Council Officers are satisfied that the proposed transaction is a disposal to a 'special purchaser' i.e. a sale to a purchaser for whom the land has a higher value than for anyone else. As stated in 3.10 above FEC is in this virtue as a result of its ownership of the remaining area of the overall development site.

Section 2

Pat Shaw House and 401 Mile End Road; Leases from Gateway Housing Association

Executive Summary

The report proposes that the Council take leases of a former residential care home and a former education institution owned by Gateway Housing Association ('GHA'). These properties will be used to provide temporary accommodation for homeless households in the borough.

Exempt information (in relation to the Appendix)

By virtue of section 100A of the Local Government Act 1972 and paragraph 3 of Schedule 12A of the Local Government Act 1972, section 2, Appendix 4 in this report is exempt as it contains Information relating to the financial or business affairs of any particular person (including the authority handling the information). Specifically, the appendix contains terms relating to this disposal which have been agreed in principle but the premature publication of this information could prejudice the Council position in negotiating the final terms of transaction. In all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the appendix as it could jeopardise the Council's financial position when negotiating the transaction with the proposed purchaser.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Agree to the Council entering into leases of two properties owned by Gateway Housing Association at the rents and other main terms set out in paragraph 3.3 and the exempt Appendix 4.
2. Note that the properties will be managed by the Council's Housing Options Service to provide 40 units of temporary accommodation for people in priority housing need.
3. Delegate authority to the Acting Corporate Director, Place to agree all other terms of the leases.
4. Authorise the Acting Corporate Director, Place in liaison with the Corporate Director, Governance to enter into the necessary legal agreements required to implement the recommendations above

1. REASONS FOR THE DECISIONS

- 1.1 The transactions will enable the Housing Options Service to offer temporary accommodation facilities for homeless households who would otherwise be

housed in more expensive temporary accommodation.

- 1.2 The rents will be set at the Local Housing Allowance levels, making the properties affordable to those in housing need.
- 1.3 As the rents are set by Housing Options, rents can be reduced to accommodate benefit capped claimants, easing the pressures on the use of Discretionary Housing Payments (DHP). This would also reduce irrecoverable rent arrears incurred by the Council.
- 1.4 The use of these units will allow the Housing Options Service to keep households within Tower Hamlets, or transfer some households that are currently placed outside of the borough back into the borough.
- 1.5 Procuring these leased units is projected to be a cost saving as the Housing Options Service would reduce the use of expensive bed and breakfast, and nightly paid properties.

2. ALTERNATIVE OPTIONS

- 2.3 The alternative options for the Council to meet demands for Housing are:

Options	Pros	Cons
Use Nightly Paid properties	Not tied into a lease agreement, property can be handed back at anytime	Unaffordable rents, unsuitable properties, properties outside of the borough
Use Private Sector Leased Properties	Not tied into a lease agreement, property can be handed back at anytime	Unaffordable rents, unsuitable properties, properties outside of the borough
Use bed & breakfast accommodation	Not tied into a lease, available for emergency placements	Unsuitable for family sized households, unaffordable rents, rooms outside of the borough

3. DETAILS OF THE REPORT

Background

The availability of Pat Shaw House was first brought to the Housing Option Services' attention following meetings with GHA regarding a block of flats that is already being used as temporary accommodation, Cheshire Street London E2 6EG. Following further meetings, it transpired that 401 Mile End Road was also available to be used as temporary accommodation on a 5-8 year lease.

Housing Options currently has 1,278 households placed outside of Tower Hamlets of which 59 households are placed outside of London.

Housing Options currently has roughly 160 benefit capped households living in temporary accommodation. Making use of Pat Shaw House and 401 Mile End Road will enable Housing Options to transfer these households to cheaper and more affordable accommodation.

The local authority currently has approximately 530 households in expensive nightly paid accommodation and 6 family households in bed and breakfast accommodation of which over 95% are placed outside of the borough. Access to 40 units of lease accommodation at these two properties, for use as temporary accommodation would reduce the borough's reliance on out of borough expensive nightly paid accommodation.

3.1 The two buildings for which these arrangements are proposed are as follows:

Pat Shaw House, 50 Globe Road, London E1 4DS

The 38 unit former residential care home has been offered to the Council on a maximum five year lease term. The association has plans to redevelop the site but the proposal is not due to commence for approximately five years. Having previously placed guardians in the property, GHA believe that using the site for homeless households is a more effective use of this resource. The site will deliver 24 units of temporary accommodation.

401 Mile End Road, London E3 4PB

This property is GHA's former head office. In 2009 planning consent was granted for a change to a college, however, it is now vacant. Following refurbishment it can provide 16 units of temporary accommodation.

3.2 Planning

The proposal for Pat Shaw House is for the Council to take a 5 years lease on the property. Planning permission for converting the property to temporary residential accommodation has already been obtained.

Temporary planning permission was granted for this site for a period of 5 years. This was due to the applicant informing planners that the Council is negotiating a 5 year lease with GHA for this site, which cannot be extended.

A planning application for change of use to 401 Mile End Road has already been submitted and a determination is expected in April 2019. The proposed lease term for this property is also 5 years.

3.3 Lease Terms

Draft leases have been received from GHA and have been provisionally agreed on the following terms:

Tenant: LBTH
Term: 5 years
Date: tbc
Lease cost: The financial implications are contained within the exempt Appendix 4
Use: Temporary Residential Accommodation

A copy of the financial implications and table which is exempt is appended at Appendix 4 to this report.

4. EQUALITIES IMPLICATIONS

These temporary homes will provide good quality affordable housing within the borough for homeless families. It supports contact with extended family members and allows households to maintain other local connections such as local GPs, attending local schools and maintaining employment. It also avoids households moving several times or being placed outside of the borough while waiting for a permanent home.

Housing Options Service is committed to making 'Tower Hamlets a place where people live in quality affordable housing' and the new temporary homes that Pat Shaw House and Mile End Road can deliver will support this commitment

In addition to this, Housing Options currently has over 150 benefit capped households. For these households the only option will be a move to much cheaper accommodation. This lease agreement with GHA will allow the Council to improve the opportunities for many of these low income households who are not yet eligible for a permanent offer of accommodation.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.

5.2 Best Value

Asset Management officers confirm that this transaction represents value for money on its own terms.

The Council has spent millions on subsidising temporary accommodation for homeless households. The only way this cost can be reduced is if accommodation is procured within temporary accommodation subsidy levels.

Rents for the new dwellings will be charged at the Local Housing Allowance (LHA) rate, e.g. £265.07 for a 1-bed flat; £311.40 for a 2-bed flat. This means these properties will be affordable for occupants. The Council will save money by not needing to place these families into more expensive private rented accommodation, which it is required to subsidise.

5.3 Risk Management

The risks surrounding this transaction for the Council will be managed through the detailed drafting of the legal agreements. The principal repair and maintenance are being borne by GHA. If approval is not granted for this transaction, there is a distinct risk that Housing Options will have to appoint a repairs and maintenance contract, this is likely to be Mears who already manage repairs and maintenance for Council properties (HRA and General Fund)

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report seeks approval for the Council to enter into five year leases with GHA for the former residential care home at Pat Shaw House 50 Globe Road and the former GHA head office at 401 Mile End Road. If the leases are acquired, the Council will convert the property into 40 individual units to be used as temporary accommodation (24 units at Pat Shaw House and 16 units at 401 Mile End Road).
- 6.2 As a result of the combination of the increasing numbers of applications to the homelessness section, the scarcity of available temporary accommodation and the high levels of rent charged to the Council, significant service delivery and budgetary pressures are being faced, particularly in respect of the increasing need to utilise bed and breakfast accommodation and to procure an increasing number of properties outside Tower Hamlets.
- 6.3 The proposals in this report will increase the supply of temporary, better quality accommodation in the medium term and will therefore reduce the need for the Council to procure more expensive temporary accommodation from third parties. General Fund savings should materialise through the avoidance of costs, either against budget or by providing mitigation against a future budgetary pressure.

- 6.4 The Council has an existing significant capital project to acquire units to be used for temporary accommodation, and a savings target of £500,000 per annum from 2018-19 was incorporated into the Council's Medium Term Financial Strategy to reflect the revenue effects of the Council owning its own properties. Although these leasing arrangements will not form part of the capital acquisition programme due to their relatively short time period, revenue savings should still be realised which will contribute towards the delivery of the existing target.
- 6.5 An assessment of the financial implications of the proposal is included within the exempt Appendix 4. Modelling of the net revenue costs over the full five year lease period shows a cost to the Council, however this should be considered in the context of the costs of using alternative accommodation where for example the net cost to the Council of a bed and breakfast placement equates to £9,000 per annum. Similarly, the use of a nightly let costs £6,500 per year with a Private Licensed Accommodation (PLA) Unit equating to £3,500. The assessment of the project viability over the lease term includes the necessary conversion costs which will be funded from the Council's Flexible Homelessness Support grant.
- 6.6 It should be noted that the change of use and conversion of the property at 401 Mile End Road is awaiting planning consent. Until this is confirmed, the Council should not enter into any financial commitments in relation to this property.
- 6.7 The financial modelling that has been undertaken includes estimates for the significant costs of converting the properties. These costs will be incurred by the Council after the leases have been entered into and therefore any risks, e.g. increased costs, will rest with the Council. Any reductions in the cost of conversion will however generate additional savings to the Council.
- 6.8 It should be noted that the modelling for the property at 401 Mile End Road does not generate a saving over the proposed five year lease period. It is the intention that in future a further three year lease extension will be sought that will extend the total lease term to eight years. This extension, or a reduction in other costs if still over the existing five year period, is essential in order for savings to accrue from the proposed arrangements for this property.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The report seeks Mayoral approval to take leases at Pat Shaw House for a term of 5 years at a commencing rental of £234,000 per annum and at 401 Mile End Road also for a term of 5 years at a commencing rental of £98,680 PA. The granting of these leases to the Council will require Mayoral Consent in Cabinet as the rental values will exceed £250,000 on both units.
- 7.2 The Council is obliged as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a

combination of economy, efficiency and effectiveness'. The information within the report suggests that the proposed grant of leases to this Council will secure the objectives set out in the 1999 Act.

- 7.3 The Council is required when exercising its functions to comply with the duty set out in section 149 of the Equality Act 2010, namely to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity between those who share a protected characteristic and those who do not, and foster good relations between those who share a protected characteristic and those who do not. The information within the report suggests the proposed disposal will help to secure these objectives.

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix One – Wayside Gardens site plan
- Appendix Two – Pat Shaw House and 401 Mile End Road site plan
- Appendix Three – [EXEMPT] Information about the terms of disposal of Wayside Gardens
- Appendix Four – [EXEMPT] Revenue implications – Pat Shaw House and 401 Mile End Road

Background Documents – Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012

NONE

Officer contact details for documents:

N/A