

Cabinet 17 September 2018

Report title: Somerleyton Road Phase 1 – Blocks A & B

Wards: Coldharbour

Portfolio: Cabinet Member for Planning, Investment & New Homes: Councillor Matthew Bennett

Report Authorised by: Sue Foster: Strategic Director for Neighbourhoods and Growth

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Report summary

The purpose of this report is to update members on the positive progress made on the Somerleyton Road project and to seek agreement to progress with the Phase 1 of the scheme – Blocks A&B the Theatre and Carlton Mansions and award a building contract to Galliford Try.

The Somerleyton Road project is a unique and ambitious new approach to the creation of genuinely affordable housing and community facilities, in the heart of Brixton. The development includes 304 homes, a new nursery, employment opportunities and the relocation of the Ovalhouse Theatre, on a number of sites along the west side of Somerleyton Road.

The council has been working closely with the local group Brixton Green, on developing the community-led approach to the project; including, for example, supporting and facilitating the development of a number of proposals for community-led housing models.

The Council has now committed to developing the first phase of the development. “Block A” involves the refurbishment of the listed building Carlton Mansions, and “Block B” is the New Ovalhouse Theatre. The relocation of Ovalhouse, which has been based in Lambeth for several decades, is a key element of the cultural investment being brought to the area by this comprehensive regeneration of Somerleyton Road.

In July 2015 Cabinet authorised the commencement of procurement of a build contractor for the whole Somerleyton Road scheme (Blocks A, B, C, D, E and F). Since that time a significant amount of work has been undertaken to develop the masterplan and secure a planning consent which reflects the aspirations as set out in the project brief co-produced by the Council, Ovalhouse Theatre and Brixton Green.

It is anticipated that a delivery strategy for the residential parts of the scheme (Blocks C, D, E and F) will be brought forward for approval in December 2018

Finance summary

This report relates to a capital project to develop a theatre and commercial space to be funded from prudential borrowing and a financial contribution from Ovalhouse Theatre.

Recommendations

- (1) That approval of the Contract with Galliford Try for the construction of Blocks A & B is delegated to the Cabinet Member for Planning, Investment & New Homes and the Cabinet Member for Finance
- (2) That approval of a lease with Ovalhouse Theatre for the theatre building within Block B is delegated to the Cabinet Member for Planning, Investment & New Homes and the Cabinet Member for Finance
- (3) That approval of an agreement with Ovalhouse Theatre for Carlton Mansions - Block A is delegated to the Cabinet Member for Planning, Investment & New Homes and the Cabinet Member for Finance

Reasons for Exemption from disclosure

The accompanying part II report is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:

3. Information relating to the financial or business affairs of a particular person (including the authority holding that information).

1. Context

- 1.1 London is facing a housing crisis and as a Council we recognise the need to build more homes of all types and tenures to meet the needs of our existing communities and the demands of Lambeth's growing population. We want to provide those homes so that people from all walks of life can live in our Borough and have committed to delivering over 15,000 homes over a ten year period to 2025.
- 1.2 On Somerleyton Road, the Council has made a positive intervention to use the land we own and to potentially acquire land to provide new homes, work space, cultural facilities and community space all co-designed with local people.
- 1.3 The Somerleyton Road project is a comprehensive regeneration of the Somerleyton Road area in the middle of Brixton which will be delivered by Lambeth Council and its partners. The project will deliver 304 homes, commercial and retail space, Extra Care homes and will bring the Ovalhouse Theatre to the centre of Brixton.
- 1.4 The original objectives of the project, as set out in a report to Cabinet in November 2013 are:
 - Bring Ovalhouse Theatre to Brixton;
 - Maximise the amount of housing which is affordable for local people;
 - Collaborative working with the local community and securing a long term stewardship role
 - Build high quality, sustainable buildings and support sustainable communities;
 - Employment, training and community uses shaped by local residents;
 - Improving community safety;
 - Retain the heritage assets (i.e. the mural and the façade of Carlton Mansions);
 - Deliver the project in a timely fashion;
 - Deliver a financially viable scheme which represents value for money for the Council and which repays in full the up-front capital investment;
 - Build capacity to bring forward other development schemes within the Council.
- 1.5 In July 2015 Cabinet authorised the commencement of procurement of a build contractor. Since that time a significant amount of work has been done to develop the masterplan and secure a planning consent which both reflect the aspirations as set out in the co-produced project brief which was developed by the Council, Brixton Green, Ovalhouse Theatre and the local community.
- 1.6 Networks, the principle architects on the scheme, won the New London Architecture (NLA) award for best Housing Masterplan for the Somerleyton Road scheme in 2016 and the Chartered Institute of Building Engineers (CABE) acknowledged the scheme saying *"the proposed layout, design principles, and architectural design of the building blocks have the makings of an attractive neighbourhood and the potential to transform this part of Brixton"*.
- 1.7 Since 2014 a number of options have been developed and tested to determine feasibility, legal/commercial compliance, financial and operational viability, best consideration for the Council and public interest, as well as delivery of the project objectives and long-term community stewardship.
- 1.8 The Council has worked with and facilitated Brixton Green in the development of a number of proposals for community-led housing models. The Council has provided resources, skills and expertise from within the Council and also from construction, housing development, legal and

financial sectors, with the purpose of achieving a viable and sustainable community-led scheme for Somerleyton Road.

- 1.9 The Council has assessed proposals from Brixton Green and as of autumn 2018 Brixton Green are continuing to work on their most recent proposal and the Council expects to see a copy of this late in 2018.
- 1.10 The Council will take a decision on the delivery strategy for Blocks C to F once it has fully considered Brixton Green's proposal.
- 1.11 In April 2017 it was agreed to progress with Phase 1 - Blocks A&B to enable Ovalhouse Theatre to secure the £3m Arts Council England grant for the Theatre and in September 2017 the former Deputy Leader (Investment and Partnerships) approved the appointment of Galliford Try to deliver the pre-construction stage (PCSA) for Blocks A&B. This process has delivered the Council a contract sum and construction programme as set out in Part 2.
- 1.12 The new theatre provision will go above and beyond Ovalhouse's existing site by delivering two theatre spaces, seven rehearsal spaces as well as over 1,300 square meters of commercial work space on the two floors above the theatre and 665 square meters of creative workspace in Carlton Mansions.
- 1.13 Alongside the PCSA stage, we have been working with Ovalhouse to agree Heads of Terms for the long term leases of the theatre and creative and commercial workspaces in Carlton Mansions, in line with the strategy set out in the Cabinet Paper in November 2013.
- 1.14 In late 2017 Ovalhouse marketed their existing site in Kennington, the receipts of which will make up a significant proportion of their funding of the construction of the theatre building in Block B. They received in excess of 12 offers and accepted a bid from Surrey County Cricket Club, the details of which are set out in Part 2.
- 1.15 The Nuclear Dawn Mural on the side of Carlton Mansions is a central heritage feature of the scheme which will be restored as part of the Phase 1 development. The mural has been vulnerable to vandalism and graffiti for a number of years despite attempts to clear and protect it, however recently the artist has been working to restore some of the damaged parts.
- 1.16 In order to have a fully developed strategy for refurbishment we need to understand the current condition of the mural and for this reason a condition survey has been commissioned. The project team is working with Galliford Try and the artist to finalise the preservation/restoration strategy which will be informed by the results of the survey. Subject to approval of the recommendations set out in this report, we are expecting to start on site in October 2018 at which point hoarding will be erected to prevent access to the site.
- 1.17 Galliford Try presented their tender offer to Lambeth on 3 August 2018. The tender offer was subject to a rigorous review by Lambeth and Ovalhouse and Lambeth's appointed technical advisors. A tender report was submitted to Lambeth on 10 August 2018 recommending that the offer be accepted and setting out further clarifications and developments for the remainder of the RIBA Stage 4 design programme.

- 1.18 The PCSA has subsequently been extended until early October, when the Stage 4 design will conclude. During this period the project team will work with the contractor to further refine a number of project and design risks with a view to further reduce the contract sum before the start of construction in November 2018.

2 Proposal and Reasons

- 2.1 Proposal to:
 - 2.1.1 To progress with Phase 1 of the scheme – Blocks A&B the Theatre and Carlton Mansions and award a building contract to Galliford Try.
- 2.2 Taking forward the first phase of the Somerleyton Road project delivers some of the original project objectives as set out in the Cabinet Paper November 2013 including:
 - 2.2.1 bringing the Ovalhouse Theatre to Brixton
 - 2.2.2 restoring heritage assets including Carlton Mansions and the Nuclear Dawn Mural
 - 2.2.3 Build high quality, sustainable buildings
 - 2.2.4 Deliver employment and training
- 2.3 Taking forward the first phase of the Somerleyton Road project aligns with the Council's Brixton Central Strategy for securing the redevelopment of key sites within the town centre.

3 Finance

- 3.1 The Council is proposing to fund its share of the project from prudential borrowing supported by the income stream generated by the commercial premises developed as part of this project. Although there remains some risk due to the potential volatility of this income stream, financial analysis indicates that the income generated will be sufficient to cover the borrowing costs.
- 3.2 Ovalhouse are proposing to fund their share of the development costs from a variety of sources including sale proceeds from their existing site, grant income, a CIL contribution from the Council and fundraising.
- 3.3 Further detail of the detailed expected costs of the project and analysis of risks is included within the exempt section of this report.

4 Legal and Democracy

- 4.1 Section 145 Of the Local Government Act 1972 (the Act) permits the council to do, or arrange for the doing of, or contribute towards the expenses of, anything necessary or expedient for the provision of a theatre, concert hall, dance hall or other premises suitable for the giving of entertainments.
- 4.2 Section 123 of the Act permits the council to dispose of land in any many it wishes, save that it may not dispose of land, otherwise than by way of short tenancy for less than the best consideration that can reasonably be obtained, without the consent of the Secretary of State.
- 4.3 Section 1 of the Localism Act 2011 permits the council to do anything that individuals generally do.
- 3.4 Any award of a contract will need to comply with the provisions of the Public Contracts Regulations 2015 and the Council's Contract Standing Orders.

- 3.5 This proposed key decision was entered in the Forward Plan on 20 February 2018 and the necessary 28 clear days' notice has been given. The report will be published for five clear days before the decision is considered by Cabinet. Should it be approved, a further period of five clear days, the call-in period, must then elapse before the decision becomes effective. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5 Consultation and co-production

- 4.1 Local residents and Ward Councillors have been consulted on this scheme and will continue to be engaged during the construction stage. Stakeholder engagement was a criteria measured in the procurement process, with contractors asked to set out their methodologies for good engagement.

6 Risk management

5.1

| Risk | Risk Rating | Countermeasure |
|--|-------------|--|
| Contract sum proposed by Galliford Try is not viable resulting in the project not proceeding | low | The current costs are being reviewed to reduce both construction costs and client risks, which can be dealt with as a variation to the contract once finalised |
| 90% of Ovalhouse project funding is not raised before programmed start date resulting in being unable to enter into build contract and delays to start on site | low | Mitigations as set out in the Part II report |
| Construction programme is delayed resulting in additional prelims and construction costs. Delays to completion and impact on building operations and rental income | medium | A robust programme produced in collaboration with the supply chain will be developed and finalised ahead of award of contract |
| Assumed rental income for the basement and commercial workspace is not achieved resulting in | medium | Mitigations as set out in the Part II report |

7 Equalities impact assessment

- 6.1 A full EIA has been carried out for the Somerleyton Road scheme and the EIA has informed the development of this project. This demonstrates many benefits to community and consequent issues of equality including a new cultural facility that will bring theatre performances and activities for all ages, along with training and community spaces.
- 6.2 A review and refresh of the existing EQIA commenced in September 2018 and any new findings and recommendations for Phase 1 – Blocks A & B will be taken forward before end December 2018.
- 6.2 The existing EIA and an update on the project was taken to the EIA panel on 3 September 2018. A full analysis of the existing assessment, as a result of the review described in 6.2 will be taken back to the EIA panel later in 2018.

7 Community safety

- 7.1 Community safety is a key issue for the Somerleyton Road project and is one of the main drivers for change.
- 7.2 Crime and anti-social hotspots have been identified and a joint approach between local stakeholders, the Council, and the borough's Community Safety officer have resulted in a number of mitigation measures being included in the proposals.
- 7.3 The project will continue to assess how development along Somerleyton Road could continue to improve community safety in this part of Brixton whilst also working closely with any future development partner over site safety during the construction period

8 Organisational implications

- 8.1 **Environmental** - The works for this project include the removal of potentially hazardous material from the existing building. The scope of works includes for high standards of sustainability, and contractors were tested on ability to achieve this as part of the evaluation process.
- 8.2 **Staffing and accommodation** - There are no direct staffing implications
- 8.3 **Procurement** - The procurement strategy report for the delivery of Somerleyton Road – Phase 1 was presented at procurement board on 28th March 2017 and approved internally on 4th April 2017, following incorporation and approval of procurement board comments.

The procurement exercise has been carried out with a focus on delivering social value. Use of the Southern Construction Framework sets minimum requirements which are measured using KPIs for delivering apprenticeships, local training, and sustainability implications. The targets set within the procurement documentation look to improve upon these minimum targets.

9 Timetable for implementation

9.1

| | Item Description | Start Date | End Date |
|----|---|-------------------|-----------------|
| 1 | Cabinet meeting and decision | Mon 17/09/18 | Mon 17/09/18 |
| 2 | Call in period | Fri 21/09/18 | Fri 28/09/18 |
| 3 | Standstill period | Tue 18/09/18 | Mon 08/10/18 |
| 4 | Sign building contract | Tue 09/10/18 | Tue 09/10/18 |
| 5 | Issue VO to GT to include Stage 4 information | Mon 08/10/18 | Mon 08/10/18 |
| 6 | Sign agreement to lease | | |
| 7 | Enabling Works | Mon 10/09/18 | Fri 12/10/18 |
| 8 | Start on site | Mon 12/11/18 | Mon 12/11/18 |
| 9 | Stage 2 | Mon 21/05/18 | Mon 27/07/20 |
| 10 | CONSTRUCTION | Mon 12/11/18 | Wed 19/08/20 |
| 11 | Block A - Carlton Mansion | Mon 12/11/18 | Fri 05/06/20 |
| 12 | Main works Block A | Mon 12/11/18 | Fri 29/05/20 |
| 13 | Block B - Theatre | Mon 12/11/18 | Wed 19/08/20 |
| 14 | Main works Block B | Mon 12/11/18 | Wed 19/08/20 |

| Audit trail | | | | |
|---------------------------------------|---|------------------|----------------------|--------------------------|
| Consultation | | | | |
| Name/Position | Lambeth cluster/division or partner | Date Sent | Date Received | Comments in para: |
| Sue Foster Strategic Director | Neighbourhoods and Growth | 17.08.2018 | 17.08.2018 | |
| Rachel Sharpe Director | Strategic Programmes Neighbourhoods and Growth | 17.08.2018 | 17.08.2018 | |
| Gregory Carson Legal Services | Governance and Democracy | 17.08.2018 | 17.08.2018 | 4 |
| Henry Langford Democratic Services | Democratic Services Corporate Resources | 24.08.18 | 28.08.18 | |
| Matthew Gaynor Finance | | 17.08.2018 | 17.08.2018 | |
| Councillor | Cllr Matthew Bennett | 17.08.2018 | 17.08.2018 | |
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| Report history | |
|---|---|
| Original discussion with Cabinet Member | 29.08.2018 |
| Report deadline | 05.09.18 |
| Part II Exempt from Disclosure/confidential accompanying report? | Yes |
| Key decision report | Yes |
| Date first appeared on forward plan | 20.02.18 |
| Key decision reasons | Expenditure, income or savings in excess of £500,000 |
| Background information | <p>Cabinet report 04 November 2013, 'Future Brixton: Somerleyton Road'</p> <p>Cabinet report 13 July 2015, 'Future Brixton: Somerleyton Road'</p> <p>Cabinet Member Decision 13 September 2017, 'Procurement of Contract Somerleyton Road for Blocks A and B'</p> |
| Appendices | None. |