

Title of Report	Capital Update and Property Disposals and Acquisitions Report	
Key Decision No	FCR S204	
For Consideration By	Cabinet	
Meeting Date	23 October 2023	
Cabinet Member	Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service	
Classification	Open with exempt appendices	
Ward(s) Affected	All	
Key Decision & Reason	Yes	Spending or Savings
Implementation Date if Not Called In	30 October 2023	
Group Director	Jackie Moylan, Interim Group Director, Finance	

1. CABINET MEMBER'S INTRODUCTION

- 1.1 This report updates members on the capital programme agreed in the 2023/24 budget.
- 1.2 Through the proposals in this report we demonstrate our commitment to meeting our manifesto pledges as well as continuing to deliver against the Council's Strategic Plan.
- 1.3 This month we are proposing an agreement to lease for the Old Fire Station (OFS) for up to 25 years. The OFS is host to a diverse range of community organisations supporting childcare and refugees and asylum seekers in the borough as well as arts and sporting activities for our residents. The OFS are seeking grant funding to carry out refurbishment works which will enable increased usage at the site and improve energy efficiency. The agreement to lease for the extended period proposed in this report, subject to the conditions set out in the recommendations, would help them to secure this funding.

- 1.4 We continue to prioritise investing in our assets to ensure they are fit for purpose in delivering vital services to our residents in an efficient and effective way. In this vein we propose £897k of investment in Millfield Waste Depot to address latent ground defects at the site which are impacting on the day-to-day operations of the Depot.
- 1.5 Finally, we are investing £391K to improve road safety outside The Olive School on Lower Clapton Road. Our improvements will change the existing parallel crossing to a signal controlled "Toucan Crossing " and carry out other works such as, decluttering street furniture, relocating a CCTV pole and a listed phone box. This project will improve road safety for the local community and especially for the 600 primary school students who attend The Olive School. The works will have wider benefits, through lowering the likelihood of road collisions, improving traffic flow and encouraging more sustainable means of transportation such as walking and cycling.
- 1.6 I commend this report to Cabinet.

2. INTERIM GROUP DIRECTOR'S INTRODUCTION

- 2.1 This report updates Members on the current position of the Capital Programme and seeks approval as required to enable officers to proceed with the delivery of those schemes as set out in section 3 of this report.
- 2.2 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** The Old Fire Station in Stoke Newington at 61 Leswin Rd N16 is a community building managed by the Old Fire Station (OFS). The OFS (the organisation) is a charitable incorporated organisation (CIO). The property is held in the Council's Voluntary and Community Sector (VCS) property portfolio and the asset is a locally listed building. The OFS has been providing services to local communities for many years and they currently accommodate six other voluntary and community sector organisations; Growing Communities, Hackney Migrant Centre, Jamboulay Carnival Arts, Hackney Children's Theatre, the Fire Station Community Nursery, and SkatePal (charity). They also have halls and meeting space, where local organisations and people run and access services and events including exercise and wellbeing classes, social events and parties.
- 2.3 The Council works proactively with VCS organisations to improve the quality of and utilisation of our VCS assets, so that they can help us to address local priorities and meet community needs. The Voluntary and Community Sector (VCS) Strategy (2019) recognised the need for significant investment in some properties in order for them to become vibrant community assets that are better placed to meet community needs. The OFS has developed detailed project plans to secure funding and invest in the site in order to modernise and improve the premises. The planned improvements will enable the charity and their tenants and partners to enhance the services they offer to the community and will also aid their longer term financial viability and sustainability.

2.4 Currently the OFS caters for approximately 20,000 visits per year by residents who use the building. The OFS, its sub-tenants, hirers and partners provide the following services and benefits for local communities:

- Growing Communities – is a food growing and food distribution organisation with a strong commitment to ethical and sustainable food production. They pack and despatch organic vegetable boxes which are delivered to 6,000 Hackney residents every week.
- The Fire Station Community Nursery provides 50 places for 0-5 year olds, 50% of which are provided free to parents.
- Hackney Migrant Centre – is a charity which supports refugees, asylum seekers and other migrants through the provision of free advice on immigration, welfare and health.
- Hackney Children’s Theatre - The project provides professional affordable theatre and theatre arts projects for children in Hackney.
- Jamboulay Carnival Arts - is a Voluntary Community led organisation which aims to assist local people in accessing cultural & creative skills in the field of theatre and carnival arts.
- SkatePal - is a non-profit organisation supporting communities throughout Palestine, promoting the benefits of skateboarding to enhance the lives of local youth.
- A wide range of hirers who access and deliver services and activities for the OFS on a regular basis. Groups and services provided include the following:
 - a wide range of exercise and health and wellbeing activities: fitness, yoga, QiGong, mixed martial arts classes for children and pilates;
 - arts, theatre and music classes;
 - social activities for older residents and other groups;
 - Eritrean women and children's group.

2.5 The OFS is also regularly hired by organisations, groups and individuals on an ad hoc basis for meetings, studio space, social activities and events. The proposed scheme could see an increase in usage of the building from the current 20,000, to a projection of over 36,000 annual visits once the refurbished site is fully operational. This would result from enhanced facilities and accessibility, increased usage by hirers and the benefits of bringing the currently unused third floor into use as a co-working space. The OFS’ business plan projects that annual income would rise from £91k in the first year to £145k once the new premises are fully operational, which would provide a surplus of around £7.5k per annum compared with the current small loss making position. The financial position is likely to be more favourable than that as the improved facilities and increased usable floor space would enhance the prospects of successful grant applications and fundraising activities.

2.6 This report seeks approval to enter into an agreement to grant the Old Fire Station (OFS) a lease of up to 25 years at a nominal rent to cover any ongoing costs for the Council, on land they currently occupy. The completion of the lease will be subject to the conditions set out in the recommendations section of this report below.

- 2.7 The Council is undertaking a review of its non-core commercial properties including those held in its VCS Property Portfolio. Many of the assets in this portfolio are leased on a short-term basis at discounted rents. In such cases the Council retains responsibility for many aspects of repairs, maintenance and health and safety compliance. The cost of maintaining these assets, particularly older buildings where significant investment is required, is high. The strategy and approach the Council has adopted for some complex and high-cost assets, is to work collaboratively with tenants (where viable and appropriate), to support them to raise their own capital funding to invest in premises. A key factor is the agreement to grant longer leases which meet the requirements of funders and enable tenants to apply for capital grants. The Council recently undertook essential works costing £785k at 61 Leswin Rd repair or replace roofs, windows and masonry to ensure that the building is safe, watertight and externally in good repair. However, the OFS's premises still require significant investment in order to modernise the building, improve accessibility and energy efficiency, and to extend and enhance services to the local community.
- 2.8 The OFS (the tenant) has progressed their capital plans over the last 2 years and have already commissioned and completed project feasibility and detailed design work. This work was managed by OFS and carried out using architects and other professional and technical consultants. They now have a detailed and cost preferred capital scheme. OFS has held formal pre-planning application discussions with the Council's Planning Department and addressed the feedback given in their Design and Access Statement. The OFS development plans include: Sensitive renovations to existing historic features. Improving accessibility with a redesigned ground floor, a new reception area and entrance, and the addition of a lift serving all floors. Enhanced energy efficiency with new heating, solar panels and insulation. The currently unused third floor will be updated into new community spaces and additional outdoor terraces will provide a new area for children's play. Other improvements include better storage, flooring, lighting, new toilets and a communal kitchen. Estimates from OFS' design and technical team show that a budget of approximately £2.3m will be needed to implement these plans.
- 2.9 OFS have already secured and invested £130k in the feasibility and design work undertaken to date. They have also applied for £80k to the The London Legacy Development Corporation (LLDC) Carbon Offset Fund for solar panels and heat source pumps. For the additional capital funding they require, they are exploring a number of different funding opportunities, but in the main focusing on 'heritage funders' such as the National Lottery Heritage Fund and the Architectural Heritage Fund. At the level of funding OFS want to secure, most funding bodies will typically require them to have a lease of up to 25 years as a condition of any grant agreement. An Agreement for Lease of this length between the Council and OFS would therefore satisfy funder requirements.

3. RECOMMENDATION(S)

- 3.1 **That the scheme for Finance & Corporate Resources as set out in section 11 be given approval as follows:**

Millfield Waste Depot Rectification Works: Resource and spend approval of **£897k (£65k in 2023/24, £772k in 2024/25 and £60k in 2025/26)** is requested to enable Council officers to proceed with the rectification works associated with various long standing, latent ground defects at the site.

3.2 That the scheme for **Climate, Homes & Economy Directorate** as set out in section 11 be given approval as follows:

Olive School: Resource and spend approval of **£391k (£274k in 2023/24 and £117k in 2024/25)** is requested to enable Council officers to carry out Highway Works at this school site.

3.3 That the **s106 Capital** scheme summarised below and set out in section 11 be approved:

S106	2023/24 £'000	2024/25 £'000	Total
Capital	0	44	44
Total Capital S106 for Approval	0	44	44

3.4 That the **s106 Capital** scheme summarised below and set out in section 12 be noted:

S106	2023/24 £'000
Capital	140
Total Capital S106 for Noting	140

3.5 That the capital adjustments of the budgets outlined in section 12 be noted and summarised below be noted:

Current Directorate	Budget 2023-24	Change	Updated Budget 2023-24	Budget 2024-25	Change	Updated Budget 2024-25	Budget 2025-26	Change	Updated Budget 2025-26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non Housing	2,624	1,900	4,524	8,674	(1,454)	7,220	6,512	(446)	6,066
Total	2,624	1,900	4,524	8,674	(1,454)	7,220	6,512	(446)	6,066

3.6 Authorise entering into an agreement to lease (“the Agreement”) with the **Old Fire Station Stoke Newington CIO** to grant a lease of up to 25 years for 61 Leswin Rd, London, N19 7NX (“the Property”) as is shown edged red on the plan attached at Appendix 1.

3.7 To agree that the terms of the agreement be that, prior to the grant of the lease, the **Old Fire Station Stoke Newington CIO** should:

- a) **Submit a viable project plan which details the development plans and the associated fundraising strategy, to be agreed by the Council, within 6 months from the date of the Agreement.**
- b) **Submit a business plan setting out how the OFS will operate for the benefit of local residents, which includes provision for full maintenance of the premises, to be agreed by the Council.**
- c) **Provide evidence that planning permission has been granted for the proposed scheme within 18 months from the date of the Agreement.**
- d) **Provide written confirmation from funders, within 18 months from the Agreement, that all finance for the development is available to proceed to a start on site.**
- e) **Submit final construction plans to the Council for approval prior to commencement of works.**
- f) **Submit relevant documents certifying the practical completion of construction works within 2 months of completion.**
- g) **Enter into a Community Agreement with the Council which will set out services and benefits to be delivered to local residents and include provision for ongoing monitoring and reporting.**
- h) **To commence and complete the works and meet all terms and conditions of the agreement to lease within 4 years of the date of that agreement.**
- i) **To authorise the Acting Director of Legal, Democratic and Electoral Services to terminate this agreement for lease if the conditions above are not met within the specified deadlines.**

3.8 To authorise the Acting Director of Legal, Democratic and Electoral Services and the Director of Strategic Property Services to agree all commercial terms of the Agreement to Lease and lease on the basis of these conditions and to incorporate a covenant that a lease will be granted upon the full performance of these terms.

3.9 To delegate authority to the Interim Group Director, Finance and the Acting Director of Legal, Democratic and Electoral Services to agree all necessary documentation and enter into a lease of up to 25 years, and to agree all other terms of the lease provided that the requirements of S123 Local Government Act 1972 are met.

4. REASONS FOR DECISION

4.1 The decisions required are necessary in order that the schemes within the Council's approved Capital programme can be delivered and to approve the property proposals as set out in this report.

4.2 In most cases, resources have already been allocated to the schemes as part of the budget setting exercise but spending approval is required in order for the scheme to proceed. Where, however, resources have not previously been allocated, resource approval is requested in this report.

4.3 To facilitate financial management and control of the Council's finances.

4.4 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** The purpose of entering into an agreement for a long lease is to enable OFS to secure significant capital funding for improvements to the premises. For the level of capital investment OFS are seeking, approximately £2.3m, funders will usually require them to have secured a lease of 25 years.

- The approach adopted for the OFS's development plans for this site is consistent with the strategy the Council has adopted moving forward as a potential option for complex and high-cost non-core assets. A conditional agreement to grant a 25 year lease will enable OFS to apply for capital funds to invest in this asset.
- Where longer term leases are agreed, these would typically be on full repairing and insuring terms with the tenant being responsible for repairs and maintenance during the term of the lease.
- If the tenant successfully delivers their own capital improvement plans at the site, this will enhance the scope, scale and quality of services to the local community, and support the viability and sustainability of the Old Fire Station CIO.
- The services provided by the OFS deliver environmental, economic and social benefits for the area and to local communities. For example; Growing Communities grow and distribute sustainably grown and sourced food to local residents, OFS contributes to local economic objectives by providing employment opportunities, training, volunteering opportunities and support working parents through the provision of nursery places and co-working space for local organisations, OFS is a also local community hub providing spaces for events, community meetings, social activities and a wide range of health and wellbeing and information and advice services.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** The Council has considered and rejected a number of alternative options as set out below. It is important to note, however, that if the OFS is not able to meet the conditions set out in the Agreement to Lease, these options will have to be reconsidered.

5.2 **Continue Current arrangement:** The option to continue to lease the premises on the current basis - standard VCS lease terms would not enable the tenant to secure the significant investment the building requires. If we proceeded on this basis the asset would not be upgraded and modernised, services to local residents would not be enhanced, and the Council would continue to bear the annual maintenance and repair cost (approximately £20k) of this complex asset. The current rent paid by the tenant does not cover these costs so the building would continue to run at a loss. It is unlikely that the rent could be increased without putting the operation at risk. It is anticipated that within the next 3 - 5 years the Council would have to invest a significant capital sum to address further repairs, Minimum Energy Efficiency Standards (MEES) and other statutory obligations in order to continue to let the building. There is also a risk in the medium to longer term, that the OFS would find it challenging to

continue operating the building if there was no agreement from the Council to grant a longer term lease to facilitate investment. If the building is not improved this will affect the future income, viability and sustainability of the OFS. This could leave the Council with a very challenging asset management issue, with the 6 sub occupiers expecting to remain in situ.

- 5.3 **Letting on Commercial Terms:** The current operation of the building, i.e. being used by not-for-profit organisations and community groups, would not be sustainable on a commercial rent. The only way a commercial rent option could be implemented would be to terminate the current arrangement and the occupation of existing users, and re-let to commercial operators. This would present a number of significant challenges, including legal and practical implications of getting vacant possession; planning restrictions; and financial viability of converting the building to suit modern, commercial occupier needs, such as Minimum Energy Efficiency Standards (MEES) obligations, upgraded mechanical and electrical services and a lift. This option is therefore not likely to be practically or financially viable.
- 5.4 **Development for residential use:** This option presents similar challenges; the legal and practical implications of getting vacant possession; lack of financial viability to convert to affordable housing in line with Council Policies; and planning restrictions.
- 5.5 **Freehold Disposal of the Asset:** This is a locally listed heritage asset that is a unique and longstanding asset in the Council's portfolio and is considered to be a landmark building by local residents and wider community and also a key part of the wider VCS portfolio. A freehold disposal would likely attract residential developers and, whilst the organisation in occupation may well want to bid, it is likely that they would struggle to raise the capital to fund a purchase and the renovations they would like to undertake. A freehold disposal would in all probability mean the end of the tenure of the current organisation, the loss of the services they provide to local residents and the conversion of the premises to residential use. A disposal of the freehold to the current occupiers in an 'off market' transaction is another option that has been discounted as, in all probability, it would have to be at a substantial discount to market value, as indeed is the approach recommended in this report. This would be without the control that a leasehold transaction allows at the end of the lease, ultimately, the premises returning to the Council.

6. BACKGROUND

6.1 Policy Context

- 6.1.1 The report to recommend the Council Budget and Council Tax for 2023/24 considered by Council on 27 February 2023 sets out the original Capital Plan for 2023/24. Subsequent update reports considered by Cabinet amend the Capital Plan for additional approved schemes and other variations as required.
- 6.1.2 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** This lease disposal recommendation aligns with the strategic plans of the Council

particularly with regard to creating safe, vibrant, and successful neighbourhoods and fostering strong, cohesive communities and a more inclusive economy as well as keeping children safe and investing in their mental health and wellbeing, providing access to outstanding play, culture, and sport, and opportunities; tackling child poverty, and supporting those families who need us most. The project supports the Council's Community Strategy 2018-2028 which recognises the importance of community resilience and that accessible community spaces can help promote healthy lifestyles and provide routes into volunteering. The Council's Voluntary and Community Sector (VCS) Strategy recognises the need for significant investment in some properties in order for them to become vibrant community assets that are better placed to meet community needs and notes that short term leases can create barriers in securing additional funding streams. The grant of a longer lease as described in the report is consistent with the VCS Property Portfolio Lettings Policy adopted by cabinet in March 2022 (Key Decision No - FCR S059). The Policy states that the Council will consider proposals from VCS organisations who wish to secure a longer lease if:

- A longer lease is required in order to satisfy conditions set by a funder or investor, so that the VCS tenant can secure significant investment in the asset (the property).
- The planned investment is appropriate to the site and location and will result in significantly enhanced services and benefits for the local community.

6.2 Equality Impact Assessment

6.2.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** An Equalities Impact Assessment (EIA) was undertaken for the VCS Property Portfolio Lettings Policy which was adopted by Cabinet in March 2022 (Key Decision No - FCR S059).

6.3 Sustainability and Climate Change

6.3.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** OFS' plans include enhanced energy efficiency with new heating, solar panels and insulation. As one element of their capital project they have applied to the LLDC Carbon Offset Fund for solar panels and heat source pumps. The OFS is also home to Growing Communities who are a local food growing and fresh food distribution charity.

6.4 Consultations

6.4.1 Relevant consultations have been carried out in respect of the projects included within this report, as required. Once again details of such consultations would be included in the relevant detailed reports to Cabinet or Procurement Committee.

6.5 Risk Assessment

6.5.1 The risks associated with the schemes detailed in this report are considered in detail at individual scheme level. Primarily these will relate to the risk of the projects not being delivered on time or to budget. Such risks are however constantly monitored via the regular capital budget monitoring exercise and reported to cabinet within the Overall Financial Position reports. Specific risks outside of these will be recorded on departmental or project based risk registers as appropriate.

7. COMMENTS OF THE INTERIM GROUP DIRECTOR, FINANCE

7.1 The gross approved Capital Spending Programme for 2023/24 currently totals **£248.118m (£134.275m non-housing and £113.842m housing)**. This is funded by discretionary resources, borrowing, capital receipts, capital reserves (mainly Major Repairs Reserve and revenue contributions) and earmarked funding from external sources.

7.2 The financial implications arising from the individual recommendations in this report are contained within the main report.

7.3 The recommendations in this report will result in a revised gross capital spending programme for 2023/24 of **£250.496m (£136.654m non-housing and £113.842m housing)**.

Current Directorate	Revised Budget Position	Capital Adjustments	Oct 2023 Cabinet	Updated Budget Position
	£'000	£'000	£'000	£'000
Chief Executive's	749	0	0	749
Adults, Health & Integration	2,447	0	0	2,447
Children & Education	18,633	0	0	18,633
Finance & Corporate Resources	73,245	0	65	73,310
Climate, Homes & Economy	39,201	1,900	414	41,515
Total Non-Housing	134,275	1,900	479	136,654
Housing	113,842	0	0	113,842
Total	248,118	1,900	479	250,496

7.4 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** This report seeks approval to grant an Agreement for Lease of 25 years, on VCS terms, subject to the recommendations mentioned above, to Old Fire Station (OFS) who are a charitable incorporated organisation (CIO) and the current lessee occupier of The Old Fire Station in Stoke Newington at 61 Leswin Road.

- 7.5 Following recent essential works carried out by the Council it has been identified further investment is required to modernise and improve accessibility to this locally listed building. Providing OFS with an Agreement for Lease for a 25 year lease will facilitate their efforts to secure grant funding to cover the resources required to modernise the building, improve accessibility and energy efficiency, and to extend and enhance services to the local community.
- 7.6 Should the lease be granted OFS will be responsible for all repairs and maintenance to the property as well as all existing rates, utility bills and costs and other outgoings for the property. OFS will surrender their existing lease and the new long lease will be granted. However, in the scenario where OFS encounters difficulties in securing the necessary funding or falls short in executing the required improvements, the extension of the new lease will not proceed, thereby allowing OFS to retain their existing short-term lease arrangement.

8. VAT IMPLICATIONS ON LAND AND PROPERTY TRANSACTIONS

- 8.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** On the basis that the variation will include an extension to the length of the tenancy, from a VAT perspective this will be treated as a surrender of the old lease and the grant of a new lease. Any consideration received for this will be exempt from VAT unless the Council have opted to tax. If there is no monetary consideration, no supply is seen as taking place if the variation merely extends the term. If the longer lease is granted, then on the basis that the tenant will be responsible for the works that will be carried out to the site, any VAT incurred on the works will be a matter for them, not the Council. However, assuming that consideration will be received, and no option to tax has been made, the Council will still need to take into account in the partial exemption calculation any exempt input tax that is incurred by the Council.

9. COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

- 9.1 The Interim Group Director, Finance is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.
- 9.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:
- (i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices, and monitor compliance with them.
 - (ii) Determine the accounting records to be kept by the Council.
 - (iii) Ensure there is an appropriate framework of budgetary management and control.
 - (iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

- 9.3 Proposals for capital spending shall be submitted to Cabinet for acceptance into the capital programme recommended to Full Council for adoption (paragraph 2.17, Financial Procedure Rule FPR2, Section A, Part Five of the Council's Constitution).
- 9.4 Once the capital programme has been approved, Cabinet exercises control over capital spending and resources and may authorise variations to the capital programme provided such variations are within available resources and are consistent with Council policy (paragraph 2.18, Financial Procedure Rule FPR2, Section A, Part Five of the Council's Constitution).
- 9.5 Section 106 Town and Country Planning Act 1990 permits anyone with an interest in land to enter into a planning obligation which is then enforceable by the local planning authority. Planning obligations are private agreements intended to make acceptable developments which would otherwise be unacceptable in planning terms. Frequently such obligations require the payment of a financial contribution to compensate for the loss or damage created by the development or mitigate against the development's impact. Local authorities must have regard to the legal tests laid down in Regulation 122 of the Community Infrastructure Levy Regulations 2010 prior to requiring a developer to enter into a s106 obligation. Hackney Council approved the Planning Contributions Supplementary Planning Document on 25 November 2015 under which contributions are secured. Once completed, s106 agreements are legally binding contracts and financial contributions can only be used for the purposes specified within the obligation itself.
- 9.6 The Council also receives payments under the Community Infrastructure Levy Regulations 2010 based upon the Council's adopted charging schedule adopted in 2015 (this is separate to the Mayor of London's CIL). The Council's adopted Regulation 123 list details the infrastructure that the payments received will be spent upon. In addition, there is a neighbourhood element to CIL and areas where development is taking place will receive a proportion of the receipts to be spent in local neighbourhoods, this includes the Hackney Community Fund.

- 9.7 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** The approval of the grant of a lease for more than seven years is a decision to be made by the Mayor and Cabinet pursuant to the Mayor's Scheme of Delegation. This report seeks authority by Cabinet and the Mayor as the lease to be granted is for a term of 25 years.
- 9.8 Section 123(2) and (7) of the Local Government Act 1972 ("LGA") provides that the Council cannot dispose of land for a term of years in excess of 7 years where that disposal is for consideration at less than best value that can reasonably be obtained on the open market without the consent of the Secretary of State. In the event that the undervalue will be less than £2 million and the disposal will yield an economic, social or environmental benefit for the area then the disposal will fall within the parameters of the LGA General Disposal Consent Order (England) 2003 (available to local authorities) and disposal can proceed. The comments from the Director of Strategic Property Services confirms that the grant of the lease falls within the parameters of the General Disposal Consent Order (England) 2003.
- 9.9 The recommendation to grant a long-term lease of this property is further supported by Section 1 of the Localism Act 2011 which provides that a local authority has power to do anything that individuals may generally do, subject to certain exceptions which do not apply here.
- 9.10 The resultant lease will be drafted to contain all covenants required to protect the Council's interest and there is evidence to illustrate that the agreement meets the best value threshold, there is no legal impediment to the grant of the lease for the required term.

10. COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

- 10.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** Where the Council enters into a lease of more than 7 years this constitutes a disposal for the purpose of Section 123 of the Local Government Act 1972 and the Council is required to demonstrate that it has achieved best consideration or seek the consent of the Secretary of State for disposal at an undervalue.
- 10.2 The General Disposal Consent 2003 grants Secretary of State permission for disposals at an undervalue of less £2m if it can justify the disposal on environmental, social or economic grounds.
- 10.3 The valuation report at appendix 2 (Exempt) states that the unrestricted value of the property is £760k and the restricted value is £200k, which is an undervalue of £560k. This report sets out the economic, social and environmental benefits of making this transaction at this undervalue and therefore the conditions of the General Consent have been met and the Council's obligation under Section 123 of the Local Government Act discharged.

11. CAPITAL PROGRAMME 2022/23 AND FUTURE YEARS

11.1 Finance & Corporate Resources

11.1.2 **Millfield Waste Depot Rectification Works:** Resource and spend approval of **£897k (£65k in 2023/24, £772k in 2024/25 and £60k in 2025/26)** is requested to enable Council officers to proceed with the rectification works associated with various long standing, latent ground defects at the site. This follows the £65k approved by Cabinet on Monday 18 July 2022 (Key Decision FCR S084) to enable Council officers to carry out Phase 1 of the project which was to appoint technical consultants to draft the documentation required to proceed to tender. There is also a legal agreement with Transport for London (TfL), signed in 2022, in which TfL agrees to contribute £300k towards the cost of the project. There are a number of latent ground defects which are impacting on the day-to-day operations of the Millfield Waste Depot. These works will allow the depot to function as designed and mitigate the risk of more serious disruption arising if and when the defects deteriorate further.

The project has been split into 2 phases:

- Phase 1: The appointment of professional advisers to draft the technical documentation required to go out to tender
- Phase 2: Comprises the tender process, the appointment of a competent contractor and the works themselves.

The works will repair at the depot:

- The sinking and breakup of a significant area of the surface at the entrance to the depot
- Rutting/sinking of the surface in the heavy vehicle parking area along the eastern edge of the site
- Long continuous cracks in the heavy vehicle parking area, significant cavities in the subsurface, and the buckling of the boundary palisade fence, all of which are occurring along the eastern boundary.

There are significant project risks which could impact the cost estimate dependent on the extent they may, or may not, manifest themselves. These include geotechnical conditions, ground contamination, access issues along the eastern boundary, ecological issues and unforeseen complications arising when digging out the existing retaining wall along the eastern boundary. The cost estimate will be reviewed as the design progresses and when relevant information becomes available.

The proposed works will help ensure that the facilities are in place to support the services required to deliver on the following areas of focus:

- We will continue to work with residents to encourage them to take greater responsibility for their waste - to reuse goods and materials, reduce waste, increase recycling and to stop littering the streets and fly tipping.

- The Council will improve recycling facilities and support on Hackney's estates and in all types of flats to help achieve this.
- We will work across the borough to reduce the use of plastic, including by expanding the number of public water fountains; we will also encourage business and local organisations to do the same.

The proposed works are primarily to help ensure that Millfields Waste Depot is fit for purpose both now and in the future whilst ensuring that the £300k that TfL has agreed to contribute to the works is claimed and offset against the total cost to the Council. This demonstrates the Council's ambition to increase more residents to recycle and shape a circular economy, which will ultimately seek to reduce consumer waste by changing attitudes to consumption and waste. This capital project supports the Council's 2018-2028 Sustainable Community Strategy Priority 3 'A greener and environmentally sustainable community which is prepared for the future'. This approval will be part funded by capital contribution from TfL and borrowing.

Project milestone	Estimated completion date
Invitation to Tender	November 2023
Start on Site	April 2024
Construction	August 2024
12 Months Defects (Retention Release)	August 2025

11.2 Climate, Homes & Economy

11.2.1 **Olive School Public Realm:** Resource and spend approval of **£391k (£274k in 2023/24 and £117k in 2024/25)** is requested to enable Council officers to carry out Highway Works at this school site. A Section 278 agreement was signed between the Council and Secretary of State as part of granting approval for permitted development of Olive School. The Section 278 agreement provided funding amounting to the sum of £390,740 to convert the existing parallel crossing to a 'Toucan Crossing'. The funding has been received by the Council and this approval is to release the funding to enable highway works to take place. The design, stakeholder engagement, and modelling of the signals have already commenced, and the Council will need this funds to pay these costs and install the signals, as well as to complete its obligations under the Section 278 agreement. The project requires the existing parallel crossing outside The Olive School on Lower Clapton Road to be converted into a signal controlled 'Toucan Crossing'. The project involves decluttering street furniture, relocating a CCTV pole and a listed phone kiosk, installation of traffic signals, reprofiling the existing speed table and completing road markings to suit the new layout.

The project will fulfil the Section 278 agreement's need to create an appropriate crossing point for the local school. Up to 600 primary school students will be

able to cross Lower Clapton Road in a safer and more controlled manner, lowering the likelihood of road collisions. With timed signals, bus travel times will be better regulated, and traffic flow will be smoother. Better crossing facilities will encourage sustainable means of transportation such as walking and cycling. These improvements and advancements will bring about the following outcomes and benefits:

- Reduced potential for traffic collisions
- 200m² of the public realm (crossing area) will be improved
- 1 new tree replanted as a replacement.

The Council's Streetscene's Design and Engineering team design and implement all traffic schemes in the borough. Schemes will be investigated, designed and implemented by this team. The Council's Streetscene has a term contractor who will carry out the implementation of the scheme on site. Schemes will be completed by the end of the financial year.

This capital expenditure will go towards the Council's ambition to address climate change and work towards a net zero Hackney, with cleaner air, less motor traffic, and more liveable neighbourhoods. It will also ensure every child and young person in Hackney has the best start in life and will be kept safe by investing in the borough's Highways infrastructure. This capital project supports the Council's 2018-2028 Sustainable Community Strategy Priority 3 'A greener and environmentally sustainable community which is prepared for the future'. This approval will have no net impact on the capital programme as it will be funded by Section 278 grant funding.

11.3 S106 Capital for Approval

Capital Resource and Spend approval is requested for **£44k in 2024/25** of S106 capital funding to be financed by S106 contributions. The works to be carried out are in accordance with the terms of the appropriate S106 agreements.

Agreement No.	Project Description	Site Address	2023/24 £'000	2024/25 £'000	Total
2020/4110	Hoxton Street Upgrade	209-223 Hoxton Street, London, N1 5LG	0	34	34
2012/3792		Shoreditch High Street 187-193 London E1 6HU	0	10	10
Total Capital S106 for Approval			0	44	44

These transformative public realm improvements will be to support local residents, market traders, businesses and organisations on and in the vicinity of Hoxton Street. It introduces green infrastructure where there currently is none on the street, between Nuttall Street and Shoreditch Library. This includes 20 new trees and Sustainable drainage systems (SuDS) within build outs that will calm traffic. Wayfinding measures will be designed with the local community

and will embed heritage and art; these will improve access to community assets such as the market, library and community garden. The funding will also cover access improvements to the Hoxton Street community garden. Lighting and pedestrian improvements will be introduced on routes off Hoxton Street, improving the safety and environment for walking between Kingsland Road, Hoxton Street and Pitfield Street. Modular planting, cycle stands and public art will be introduced on Myrtle Street, in collaboration with immediate residents.

12. FOR NOTING

12.1 S106 Capital for Noting

The s106/CIL Corporate Board Meeting dated 19 December 2022 considered and approved the following bids for resource and spend approval. As a result **£140k in 2023/24** was approved to spend in accordance with the terms of the appropriate s106 agreements.

Agreement No.	Project Description	Site Address	2023/24 £'000
2016/0901	Highway Wk 28 Powell Road, E5 8DJ	28 Powell Road, London, E5 8DJ	29
2016/1354	Highway Wk 2A Forest Road, E8 3BY	2A Forest Road, London, E8 3BY	17
2015/3317	Highway Wk 168-178 Shoreditch High Street	168-178 shoreditch High street London E1 6HU	23
2017/2123	Highway Work 17-33 Westland Place	17-33 Westland Place London, N1 7LP	72
Total Capital S106 for Noting			140

12.2 Capital Adjustments For Noting

That the capital programme adjustments in 2023/24, 2024/25 and 2025/26 set out in the table below be noted:

Current Directorate	Budget 2023/24	Change	Updated Budget 2023/24	Budget 2024/25	Change	Updated Budget 2024/25	Budget 2025/26	Change	Updated Budget 2025/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pembury Circus & Amhurst Rd	2,024	2,000	4,024	4,048	0	4,048	4,048	0	4,048
Town Hall Square	500	0	500	1,172	2,000	3,172	1,114	0	1,114
Morning Lane	100	(100)	0	3,454	(3,454)	0	1,350	(446)	904
Total	2,624	1,900	4,524	8,674	(1,454)	7,220	6,512	(446)	6,066

APPENDIX

Appendix 1 - Site Plan of The Old Fire Station, 61 Leswin Road N16 7NX

BACKGROUND DOCUMENTS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required.

None.

Report Author	Samantha Lewis, Senior Accountant (Capital) Tel: 020 8356 2612 samantha.lewis@hackney.gov.uk
Comments for the Interim Group Director, Finance	Jackie Moylan, Interim Group Director, Finance Tel: 020 8356 3003 jackie.moylan@hackney.gov.uk
Comments for the Acting Director of Legal, Democratic and Electoral Services	Louise Humphreys, Acting Director of Legal, Democratic and Electoral Services Tel: 020 8356 4817 louise.humphreys@hackney.gov.uk