



**Key Officer Decision**  
2 March 2018

**Report to the Strategic Director of  
Regeneration & Environment**

For Action

Wards Affected:  
Kilburn  
Queens Park

**Authority to enter into a joint arrangement and Limited Liability Partnership to bring about the comprehensive development of the Queens Park/Cullen House & Falcon P.H. site in South Kilburn Regeneration Programme Area**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Part Exempt: Appendices 2 and 4 - Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: <i>"Information relating to the financial or business affairs of any particular person (including the authority holding that information)"</i>
<b>No. of Appendices:</b>	4
<b>Background Papers:</b>	None
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**1.0 Purpose of the Report**

- 1.1 On the 24 April 2017 Cabinet delegated authority to the Strategic Director of Regeneration and Environment in consultation with the Lead Member Regeneration, Growth, Employment and Skills, to agree terms for creation and entry into a Limited Liability Partnership based on draft Heads of Terms.
- 1.2 This report confirms that the Council is now in a position to create and enter into a Limited Liability Partnership as per the terms set out in the Members Agreement with the landowner/developer of the Falcon Public House, London

& Newcastle Capital Limited, and the Special Purpose Vehicle it has set up, namely Londonewcastle (Kilburn) Limited.

- 1.3 The name for the proposed Limited Liability Partnership is still to be determined; however on formation the Limited Liability Partnership will have three representatives from Brent Council and three representatives from Londonewcastle (Kilburn) limited to make decisions.
- 1.4 Once established, the Limited Liability Partnership bring forward the comprehensive redevelopment of the Queens Park/Cullen House & Falcon P.H. development site This development will involve the demolition of Keniston Press (already demolished), Premier House, Cullen House and the Falcon public house and the closure of the spur road), together defined as (“**Site 18**”), which is a site that forms part of Phase 3a/3b of the South Kilburn Regeneration Programme.

## **2.0 Recommendations**

- 2.1 The Strategic Director of Regeneration and Environment in consultation with the Lead Member of Regeneration, Growth, Employment and Skills, agree the terms of entry into a joint arrangement with London & Newcastle Capital Limited.
- 2.2 The Strategic Director of Regeneration and Environment in consultation with the Lead Member of Regeneration, Growth, Employment and Skills, agree the creation and entry into a Limited Liability Partnership with Londonewcastle (Kilburn) Limited as set out in the draft Members Agreement attached to Appendix 4.

## **3.0 Detail**

- 3.1 Site 18 is a consented scheme and a vital part of the South Kilburn Regeneration Programme currently sitting within Phase 3a/3b. The redevelopment consists of the closure of Salusbury Road Car Park, demolition of the adjoining buildings comprising Keniston Press, Premier House, Cullen House and the Falcon public house and the closure of the spur road, with subsequent redevelopment of 137 new high quality homes of which 39 are affordable for social rent for existing secure tenants of South Kilburn, along with new public space, 1270 sqm of commercial space, 959 sqm of office space and a new signalled junction at Kilburn Lane, as shown edged red on the Plan at **Appendix 1**. Development of Site 18 has been in abeyance since 2012 when HS2 safeguarded the site for a vent shaft and ATS. This HS2 safeguarding is now removed enabling development to proceed.
- 3.2 Site 18 is predominantly in the ownership of Brent Council with only the TfL Offices (Premier House) and the Falcon PH owned by TfL and the London & Newcastle group (London & Newcastle) respectively.

- 3.3 By way of background, London & Newcastle is the developer partner with Bouygues Plc for the private homes delivered opposite this site at Queens Park Place. Since purchasing the Falcon P.H., London & Newcastle approached the Council and suggested that it would like to deliver the proposed development of Site 18 in partnership with the Council.
- 3.5 Cabinet on 24 April 2017 considered the draft Heads of Terms of entry into a joint arrangement with London & Newcastle Capital Limited at **Appendix 2** and delegated approval to the Strategic Director of Regeneration and Environment in consultation with the Lead Member of Regeneration, Growth, Employment and Skills, agree the terms of entry into a joint arrangement based on these Heads of Terms. For a number of months officers from the Estate Regeneration Team and a core group of officers from other departments had been working through the technical aspects of this proposal to de-risk, as much as possible this development route. This has included undertaking various financial checks and other due diligence action in order to explore this approach to land partnership via a Limited Liability Partnership scheme. Copies of relevant expert reports and a copy of a draft Members Agreement are attached as **Appendix 4**.
- 3.6 Delivering this scheme with London & Newcastle via a Limited Liability Partnership is considered to be the preferred approach to deliver this particular scheme as they already own part of the proposed development site and are therefore the obvious DM partners should the Council decide to want to bring forward its own scheme. The Council has worked successfully with London & Newcastle on the Queens Park Place scheme and it is believed London & Newcastle can add significant private sector expertise to this scheme, due in part to their detailed knowledge of the local market but also their understanding of the private residential market as a whole. This would therefore help to de-risk the proposal for the Council as it would be partnering up with a known entity who has successfully worked with the council on a similar development scheme.
- 3.7 In view of the work undertaken by Officers in developing terms for the joint arrangement proposal based on the draft Heads of Terms at Appendix 2, the Council is now in a position to enter into a joint arrangement with London & Newcastle and create and enter into a Limited Liability Partnership as per the terms set out in the Members Agreement with Londonewcastle (Kilburn) Limited.

### **Objectives of the Limited Liability Partnership**

- 3.8 The Primary purpose of the Council's participation in the proposed joint arrangement is pursuit of socio-economic objectives as detailed in the Cabinet Report of 24 April 2017 (see **Appendix 3**) and are in overall terms, non-commercial.

## **4.0 Financial Implications**

- 4.1 On formation of the Limited Liability Partnership, the Council will transfer its land interest valued at £9.5m to the Limited Liability Partnership and contribute £3.2m of equity over the first 8 months of operation. London & Newcastle will transfer their land interest valued at £3.8m and also contribute £3.2m of equity over the same time frame.
- 4.2 In recognition of the disparity between land contributions the Limited Liability Partnership will pay interest to the Council on the difference (£5.7m) at a rate of 6.3% per annum until the original land contribution is repaid from estimated sales proceeds in year 5. The total interest payable is estimated at £1.9m
- 4.3 Based on the current projections, the initial equity contributions will be returned to both parties in year 4 and the original land contribution plus the interest payable to the Council on the land value difference will be paid in year 5. Any profit or loss after all costs at the conclusion of the scheme will be shared 50/50 between the Council and London & Newcastle and paid in year 5.
- 4.4 The current projection is for an overall Limited Liability Partnership profit after all costs of £11.2m in 2022/23 – the Council's share will be £5.6m.

## **5.0 Legal Implications**

- 5.1. This Report recommends approval for entry into a joint arrangement with London & Newcastle and the establishment of a Limited Liability Partnership. This Limited Liability Partnership, which will operate as a Limited Liability Partnership between the Council and its private sector partner, Londonewcastle (Kilburn) Limited, which will operate as a vehicle to deliver the regeneration of Site 18.
- 5.2 The legal implications for entering into such an arrangement have been addressed in the previous Cabinet Report of 24 April 2017, which is attached as Appendix 3 of this Report.
- 5.3 Having obtained the approval for the Council to establish the Limited Liability Partnership, all ancillary agreements and documents (including the governing documents of the Limited Liability Partnership) should be aligned and entered into in accordance with the applicable legislation and the Council's standing orders.

## **6.0 Equality Implications**

- 6.1 The new affordable homes in South Kilburn are available to all secure tenants currently living in properties due for demolition as part of the South Kilburn regeneration programme within the neighbourhood. Secure tenants within the South Kilburn Regeneration Programme will be offered the opportunity to move into the new affordable (social rent) units when the schemes are delivered.

- 6.2 Every effort should be made to provide the secure tenants with suitable alternative accommodation and to reach mutually acceptable agreements with the leaseholders to buy their properties without seeking legal action. When identifying the options and alternatives put forward, the Council should proactively engage with affected residents and leaseholders.
- 6.3 As with all schemes that are part of the South Kilburn regeneration programme, full consideration is and will continue to be given to residents and leaseholders with protected characteristics, particularly people with disabilities and / or other types of vulnerabilities due to older age, childcare and/or caring responsibilities, socio-economic status (single parents and large families).

### **Race / Ethnicity**

- 6.4 Due to the ethnicity profile of the area, full consideration is and will continue to be given to the impact on black, Asian and minority ethnic individuals/groups. The Council will/has ensured that the options put forward to residents and leaseholders provide reasonable and affordable alternatives that enable them to remain in the area and maintain their family and community ties, as per Article 1 of the First Protocol and Article 8 of the European Convention on Human Rights.

### **Age/Carers/Disability/Pregnancy and maternity**

- 6.5 The requirements for anyone who is older or with a disability, or those who are pregnant or on maternity to have to move from their current property (residential or commercial property) is likely to be more difficult and could suffer greater psychological effects, including stress. This in turn has an impact on people with childcare and caring responsibilities.
- 6.6 To mitigate this, for the secure tenants who are moving, the re-housing team provides help to secure tenants through the moving process, additional support and services to those who require it.
- 6.7 Leaseholders may be affected if they are seeking to acquire a similar sized property in the surrounding area as the value for a Local Authority property tends to be less than a non-Local Authority property. To counteract these implications, the Council offers to resident leaseholders a number of options such as the option of shared-equity or a property swap on the South Kilburn Estate (where available). The purpose of making the offers on the Estate is to allow residential leaseholders to remain on the Estate within the same locality and to help provide for a real sense of social cohesion. For those who move off the estate, they may have to increase/get a new mortgage agreement which could be difficult for older residents or those with caring childcare responsibilities.

6.8 The anticipated Social Value benefits from this proposal outlined in section 8 will further enhance the equality outcomes for residents with protected characteristics living in the area.

## **7.0 Consultation with Ward Members and Stakeholders**

7.1 As the report affects all wards consultation with specific ward members has not been conducted although this report has been discussed with the Lead Member of Regeneration

## **8.0 Public Services (Social Value) Act 2012**

8.1 The Council is under duty pursuant to the Public Services (Social Value) Act 2012 ('the Social Value Act') to consider how services being procured might improve the economic, social and environmental well-being of its area; how, in conducting procurement processes, the Council might act with a view to securing that improvement; and whether the Council should undertake consultation.

8.2 Whilst the Social Value Act does not strictly apply to this proposal to enter into a joint arrangement, the works and services to be procured as part of the South Kilburn regeneration programme aim to improve the economic, social and environmental well-being of residents of South Kilburn and continue to deliver much needed new affordable homes to rehouse existing secure tenants of South Kilburn, hugely improving their living conditions and reconnecting the area to its surrounding neighbourhoods.

**Report sign off:**

**AKTAR CHOUDHRY**

Operational Director of Regeneration and Environment