

Report to:	Strategy and Resources Committee - decision taken under the urgency procedure	Date:	17 March 2017
Report title:	Acquisition of land for the proposed London Cancer Hub		
Report from:	Gerald Almeroth, Strategic Director for Resources and Mary Morrissey, Strategic Director for Environment, Housing and Regeneration		
Ward/Areas affected:	Belmont		
Chair of Committee/Lead Member:	Councillor Ruth Dombey, Leader of the Council / Cllr Simon Wales, Deputy Leader of the Council		
Author(s)/Contact Number(s):	Gerald Almeroth, Strategic Director for Resources (0208 770 5501), Ade Adebayo Executive Head of Asset Planning, Management & Capital Delivery (0208 770 6109)		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • A Smart Council 		
Open/Exempt:	Open		
Signed:		Date:	17 March 2017

1. Summary

- 1.1. This report is an update on the previous report that was approved at Strategy and Resources Committee on 20 February 2017 and provides for a different recommendation on the methodology of achieving the aims and objectives previously agreed. The rationale and principles of securing the land at the Belmont site for the purposes of realising the London Cancer Hub (LCH) vision remain the same.

2. Recommendation

- 2.1. That in respect of the previously agreed recommendations by the Strategy and Resources Committee to acquire all of the identified plots of land at the Belmont site, that the Council implement this by way of being the direct and sole purchaser.
- 2.2. That approval is given to incur capital expenditure for the same sum as set out in the previous report to Strategy and Resources Committee and that this is financed by borrowing by the Council.
- 2.3. That freehold of the site is acquired and appropriated for town planning purposes under section 227 of the Town and Country Planning Act 1990 (as amended) to enable its redevelopment in accordance with a planning permission granted for that purpose.

3. Background

- 3.1 Strategy and Resources Committee on 20 February 2017 agreed that the Council acquire the land at the Belmont site from the Epsom and St Helier Trust in phases with the first plot being required before the end of this financial year. It was proposed that this should be done through a Limited Liability Partnership (LLP) jointly with the Institute of Cancer Research with the advantage of this being that it was deemed to be more attractive to commercial investors when it came to the actual development of the London Cancer Hub.
- 3.2 Through further detailed due diligence, negotiations and discussions with advisors it has become apparent that the mechanism of an LLP is not achievable. This is primarily based on advice in respect state aid whereby a sizeable proportion of equity is required for the LLP to reflect commercial risk comparators. Given the stage of the process it is recommended that the Council use its own general powers to acquire land. This will achieve the outcome agreed by Members previously and would support the Council's policy objectives in terms of economic growth, jobs skilled employment and enterprise as well as strengthening the case for improvements in public transport infrastructure, subject to the London Cancer Hub project being realised.

4. Options Considered

- 4.1 The proposal outlined in this report is a different option to the one originally agreed by Members, but is in line with the principles agreed with the outcome being broadly the same and within the same financial parameters. The option of obtaining equity from other organisations outside of the partnership were considered, but this was discounted on the basis of the need for a commercial return to be paid and the added complexity this would bring to the LLP arrangements.

5. Impacts and Implications

Financial

- 5.1 The financial implications set out in the Strategy and Resources Committee report for acquiring the land were on the basis of the LLP with the ICR and assumed an indicative long stop end date of five years, therefore the financing of this was based on borrowing over that term. This was noted as the maximum financing costs likely. On the basis of land values increasing by 1.5% the base model stated a potential estimated liability of £1.26m for an exit at three years to be shared jointly with the ICR, so a cost to the Council of £0.63m.
- 5.2 The proposal in this report is that the Council acquires the land in full directly. It is based on a revised assumption that it is proposed that a sale would want to be realised (either to the LCH investor or just for housing) by August 2019. It is envisaged that just under two and a half years will be sufficient time to run the procurement process and the necessary preparation for that. This date would also be a long stop date for the use of the land for a temporary secondary school. Under this proposal the financing costs can be lower if the term of borrowing is reduced (the first tranche of land at 0.8% compared to 1.5%).
- 5.3 Based on this and an assumption that land values increase by 1.5% pa (as per the indicative model reported to S&R Committee) then an estimated deficit of £0.33m would arise upon an

exit. This would fall to the Council alone. Under the LLP model based on five years of borrowing the Council's share of the deficit was estimated at £0.63m (exit after three years).

Legal

- 5.4 The Council has the power to acquire the Belmont site for its planning purposes under Section 227 of the Town and Country Planning Act 1990.

Risks

- 5.5 The previous report to Strategy and Resources Committee set out an assessment of the potential risks and the mitigation measures to manage these risks. The recommended approach in this revised report means that the Council will be taking all of the risk as sole landowner going forward, however, as a strategic asset this will also assist in the achievement of its policy objectives. Whilst recognising there are potential future financial risks it is expected that these can be managed effectively in order to minimise direct impact on the Council.
- 5.6 The primary objective of the purchase of the land is to support realising the London Cancer Hub development, which would have significant economic and financial benefits to the borough. A further report will come back to Strategy and Resources Committee setting out the assessment of the longer term commercial business case for the London Cancer Hub as well as a more detailed risk analysis and mitigation measures for the Council.

6. Appendices and Background Documents

Appendix letter	Title
N/A	N/A

Background documents
Strategy and Resources Committee 20 February 2017 - report on the 'Acquisition of land for the proposed London Cancer Hub

Audit Trail		
Version	Final	Date: 17 March 2017
Consultation with other officers		
Finance	Yes	Gerald Almeroth / Lyndsey Gamble
Legal	No	Trowers and Hamblins external legal support (Helen Randall)
Equality Impact Assessment?	No	Yes as previous

