

<b>Title of Report</b>	Britannia Project - Set up of Management Company
<b>Key Decision No</b>	F S607
<b>For Consideration By</b>	Cabinet
<b>Meeting Date</b>	27 April 2026
<b>Cabinet Member</b>	Mayor Caroline Woodley
<b>Classification</b>	e.g. Open
<b>Ward(s) Affected</b>	Hoxton East and Shoreditch
<b>Key Decision &amp; Reason</b>	No
<b>Implementation Date if Not Called In</b>	7 May 2026
<b>Group Director</b>	Rickardo Hyatt, Group Director Housing, Climate and Economy, and  Naeem Ahmed, Group Director Finance and Corporate Resources
<b>Report Author</b>	Justin Feltham, Major Capital Delivery Lead

## 1. Cabinet Member's introduction

- 1.1. At the site of the former Britannia Leisure Centre, we have built a new secondary school and brand new Britannia Leisure Centre.
- 1.2. The final residential phase of the Britannia masterplan is now on site, and includes 51 homes for social rent alongside shared ownership homes and homes sold outright to pay for both the new social housing and the rest of the development.
- 1.3. In order to prepare for the handover of these new homes, this report sets out the governance and management structure which needs to be put in place in order to manage the outright sale and shared ownership units. The new Council homes will continue to be managed by the Council, alongside its existing estate.
- 1.4. I commend this report to Cabinet.

## **2. Group Director's introduction**

- 2.1. The final phase of the Britannia masterplan commenced on site in August 2023, with the new housing delivered across four residential blocks. Two of these blocks will deliver 290 homes for outright sale and 30 shared ownership homes. Homes for social rent will be delivered in adjacent blocks. Our contractor, Ardmore Construction Group Ltd, is due to complete these homes in Autumn of this year.
- 2.2. Council homes will be handed over by the development project team to Housing Services colleagues, to be managed in line with the Council's existing housing estate. The Council now needs to put in place plans to manage the two blocks which are being sold for outright and shared ownership sale.
- 2.3. This report sets out the business case to set up a Council owned management company, limited by guarantee, to manage the services required to be delivered to leaseholders. This is in line with industry best practice, and will ensure clear accountability for the management services which are being delivered to leaseholders and transparency of service charge costs relating to these homes.
- 2.4. In line with the Council's constitution Part 9D, this report considers the business case for setting up a new company, and recommends the governance and resourcing structure for this. This is a not for profit company, with costs to provide services to the management company recharged to leaseholders through the service charge.
- 2.5. This report will also make clear that the Council's role as freeholder and developer in the sale of these homes is not impacted by this proposal - with all sales being directly controlled by the Council. A proposal to put in place an intermediary lease will be set out, including the benefits of doing so; however, this won't be put in place until all units have been sold. Thus ensuring the Management Company remains a not for profit service provider.

## **3. Recommendations**

**Cabinet is recommended to agree that:**

- 3.1. **A Council owned Management Company, limited by guarantee, is incorporated to manage the properties at 1 Brafa Square and 2 Brafa Square.**
- 3.2. **The Group Director Finance and Corporate Resources is nominated as the Intelligent Shareholder of the Management Company.**
- 3.3. **The Intelligent Shareholder shall nominate three officers to fulfil the roles and responsibilities of the Council as Directors of the new management company.**

- 3.4. **The Director of Legal Democratic and Electoral Services is authorised to incorporate the new company, including entering into all necessary agreements and documentation including, but not limited to, the memorandum of association, articles of association, and shareholders agreement.**
- 3.5. **To grant a lease of the common parts and structure of the building to the Management Company following the last private apartment sale at 1 Brafa Square and 2 Brafa Square.**

#### **4. Reason(s) for decision**

- 4.1. This business case recommends that Hackney Council establishes a wholly owned Company Limited by Guarantee to manage two new residential blocks at Shoreditch Parkside (1 Brafa Square and 2 Brafa Square), which is the final phase of the Britannia masterplan development.
- 4.2. The Council's constitution sets out a protocol on the setting up of new subsidiary companies ("Part 9D - Protocol on the Governance of Council Interests in Companies"). This requires it to establish a robust business case.
- 4.3. In line with this protocol, the case for the setting up of the Management Company (ManCo) is as follows:
  - 4.3.1. Objectives. The objective of the proposed Management Company is 'to act as Landlord and provide a high-quality property management service to the residents of 1 and 2 Brafa Square'. It is proposed that after a transitional sales period, the ManCo is granted an Intermediate Lease, and this approach is assessed as the recommended option in the Options Appraisal.
  - 4.3.2. Investment and resources required to achieve the objectives. The business case proposes that a ManCo Manager is appointed to work across this and the Council's other management companies (one Manager to three companies), with a 'common approach' whereby the same directors sit on each board, working with the S151 officer, as the Council's Intelligent Shareholder. This simple structure allows sharing of skills and learning without the added bureaucracy of a holding company.
  - 4.3.3. The expected financial results of the business. The ManCo is a not-for-profit entity, tasked with managing the blocks and collecting service charges. It should therefore break even as all reasonable costs are charged to leasehold owners. There is a period in which the Council as developer must bear the management costs for unsold properties. This is an existing 'developer' risk in line with the original financial business case for the Britannia masterplan (as set out in April 2017), and

progressed to the delivery stage in the award of a design and build contract to Ardmore Construction Group Ltd in March 2023 for the 371 homes and associated public realm.

4.3.4. Any risks the business might face and how significant these risks are. The risks which the company may face are set out in the Risk Analysis section of the report. The key risks are a failure to discharge the obligations of Accountable Person (AP) in relation to the Building Safety Act, and poor management performance leading to higher costs / under-collection of service charges. These risks, including the others noted in the risk section will be monitored through the ManCo Manager, reporting to the board on a quarterly basis.

4.3.5. Other relevant outcomes that the business is expected to achieve. The ManCo is designed to follow a market-standard approach to property management, and after the sales period should reach a business as usual 'steady state'. It is not profit-making and there are no proposals to expand the business. The objectives set out are consistent with the Council's approach to managing its other property management companies and this business case sets out an efficient approach to this.

4.4. The creation of a management company is required in order to manage the obligations of the Freeholder with private leaseholders in an industry recognised and standard manner.

4.5. This provides a recognised, accountable and transparent structure for the management of services to leaseholders on behalf of the freeholder, and adherence to best practice.

4.6. In order to maintain a competitive offer to potential buyers, the Council must act in line with buyer expectations and industry norms; the provision of management services without the comfort of a ring fenced development management company, would be detrimental to sales and risk the overall financial objectives of the masterplan.

## **5. Background**

### Strategic Policy Context

5.1. The financial business case for the development of the Britannia masterplan was approved in April 2017 by Cabinet. Since that original approval, the masterplan has progressed to deliver phase 1 (new Britannia Leisure Centre, new City of London Academy Shoreditch Park, and associated public realm - including the first section of BRAFA Square).

5.2. Cabinet has been updated at key business case and procurement milestones on the masterplan's progress, with the last report to Cabinet

being the recommendation to award the residential phase design and build contract to Ardmore Construction Group Ltd on 27 March 2023.

5.3. The final phase of the masterplan is due to handover 371 homes in the Autumn of 2026. This Cabinet report specifically deals with the management arrangements required to be put in place in readiness for the 320 private for sale and shared ownership units to be occupied.

5.4. Off plan sales are live for the open market sale units, with the shared ownership units being launched in Spring 2026. In line with industry expectations, leaseholders are being granted a long lease. The term of this is 999 years from the point of the first lease being completed.

#### Options appraisal

5.5. Do Nothing (No Management Company; No Managing Agent). In the Do Nothing scenario, the blocks would be managed in house without the creation of a separate company, and using existing resources.

5.6. This option was previously discounted on the basis that the Council does not have the resources or service levels to provide an industry standard management service to private dwellings at the sales price point of the development. Potential buyers expect a management company (and service) to be in place, and the properties are being marketed on this assumption.

5.7. The Council has already approved the business case for the procurement and award of a contract for a Managing Agent for 1 Brafa Square and 2 Brafa Square to POD Group Services Limited (trading as POD Management). This provides the industry experience and service levels which residents expect.

5.8. In all of the options considered for this specific business case, POD Management, as Managing Agent, will provide services either directly to the Landlord, or via the Management Company. Legal, Financial, Procurement, Sales, and Operational considerations were assessed in each case.

5.9. Option 1 - No Management Company. In this option the Council would manage the Managing Agent directly in order to perform its obligations as Landlord. This option requires no company formation.

5.10. This presented legal, financial, and sales risks to delivering the objectives of the development. In particular, buyers expect a ring fenced company to be in place, with leaseholder service charge and reserve funds held separately on behalf of the Management Company. Changing from this industry standard position is likely to impact sales, watering down the Shoreditch Parkside development brand value and losing buyers to more traditional development models. It is also contrary to the form of lease which has been included with the legal sales pack for those who have exchanged to date. This option does not futureproof the development for any potential future enfranchisement or sell off. This would also require all services to be procured via public

procurement rules, which may not result in the most cost effective solution for buyers (given additional procurement time, and administrative resource).

- 5.11. Option 2 - Management Company - no land interest. A management company would be set up as a subsidiary of the Council to manage the managing agent. It acts as the agent of the Council. No land interest is transferred. As for Option 1, the company would be required to operate in line with The Procurement Act 2023 and all statutory requirements, e.g. the Landlord and Tenant Acts of 1985 and 1987. This would apply to the future procurement of managing agent services, together with a range of services which the Managing Agent will procure on behalf of the ManCo during the course of their appointment, e.g. facilities management, mechanical and electrical service contracts, repairs and maintenance etc.
- 5.12. This option was preferable to Option 1, being in line with buyer expectations by having a ring fenced company in place, and thus retaining the brand value of the development. This option does however retain the additional resource burden to leaseholders of procuring services on behalf of the management company in line with the Procurement Act 2023. Managing Agents are not used to procuring under these requirements, and as such, there would be an additional resource burden on the Council's ManCo manager to support the Managing Agent in complying with such procurements. This is likely to impact efficiency and value-for-money for leaseholders.
- 5.13. Option 3 - Management Company - land interest post sales period (**Recommended**). As per Option 2 until the last private sale is made on the development. At that point, an intermediate lease is put in place between the Council and the Management Company which means that individual private owners are sub-lessees of the Management Company. The term of this lease will be back to back with the remaining term for all units, i.e. 999 years from the point of the first completion plus 10 days.
- 5.14. In this scenario, the management company mirrors a typical private sector company, and whilst adhering to best practice, would not pass on the burden of public procurement protocols to the leaseholders on a long-term basis. Once an intermediate lease is in place, the ManCo is bound to manage the Building and Common Parts by property obligations directly with the tenants. In this scenario, ManCo does not need to be a contracting authority and so can be structured so that it does not need to apply the Procurement Act 2023 when appointing management agents or other property services. The Managing Agent is then free to use their own frameworks/tender processes which can be monitored through the Board for quality and value for money to leaseholders. This option minimises the Council's responsibility as freeholders, transferring control to the ManCo.
- 5.15. In this recommended option, the Council will carve out and retain the reversions to the shared ownership flats and one commercial unit within the two blocks under management and grant a lease of the remainder of the building, i.e, the structure and common parts together with the other 290

private units) to the ManCo. This allows for the Council to retain the rents and to remain the immediate landlord for those flats and retain control of the associated landlord obligations.

- 5.16. Option 3 is recommended, as this provides the robustness and transparency that a separate management company brings to deliver building management services to leaseholds, and ultimately enables the company to deliver services in a future-proofed industry standard way without the added resource burden (to leaseholders) of complying with The Procurement Act 2023 for each procurement. Best value would still be demonstrated to leaseholders through complying with statutory requirements, and through the Managing Agent’s practices - as a Member of The Property Institute (TPI). Any future Managing Agent would similarly be required to be a Member of TPI or any other similar professional body.

Equality, inclusion, diversity and belonging (including statutory equality impact assessment)

- 5.17. The Phase 2b development has been designed to take into consideration the requirements of the GLA and London Borough of Hackney planning policy to create an accessible and inclusive environment. The buildings have been designed to be inclusive and accessible environments, which meet the needs of all potential users by removing barriers that create undue effort, separation or special treatment. Everyone, regardless of disability, age or gender will be able to use the buildings equally, confidently and independently with choice and dignity.

- 5.18. In relation to the setting up of a management company, there are no separate Equality conditions which need to be considered.

Sustainability and climate change

- 5.19. None of the recommendations in this report have a direct impact on sustainability and climate change.

Consultation/engagement

- 5.20. There is no statutory consultation or engagement required in order to consider the recommendations within this report. The report has been developed in consultation with the project Senior Responsible Officer, finance colleagues, and the Council’s Intelligent Shareholder.

Risk assessment

- 5.21. The following risks in relation to the Council’s duties as freeholder on the 1 Brafa Square and 2 Brafa Square development have been considered and built into the business case for the management company:

<b>Risk</b>	<b>Comment &amp; Mitigation Actions</b>
The Council does not deliver its regulatory duties as freeholder. As a	The Council will deliver its AP duties through the Management Company and

<b><u>Risk</u></b>	<b><u>Comment &amp; Mitigation Actions</u></b>
<p>freeholder it is required to maintain the building.</p> <p>It has duties as the “Accountable Person” (AP) under the Building Safety Act 2022 to oversee the “proper management of the fire and structural safety of the entire building”.</p>	<p>Managing Agent. This will be reported to, and monitored by the board, and the Council’s Intelligent Shareholder.</p> <p>The Council will ensure these are properly reflected in Management Company agreements, covenants within the lease, and the Managing Agent service specification.</p>
<p>The Management Company is unable to collect the service charge and it is liable for unforeseen costs.</p>	<p>Once the development is fully occupied, the Council will recoup all ongoing costs through the Management Company.</p> <p>The Management Company will have access to legal support and action should leaseholders go into service charge arrears to ensure full recovery. Any costs in this respect would be rechargeable to the leaseholder under the terms of their lease.</p> <p>This will be an item for reporting to the board on a regular basis.</p>
<p>The Managing Agent fails to deliver the level of service required by the Council.</p>	<p>The Management Company Manager will be an experienced property management professional, acting as client and manager of the Managing Agent.</p> <p>It is proposed that this person is a shared resource across the Council’s three management companies. This will enable the sharing of knowledge and good practice, and a consistent approach across all of these properties.</p> <p>It will also offer efficiencies on delivery and reporting to the boards.</p> <p>The Management Company manager will report to the ManCo Board/Council Intelligent Shareholder who will monitor performance.</p>
<p>The leaseholders claim collective enfranchisement and take over the freehold from the Council.</p>	<p>This is not considered a likely event in the short term as:</p>

<b><u>Risk</u></b>	<b><u>Comment &amp; Mitigation Actions</u></b>
	<ul style="list-style-type: none"> <li>● there are a large number of leases across two residential buildings (320)</li> <li>● the lessees will all be new purchasers</li> </ul> <p>The key driving factor would likely be poor service quality over a period of years; therefore, it will be important to maintain a consistently high level of service through the Management Company. This will be monitored through the governance structure via the ManCo Board and the Council's Intelligent Shareholder.</p> <p>In the event of a successful claim for collective enfranchisement in the future, the ManCo would be wound up and its services transferred to a new entity created.</p> <p>It is not anticipated that the Council would make a financial loss as the ManCo is a not-for-profit entity. The Council would receive payment for the freehold value.</p>

## **6. Financial implications**

- 6.1. As set out in the report, the objective of the ManCo is 'to act as Landlord and provide a high-quality property management service to the residents of 1 and 2 Brafa Square'. As a not for profit company, all costs associated with providing property management services are recovered via a service charge to leaseholders.
- 6.2. There will be some company set up charges which will be unrecoverable from leaseholders, as these relate to Developer obligations rather than the ongoing property management of the building. These set up costs will be contained within the existing budgets for the Britannia Phase 2b project.
- 6.3. Moreover, the report sets out the existing obligations which the Council has, as developer of the scheme, for any void units and/or retained units, e.g. the commercial unit in 1 Brafa Square. Such costs are not the subject of this report, and again come under the existing budgetary approvals for the Britannia Phase 2b project.

- 6.4. Prior to marketing of the development, Say Property Consultants Ltd provided an estimated service charge of between £6-7 per square foot. A draft Year 1 budget is in the process of being worked up by our Managing Agent - POD Management - and estimates are within this original indication.
- 6.5. Based on initial estimates, the annual service charge which would be due to recover ManCo costs is circa £1.158m, with the expectation that this would increase annually at a CPI rate of 3%. Where the ManCo requires funds to meet suppliers' costs before the associated service charges are collected it is able to create a reserve fund. Both the service charge account and the reserve account will be set up and managed by the Managing Agent, on the ManCo's behalf.

Financial Implications prepared on behalf of the Group Director Finance & Corporate Resources by Mizanur Rahman, Assistant Director of Corporate Finance, Mizanur.Rahman@Hackney.gov.uk, 8 April 2026

## **7. VAT implications on land and property transactions**

- 7.1. The VAT position changes as the development transitions from the initial sales period to steady-state operations:
- Initial Period: The Council acts as the direct landlord. The Management Company (ManCo) provides taxable management services to the Council. This allows both the ManCo and the Council to reclaim VAT on most costs, ensuring leaseholders are not initially burdened with irrecoverable VAT.
  - Steady State: Once the ManCo takes the intermediate lease, it becomes the direct landlord. Under standard VAT rules, the ManCo will likely exceed its de minimis limit, making VAT on maintenance and management costs irrecoverable. This will result in an effective 20% increase in the cost of services passed on to private leaseholders.
  - Retained Units: For the commercial unit, an Option to Tax has been exercised to protect the Council's ability to reclaim VAT on related costs.
- 7.2. Stamp Duty Land Tax (SDLT)
- No Material Liability: The grant of the intermediate lease to the ManCo is expected to be at a nominal value with no premium.
  - Risk Mitigation: Provided the lease is for a nominal sum and the ManCo operates on a not-for-profit basis, no SDLT should be due. If rents are passed through the lease, the Council must ensure the Net Present Value (NPV) remains below the SDLT threshold for non-residential land.
- 7.3. Corporation Tax

- ManCo Status: As a separate legal entity, the ManCo is subject to Corporation Tax.
- Not-for-Profit Protection: By incorporating as a Company Limited by Guarantee with specific "mutual trading" clauses in its Articles of Association, the ManCo can ensure that service charge surpluses and sinking funds are not treated as taxable profit.
- Residual Tax: The ManCo will remain liable for tax on any bank interest earned or third-party commercial income, though these amounts are expected to be negligible.

VAT implications prepared on behalf of the Group Director Finance & Corporate Resources by Mizanur Rahman, Assistant Director of Corporate Finance, mizanur.rahman@hackney.gov.uk, 8 April 2026

## **8. HR/OD implications**

- 8.1. There are no HR/OD implications resulting from the recommendations within this report.

HR/OD implications prepared on behalf of the Director of HR/OD by Tina Dempsey, AD HR & OD, tina.dempsey@hackney.gov.uk, 4 February 2026

## **9. Legal implications**

- 9.1. The (i) approval of the Council's representation on Outside Bodies including companies, trusts and charities (i.e. the principle and nature) where the representation relates to an executive responsibility or function, and (ii) the Use of Charging Powers in any service area under the executive, for the first time (Local Government Act 2003/Localism Act 2011) are reserved to the Mayor and Cabinet under the Mayor's Scheme of Delegation. Therefore this Report is being presented to Cabinet for approval.
- 9.2. The setting up and operation of the Management Company in this Report will need to comply with the Council's protocol on the governance of Council's interests in companies set out in Part 9, Section D of the Constitution.
- 9.3. In order to incorporate the management company, the Memorandum of Association and the Articles of Association of the company must be lodged at Companies House. These documents set out the objects of the company as well as the company's corporate governance and administrative regime. The proposal is that this company is limited by guarantee.
- 9.4. The grant of a lease is reserved to the Mayor and Cabinet pursuant to the Mayor's Scheme of delegation.
- 9.5. Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. However, the General

Disposal Consent 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the “undervalue” (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less.

- 9.6. Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required. Furthermore, the General Consent Order 2003 specifies that it is the responsibility of the Council to satisfy itself that the land is held under powers which permit it to be disposed of under the terms of the 1972 Act. A grant of a long lease is defined as a disposal within the Local Government Act 1972.
- 9.7. As the disposal will be in the future a S123 report is required to be commissioned.

Legal implications prepared on behalf of the Director of Legal, Democratic & Electoral Services by: Georgia Lazari, Team Leader (Places), Georgia.Lazari@legal.hackney.gov.uk, 4 March 2026, and Patrick Rodger, Senior Lawyer, Patrick.Rodger@legal.hackney.gov.uk, 4 March 2026

## **Appendices**

None