

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3076

Title: The 639 Community Enterprise Centre, Tottenham - Forward Strategy

Executive Summary:

GLA staff in collaboration with LB Haringey are developing a forward strategy for the GLA-owned 639 Tottenham Community Enterprise Centre. This strategy will seek to maintain the currently high levels of locally based business incubation and related economic development and explore community wealth building whilst reducing ongoing costs to the GLA. A project specification is being prepared to support the appointment of a new operator from March 2024 via a new fully repairing and insuring lease arrangement. This paper sets out measures to:

- address ongoing issues with the physical fabric of the building, to ensure safe operation and service delivery and that the asset is in a suitable condition to attract new operators and be let on a fully repairing and insuring basis
- ensure GLA Estates can continue to maintain the asset on behalf of the GLA for the remaining current lease period to March 2024
- commence procurement of a new tenant/operator and execution of a subsequent lease arrangement
- ensure GLA Estates can perform a management agent role for the duration of the subsequent 25-year fully repairing lease.

Decision:

That the Mayor:

- approves the receipt of up to £2.3m DHLUC funds in financial year 2022-23
- approves expenditure of up to £2.3m capital in financial year 2022-23 to meet the costs of undertaking emergency safety works and planned preventative maintenance to the GLA's building, 639 Tottenham Community Enterprise Centre.
- approves expenditure of up to £83,000 revenue in financial year 2022-23 and £130,000 in financial year 2023-24 for building surveys, routine maintenance (including management agent's fees) and legal fees associated with future leasing arrangements
- delegates authority to the Executive Director Good Growth to:
 - consider and approve proposals for the procurement and appointment of the future Community Enterprise Hub operator
 - agree and execute the related 25-year fully repairing and insuring lease to the operator from 8 March 2024
- approves expenditure of £10,000 revenue expenditure (index linked) on building management fees per annum for the lease period to March 2024 to 2049.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

7/3/23

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The 639 Community Enterprise Centre project ('the 639 Centre') was originally funded as part of the Mayor's Regeneration Fund (MRF) programme. The GLA purchased and refurbished the building following the riots in Tottenham and other parts of London in 2011 (approved under cover of DD791). The GLA then appointed LAUNCH IT (formerly the London Youth Support Trust) as preferred operator to manage the enterprise centre up to March 2017. LAUNCH IT initially received a tapering revenue budget, which enabled the project to become self-sustaining notwithstanding an ongoing peppercorn rent arrangement.
- 1.2 In March 2017, Mayoral approval was given (under cover of MD2065) to invite LAUNCH IT, in collaboration with the Trampery, to manage the building in line with an agreed business plan, grant agreement and related lease arrangement to March 2024. Under this arrangement, LAUNCH IT has a sub-lease and management agreement with Trampery, who are then responsible for granting individual tenant sub-leases.
- 1.3 The 639 Centre continues to incubate and promote small and emerging local businesses bringing together all strands of support to develop and sustain careers, from support and training for school leavers, to subsidised premises, business mentoring and career development initiatives.
- 1.4 A range of space is provided:
 - affordable office space (incubator space for local start-ups)
 - shared workspace
 - conference and boardrooms
 - exhibition gallery
 - cafe
 - Tottenham's Living Room - a free-to-access space for local business, groups and organisations.
- 1.5 The 639 Centre is delivering strongly on its youth and locally focused enterprise aims – exceeding many of the outputs proposed at the beginning of the current lease period (see 4.10) for projected outputs and outcomes. Occupancy rates have been high, engagement with the community has been strong, and the business support provided for entrepreneurs has been highly rated by beneficiaries, reflecting the quality of support provided by LAUNCH IT and Trampery staff.
- 1.6 While the GLA does not fund the operation of the centre (beyond costs associated with landlords' maintenance responsibilities including agents' fees), the operator benefits from a peppercorn rent and is not responsible for the cost of building repairs. This arrangement underpins the operator's ability to deliver clear, demonstrable business and employability outcomes for young local people from disadvantaged and ethnically diverse backgrounds.
- 1.7 In response to financial pressures LAUNCH IT and the Trampery have reduced costs and steadily driven up income to achieve a stable financial position, enabling the continued delivery of considerable local economic development outcomes.
- 1.8 The GLA is responsible for the external fabric of the building and for lift repairs. To support this and wider economic development activity there is provision in the current lease for LAUNCH IT and the Trampery to pay the GLA a minimum £25k per annum 'repair fund base contribution' plus 50 per cent of any profits generated from their operations. The Mayor approved (under cover of MD2605) the holding of these funds in a maintenance reserve fund to be drawn on by agreement of the GLA

and the '639 Vision/Advisory Group'. More routine maintenance and minor repairs have previously been undertaken by GLA Land and Property Ltd (GLAP, the GLA subsidiary that previously owned the building) and managed by GLA Estates. In August 2022 these responsibilities passed to the GLA along with a requirement to fund annual maintenance costs of £100,000 inclusive of agents' fees (£10,000). It is proposed to fund these costs for the remainder of the lease period utilising the building maintenance reserve fund, which currently sits at £82,693 with a further £29,776 falling due March 2024 (see table 2.13) and by drawing on a further £100k of unallocated revenue identified from ringfenced Growth Funds.

- 1.9 These funds will also be drawn on to cover survey work, design fees and routine maintenance costs for the remaining lease period to March 2024 and to cover legal fees associated with forming the proposed future lease from March 2024 onwards. After that point, it is proposed that the new lease will be fully repairing and insuring with the aim of reducing the GLA's ongoing revenue exposure to £10,000 p.a. (index linked) to cover management agents fees only.
- 1.10 In addition, following safety concerns, more significant capacity works to the fabric of the building are now required to maintain its safe operation and continued service delivery and to ensure the building and wider local economic development project can attract future operators from March 2024 in line with the proposed forward strategy. More recently water inundation and internal leaks have highlighted the need to accelerate planned preventative maintenance to the roof.
- 1.11 Estimates prepared by Avison Young on behalf of GLA Estates have identified the cost of these works to be in the region of £2.3m including associated fees and contingency. Subject to this approval detailed quotations will be obtained to progress works in financial year 2023-24.
- 1.12 A funding bid (£2.3m) has been made to the Department of Levelling Up Housing and Communities (DLUHC) to fund the necessary capital works.

2. Objectives and expected outcomes

Forward strategy

- 2.1 The renewal of the lease and operator specification for the 639 Centre is an opportunity to review and redefine the centre, its existing governance, partnerships and occupants, and to address associated costs and liabilities to the GLA.
- 2.2 Recent discussions have determined that while LB Haringey are not in a position to purchase the building, manage the facility or provide capital investment, they are keen to support the GLA to secure the future of the building for local economic development purposes in line with local expectations. LB Haringey is supporting the GLA to develop the forward strategy and operating specification for the 639 Community Enterprise Centre to maximise outputs and outcomes and maximise local community wealth building and will support the GLA to identify a suitable operator.
- 2.3 The continued delivery of the 639 Centre's youth and locally focused enterprise aims is considered critical to wider regeneration ambitions for Tottenham. A commitment to representative governance and potential community asset transfer will be factored into the procurement of the future operator.
- 2.4 In order to have a space where these ambitions can be achieved, it is necessary to ensure that the building is physically sound and financial reserves are established to manage future maintenance or repair requirements.
- 2.5 GLA staff are developing an approach for the next lease period which will invite operators/service providers to meet these long-held ambitions whilst putting the project on a more sustainable financial footing and reducing costs and liabilities to the GLA.
- 2.6 Following an evaluation of the current operational period 2017-2024 a project specification is being prepared to support the appointment of an operator from March 2024 and to inform a new fully

repairing lease arrangement from that date onwards. This will mean the GLA is not directly funding the operation of the centre beyond the continued offer of a 25-year fully repairing and insuring lease, at a peppercorn rent.

- 2.7 The forward strategy will seek to balance commercial considerations with the ongoing requirement for the 639 Centre to deliver on its aims and will specify how much of the building will be reserved for community use. The GLA will continue to require clear, demonstrable outcomes for young local people from disadvantaged backgrounds. Organisations will be invited to submit proposals in line with the stated aims and will be supported by the GLA in the delivery of these plans and in attempts to raise additional funds, including up-front and annual investment from prospective tenant/operators into the building maintenance reserve fund.
- 2.8 The GLA will initiate a two-stage competitive application exercise managed by the TfL procurement team, inviting submissions from interested workspace operators to undertake the operation of the 639 Centre. The opportunity will be advertised by TfL's procurement portal and via the GLA's and LB Haringey's Workspace Provider networks (accessible to 300+ workspace providers).

Proposed expenditure

- 2.9 GLA Estates will continue to perform a managing agent role and will oversee and undertake landlords' maintenance responsibilities, through agents Avison Young, for the remaining current lease period (to 7 March 2024) at an estimated cost of £67,693 in 2022-23 and £100,000 in 2023-24.
- 2.10 Alongside this, upfront revenue costs of £15,000 in 2022-23 and £14,000 in 2023-24 are expected to be incurred for survey work and the development of the related initial specification for the proposed safety and planned preventative maintenance works to the 639 Centre building. These will be funded from the maintenance reserve fund.
- 2.11 A further £14,766 of revenue expenditure in 2023-24 will be required to fund legal fees associated with the formation of the proposed 25-year fully repairing and insuring lease.
- 2.12 The costs associated with urgent capital works, to ensure ongoing safe operation and service delivery through planned preventative maintenance including works to the roof of the building are estimated at £2,300,000 (capital) and will be funded via grant award to London Borough of Haringey.
- 2.13 The income and expenditure over 2022-23 and 2023-24 requested through this MD is summarised in the table below.

Income Revenue	2022-23	2023-24
Maintenance reserve fund	£82,693	£29,776
Growth Funds		£100,000
Total	£82,693	£129,776
Income Capital		
(DHLUC) additional capital	£2,300,000	
Total	£2,300,000	

Expenditure	2022-23	2023-24	2024-25 to 2049-50
Revenue (maintenance including agents fees)	£67,693	£100,000	£250,000 (£10,000 per annum) index linked
Revenue (surveys and specifications)	£15,000	£14,000	
Revenue (legal costs / lease arrangements)		£14,776	
Revenue Total	£82,693	£129,776	

Capital (safety works)	£670,000		
Capital (planned preventative maintenance)	£1,630,000		
Capital Total	£2,300,000		

Attracting investment

- 2.14 Undertaking these works now will underpin efforts to attract a social entrepreneurial operator for the next lease period and enable the GLA's aspiration for a fully repairing lease to be met. This will reduce the financial risk to the GLA in the long term by making private investment more attractive.
- 2.15 The GLA will remain the freeholder and retain long term liabilities associated with the building, meaning that from March 2024 onwards it will retain a reduced financial liability of £10k per annum (index linked) covering the management agent fee for the proposed 25-year lease period. The ongoing revenue requirement will start in the 2024-25 financial year and will need to be requested and approved as part of the Mayor's budget setting process for 2024-25 onwards (to be contained within revenue resources within the Regeneration unit).

3. Equality comments

- 3.1 The future 639 Centre tenant/operator will be supported to ensure development and delivery of service provision follows relevant Codes of Practice in line with the requirements of the Public Sector Equality Duty to ensure that the following issues have been considered.
- (i) Operational policies: the operation of the building will be assessed in terms of accessibility to ensure the minimisation of disadvantages suffered by people who share a protected characteristic, age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation.
 - (ii) Documents and publications: all documents produced will comply with Mayor of London branding guidelines, which is based on guidance from the Royal National Institute of Blind People. Accessible formats will be available including through the GLA's translation service on request.
 - iii) Events: all events will be open to all and the operator will be obliged to encourage people who share a protected characteristic to participate in any activity in which their participation is disproportionately low.
- 3.2 The tenant/operator of the 639 Centre will liaise with all sub-tenants and support recipients to ensure they share the public sector equality duty. This will be re-confirmed in future grant award arrangements to ensure delegation is clear.
- 3.3 The procurement process and documentation will follow best practice guidelines to ensure equality impact monitoring and equal opportunities are achieved.
- 3.4 All monitoring and evaluation activity will include a broad range of officers across the GLA Group and include LB Haringey and community representatives to ensure rounded discussions and prioritisation.
- 3.5 The GLA will utilise TfL's online portal and workspace providers networks to advertise the opportunity and to ensure the widest range of potential operators are able to access details about the tender opportunity. The GLA will also undertake targeted action to identify and encourage diverse organisations to make a submission as part of procurement exercises.

- 3.6 All specifications will make very clear the need for an operator to work closely with the diverse community in north Tottenham and beyond and to support young people aged 18-30, particularly those who are economically disadvantaged, to achieve financial independence through entrepreneurship. The operator will monitor inclusiveness with respect to target BAME and youth inclusion. The project specification will facilitate the development of a more inclusive governance approach for the building and related local economic development project, fostering an inclusive approach to asset management and community wealth building.

4. Other considerations

Key risks and issues

- 4.1 There is a significant risk of cost inflation as figures are based on cost estimates from Spring 2022. This will be mitigated by contingency budgeting (over and above the rate of construction inflation), the development of a full schedule of works and the securing of contractor's quotations.
- 4.2 Further risk remains regarding the potential for costs associated with building repairs, i.e. they could increase. This is somewhat mitigated by the proposed planned preventative maintenance. Routine preventative checks and maintenance operations will continue.
- 4.3 Despite the project's current promising financial trajectory, there is a risk that the current and future tenant/operators are unable to operate a sustainable financial model. To mitigate against this the tenant/operator will operate open book accounting whereby the GLA project manager will be able to keep abreast of financial performance alongside operational performance on a monthly basis. The GLA, through the enhanced governance arrangement, will advise on changes to scope, and on possible funding opportunities to keep operations within budget.
- 4.4 A related risk would be around the identification of additional funding to subsidise the business support activity. The current tenant/operator has successfully commenced fundraising to insulate the project from this. Any future operator would need to do the same.
- 4.5 There is a risk that the new lease will not be in place once the current lease expires. Good project management systems are in place to mitigate against this.
- 4.6 Reputational risks – there are clear expectations within the community, voiced by LB Haringey that the project will continue to deliver the local economic development outcomes. Any reduction or cessation of this would need to be managed effectively in terms of communications and stakeholder management.

Links to Mayoral strategies and priorities

- 4.7 This proposal supports the Mayor's Economic Development Strategy, including the commitment to supporting young people, community business and local economic development. It will make sure that work on skills and economic development is joined up in Tottenham, will nurture small independents and start-ups, and will build stronger partnerships between the private sector, public and voluntary agencies and the community.
- 4.8 In line with the Economic Development Strategy the project will support small business and protect business space. Proposals outlined here directly support attempts to put London's small businesses, start-ups, and entrepreneurs at the heart of the London economy and London's communities, and to support them to grow, innovate and create wealth and jobs.
- 4.9 In respect of impact assessment and engagement, a previous interim evaluation has shown that the 639 Centre has been established successfully, supporting new business creation in line with anticipated outputs, and has become financially sustainable. The evaluation found the following:
- Occupancy rates have been high, consistently averaging over 90% for the first 5.5 years of operation.

- Engagement with the community has been strong with the Tottenham Living Room attracting over 100 different user groups each year, many using the space on a regular basis.
- The business support provided for entrepreneurs was highly rated by beneficiaries, reflecting the capability of LAUNCH IT and the Trampery officers in providing support.
- Previous impact assessments have suggested that in addition to significant social value delivered by the project, approximately £1.40 GVA was created at the 639 Centre for every £1 of public funding invested, with potential far greater future impacts estimated to be around £4.50 for every £1 when incorporating expected impacts over the seven-year lease period. On this basis a future 25-year lease period would generate additional GVA in excess of £30m.
- The project is on a trajectory to meet most, if not all, of its stated targets. However, the socio-economic and investment context in Tottenham has changed significantly since the outset of the project and that the future strategic direction for the centre needs to respond to the fact that unemployment has reduced, enterprise rates have risen, and a great deal of investment is taking place in Tottenham. This points to new opportunities for business start-ups and for local people accessing new employment, which the 639 Centre can support. It will also require a well-honed and highly targeted forward strategy and operating model to be developed in close collaboration with LB Haringey and the local community.

4.10 More recent reporting has confirmed that the project is on track to achieve agreed seven-year target outcomes for businesses started and jobs created. In contrast, the total number of people recorded as moving into education and the number of people recorded that are receiving more general business assistance is lower than anticipated. Service providers have reported difficulties tracking young people and therefore fully recording impact. This is something that the operator is looking to rectify in the next 12 months.

	Annually	2017	2018	2019	2020	2021	2022	2023 TBC	6 Year total	7-year Target
Businesses started	15	21	25	31	17	10	29	-	133	105
Jobs created	12	7	17	21	15	10	15	-	85	84
People assisted	350	297	362	347	277	232	338	-	1853	2450
Businesses assisted	50	53	49	44	65	38	53	-	302	350
People moving into education or employment	15	10	12	8	10	7	12	-	57	105

5 Financial comments

5.1 Approval is being sought for the following:

- receipt of up to £2.3m DHLUC funds in financial year 2022-23
- expenditure of up to £2.3m capital in financial year 2022-23 to meet the costs of undertaking emergency safety works and planned preventative maintenance to the 639 Centre

- expenditure of up to £83,000 revenue in financial year 22-23 and £130,000 in financial year 2023-24 on building surveys, routine maintenance including management agent's annual fees and legal fees associated with the preparation of the 25-year lease
- expenditure of £10,000 revenue (index linked) on management agent fees costs per annum for the lease period to March 2024 to 2049.

- 5.2 The capital grant of £2.3m will be transferred by 31 March 2023 subject to receipt of approved project plan from LB Haringey as stipulated in the grant agreement.
- 5.3 Revenue expenditure of up to £130,000 in 2022-23 will be funded via the maintenance reserve fund for the 639 Centre. Revenue expenditure in 2023-24 will be funded from a combination of £100,000 unallocated Growth Funds budget (this is ringfenced LEAP funding) alongside a further £30,000 to be drawn from the maintenance reserve fund.
- 5.4 Beyond 2023-24, the ongoing revenue implication for the GLA is £10,000 per year index linked. This will start in the 2024-25 financial year and will need to be requested and approved as part of the Mayor's budget setting process for 2024-25 onwards (to be contained within revenue resources within the Regeneration unit).

6 Legal comments

- 6.1 The foregoing sections of this report indicate that:
- 6.1.1 the decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation in Greater London
- 6.1.2 in formulating the proposals in respect of which a decision is sought, officers have complied with the GLA's related statutory duties to:
- (a) pay due regard to the principle that there should be equality of opportunity for all people
 - (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom
 - (c) consult with appropriate bodies.
- 6.2 In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty - namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010 and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion) and persons who do not (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.
- 6.3 If the Mayor makes the decisions sought, officers must ensure that:
- 6.3.1 no reliance should be placed, nor commitments made based on the DLUHC funding until DLUHC have entered into a legally binding commitment to provide the funding to the GLA on terms with which the GLA is confident it can comply
- 6.3.2 to the extent that expenditure concerns the award of grant funding, it is distributed fairly, transparently, in manner which affords value for money and in accordance with the requirements of the GLA's Contracts and Funding Code and grant funding agreements (containing such provisions as required to enable the GLA to comply with its own obligations

to DLUHC) are put in place between and executed by the GLA and recipients before any commitment to fund is made

- 6.3.3 to the extent that expenditure concerns the payment for services, those services are procured in liaison with TfL Procurement and in accordance with the GLA's Contracts and Funding Code and contracts are put in place between and executed by the GLA and contractors before commencement of such services.
- 6.4 The Mayor may delegate the exercise of the GLA's powers, albeit subject to any conditions, which the Mayor sees fit to impose, to the Executive Director Good Growth.
- 6.5 In addition, as the proposals in respect of which decisions are sought involve the making of commitments which extend beyond the current Mayoral term officers must ensure that the terms of all agreements entered into in respect of the expenditure do not have the effect of fettering the discretion of any successor administration, considering in particular the London elections taking place in May 2024. Accordingly, officers must ensure that all agreements which involve making such commitments include a GLA right to terminate at any point for convenience (at no cost to the GLA) and all such agreements are managed in such a manner, and any deliverables, milestones and/or output requirements are structured so as to mitigate risks of the GLA incurring abortive expenditure (which might be reasonably be taken to fetter, practically, the exercise of such discretion).
- 6.6 Section 333ZC of the Greater London Authority Act 1999 (as amended) provides that the GLA may not dispose of land for less than the best consideration which can reasonably be obtained unless the Secretary of State consents. This does not apply to the grant of a lease for a term of not more than seven years. If the term of the lease is more than seven years, the GLA will need to ensure that it receives best consideration for the grant of the lease, or the consent of the Secretary of State is obtained

7 Planned delivery approach and next steps

Activity	Timeline
Workstream 1 building repairs	
AY developing specification for tendering purposes	March 2023
Invitation to tender (via TfL procurement)	April/May 2023
Delivery start date	July/August 2023
Delivery end date	November / December 2023
Project closure	March 2024

Workstream 2 Operator procurement	
Develop specification for new operator Heads of Terms agreed	February 2023
Commence operator procurement	March 2023
Receive operator proposals / commence negotiations	June 2023
Appoint operator / obtain director approval	October 2023
Commence new lease arrangement	March 2024

Appendices and supporting papers:
None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral**Is the publication of Part 1 of this approval to be deferred? Yes**

If YES, for what reason: Commercial sensitivities regarding tender action.

Until what date: 31.03.24

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO**ORIGINATING OFFICER DECLARATION:**

Drafting officer to
confirm the
following (✓)

Drafting officer:

Jamie Dean has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Philip Graham has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Jules Pipe has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 6 March 2023.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:

D. Gane

Date:

06/03/2023

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature:

D. Bellamy

Date:

06/03/2023