

## REQUEST FOR MAYORAL DECISION – MD1584

### Title: 639 Community and Enterprise Centre Evaluation and Forward Strategy

#### Executive Summary:

Following endorsement at IPB (Sep 2015) a Mayoral Decision is required to enable the recommended forward strategy for the 639 Community Enterprise Centre and associated building asset.

The strategy is for:

- the continued provision of a Community and Enterprise Centre with a sharper focus on enterprise and youth
- an end to the GLA subsidy for the project (over and above a continued peppercorn rent), and
- the extension of the current lease for a period of 12 months with the current tenant/tenant/operator – The London Youth Support Trust (LYST), alongside the commencement of a procurement exercise to find a longer term tenant/operator in readiness for March 2017.

#### Decision:

The Mayor approves the:

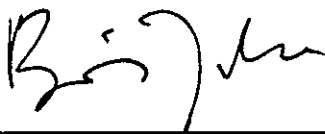
1. grant of a new lease of the 639 Community Enterprise Centre to the London Youth Support Trust for the duration of 12 months, with a three month rolling break clause but no additional GLA funding;
2. variation of the GLA's existing grant funding agreement with London Youth Support Trust to extend for the same period; and
3. undertaking of a competitive exercise to identify a new tenant/operator and grant of a 10 year lease (incorporating a five year break clause) to the new tenant/operator so identified from March 2017 (at a continued peppercorn rent). The appointment will come back to the Mayor for a decision.

#### 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: 16.12.15

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

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The 639 Tottenham High Road Enterprise and Community Centre project was proposed as a cornerstone of the Mayor's Regeneration Fund programme in Tottenham and utilises London Enterprise Funds (LEF) from Government. The project was jointly agreed by the GLA and LB Haringey following consultation with the local community and discussion with the Tottenham Taskforce. The GLA acquired the riot damaged building on Tottenham High Road to provide a range of services and activities, all of which have an employment and enterprise focus. Following a complete renovation of the building, the Mayor opened the centre in May 2013.
- 1.2 The GLA purchased the building, which was formerly council offices, from the London Borough of Haringey at a cost of £0.553m, (approved under cover of DD791) including the relevant legal fees and stamp duty. An overage clause was agreed at the time of acquisition requiring the GLA to invest future sales receipts over and above £2m in enterprise and employability projects in Tottenham.
- 1.3 The GLA initially allocated £1.5m (DD790) capital for the re-design and refurbishment of the building. In turn to ensure the building was fit for its new purpose an additional £128K was made available (via DD 1112) and more recently to deliver the Employability Lab a further £165K was approved (via DD1263).
- 1.4 The GLA also awarded £100,000 (MD1170) revenue funding to LYST, following a competitive exercise, to develop a business plan and then a further £500,000 revenue (MD1170) to support the operation of the centre over the three year period March 2013 to March 2016. It was intended that by the fourth year of operation, the project would be financially sustainable and no further public subsidy would be required beyond the continued peppercorn rent.
- 1.5 The 639 centre promotes small and emerging businesses bringing together all strands of support to develop and sustain careers, from school leavers support and training, to subsidised premises, business mentoring and career development initiatives. A range of space is provided:
- Affordable office space (incubator space)
  - Shared Workspace
  - Conference and Board rooms
  - Exhibition Gallery
  - Cafe
  - Tottenham's Living Room: a free-to-hire space for local business, groups and organisations
  - Pop-up shops.
- 1.6 Through partners who are based in the building, employment and training opportunities are provided including work experience, mentoring, volunteering (through Team London) and free business advice. The following target project outputs were agreed for the project and profiled over the three year period:
- 225 pre-business start-up assistance
  - 85 new businesses created (operating for a minimum of 52 weeks)
  - volunteers to set up their own business
  - 12 people supported directly into employment through the project
  - 36 public training events
  - 40 unemployed into volunteering roles (for one year only)

- 60 volunteers into training and apprenticeships
- 8 volunteers into employment (for one year only).

1.7 Over the past 12 months, in collaboration with LYST, the GLA Regeneration team has developed a wider programme to broaden service delivery and take full advantage of the building asset. This includes developing a partnership with the borough and Birkbeck to offer their introduction to Higher Education course from 639 as a first step towards a larger Tottenham offer similar to the model successfully delivered in Stratford. The GLA has also made funds available (via DD1263) to run an Employability Lab on the ground floor of the building and have facilitated the move of the Tottenham Regeneration Team into the building. Design and building works have been undertaken to enable this wider programme and to improve reception facilities circulation and legibility within the building.

1.8 The GLA recently appointed Livity as the tenant/operator for the 639 Employability Lab (Somewhere to\_ Tottenham) which will be in operation from August 2015 for a 9 month pilot period. Livity brings over 14 years' experience of working with young people. Their model helps young people achieve critical employability skills and experience and creates pathways into employment in professional roles.

## 2. Objectives and expected outcomes

2.1 In line with other MRF/LEF investments, the 639 project is subject to review and evaluation. Consultants Regeneris have undertaken a review to assist the preparation of a forward strategy. The evaluation has sought to provide an understanding of how the project has been working in practice, to identify opportunities for improvement and to establish a recommended 'best way' to continue to deliver enterprise support from the 639 building over the longer term.

2.2 The evaluation has found that over the operating period to date the 639 Centre has been established successfully, supporting new business creation in line with anticipated outputs, and has made progress towards making this model financially sustainable:

- Occupancy rates have been high, averaging 84% over the first two years of operation, comprising business start-ups and delivery bodies providing skills / employability support.
- Early challenges around building navigability, security and leaks that put some rooms out of commission have been successfully addressed through proactive responses by LYST and the GLA.
- Engagement with the community has been strong with the Tottenham Living Room attracting over 100 different user groups in the first two years, many using the space on a regular basis.
- The business support provided for entrepreneurs was highly rated by beneficiaries, reflecting the capability of LYST officers in providing support, and the economic impact assessment suggests approximately £1.40 GVA has already been created to date for every £1 of public funding invested, with potential for greater future impacts estimated to be around £4.50 for every £1 when incorporating expected impacts over the next three years. On this basis a future 10 year lease period would generate additional GVA in excess of £9.5m.
- The centre is continuing to increase its income base, and reduce ongoing operating costs, moving it towards a sustainable financial model – anticipated for financial year 15/16.
- The project is on a trajectory to meet most, if not all, of its stated targets. The table below sets out the latest position in performance against the eight key output indicators that the

project has been measured against, as at the end of 2014-15. It should be noted these are interim outcomes as there is still a full year of delivery to be undertaken under the current agreement and a further year for the business created measure which requires an additional 52 weeks of trading to be verified.

<b>Output</b>	<b>Project total (to date)</b>	<b>Project Target (2013-16)</b>
New businesses created (operating for a minimum of 52 weeks)	38	85
Direct Jobs Created	30	12
Businesses Assisted (including pre-start assistance)	102	225
Training and job recruitment events facilitated	134	36
Unemployed into volunteering	70	120
Volunteer to employment	36	24
Volunteer to training or apprenticeship	12	110
Volunteer to enterprise/start up	1	6

- 2.3 In recognition of the challenges the evaluation has identified the necessary changes needed to the core business model for the centre to achieve long term financial sustainability, notably that while business support will continue as an essential part of delivery it should not be required to be funded as part of the core business model. This adjustment would make long term financial sustainability more possible and is in line with approaches of other similar enterprise centres. LYST are already beginning to subsidise this aspect of the 639 operation independently.
- 2.4 It is further recommended that if the centre were more focused on enterprise, it could accommodate more start-ups, and balance this with commercial partners, offering more opportunities for networking, mentoring and supply chain relationships.
- 2.5 The evaluation identifies that the project board should be enhanced with a wider membership including local elected councillor representation and enhanced attendance from local business and community group users of the centre. A more rigorous approach to performance monitoring and recording is also required to enhance regular tracking of progress and achievements. It is also further proposed that tenant/operator rather than the GLA should administer the board.
- 2.6 The evaluation also recognises that 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.
  - Analysis of the riots published since the development of the 639 Centre project highlights the continued importance of supporting economic opportunities for local young people.
- 2.7 Having established a strong financial and economic argument and in view of the overwhelming support for an enterprise project to continue in this location from all consultees including importantly LB Haringey, the Sep 2015 IPB endorsed the retention of 639 for the ongoing provision of a Community and Enterprise Centre albeit with recommended changes.

- 2.8 On the basis of strategic fit, potential economic impact and potential for financial sustainability, it is recommended that the most appropriate future focus for the centre is a stronger enterprise focus, but also ensuring a more explicit focus on supporting young entrepreneurs as part of this offer.
- 2.9 On the basis that the project is still at a relatively early stage, has the opportunity to be strategically refocused and has yet to fully demonstrate financial sustainability of the model (expected to be achieved in Year 4, 2016-17), the most sensible option would be to retain the current tenant/operator until the project is more established before awarding a contract to a longer term provider. The study recommends therefore a new lease to LYST's for a further 12 months, enabling LYST to establish the revised operating focus for the centre and reach financial sustainability. A three month rolling landlord's break clause will apply.
- 2.10 Concurrently, the GLA will tender for a new tenant/operator whose tenure would commence in 2017 on a 10 year fully repairing lease basis – with a 5 year mutual break clause. It is not anticipated that any further GLA grant funding would be needed in agreeing this extension with LYST other than continuing the peppercorn rent although outputs will continue to apply and be monitored accordingly.
- 2.11 For both the 12 month and 10 year leases the GLA will maintain a right to specify certain subtenants, in the first instance the LB Haringey Regeneration team, who have made significant investment in the building. This will also be factored into the procurement exercise for the future operator in addition to the future 10 year lease
- 2.12 The current lease requires the GLA to insure and maintain the physical fabric of the building. Since 2013 this has included costs associated with lift maintenance, and reactive maintenance to the exterior of the building totalling £8,772. It is proposed that the GLA's Housing and Land Department is responsible for the maintenance of the fabric of the building for the additional 12 months. Whilst a budget of £60,000 per annum has been estimated as prudent previous experience suggests that GLA expenditure is likely to be below this. The longer term lease from March 2017 will be a fully repairing and insuring lease. This is common in the GLAP portfolio and will significantly limit exposure to cost (assuming the tenant remains sound).
- 2.13 It is proposed that the peppercorn rent continues for both the initial 12 month extension and for the 10 year lease period as the sole form of subsidy from the GLA (other than the initial 12 months' maintenance liabilities). However future tenants/operators from March 2017 onwards will be encouraged to make proposals to the financial advantage for the GLA. Based on soft market testing these could feasibly result in a financial model that derives a surplus for the project or an income for the GLA. This is of course subject to the results of the procurement exercise, and the condition of the building at the time of forming a lease. It is recommended in order to safeguard the asset and support a more sustainable financial model that the first call on any future revenue stream would be a reserve to be invested in future building maintenance.
- 2.14 If the GLA preferred to significantly reduce its involvement and ongoing liabilities, a Trust model would offer a suitable option, but may involve significant up-front costs in the form of a dowry to offset building liabilities – further consideration will be given to this ahead of the future procurement exercise to ensure set up arrangements are not disproportionate to the benefits.
- 2.15 The GLA working with Regeneris have developed an outline statement of requirements (See appendix 1) to guide both the 12 month extension period and the longer term 10 year lease period. This is a performance specification that seeks to provide flexibility in return for the delivery of clear outcomes. The primary output target for the 639 Enterprise Centre will be new businesses created.
- 2.16 Based on an assumption of 50% of available units (20 no.) being used for start-ups, and a maximum tenancy of businesses within these units of 2 years, a minimum target will now be set of 12 new businesses created per year a stretch target will also be agreed via the procurement exercise.

- 2.17 The GLA's current grant funding agreement with LYST will be extended by 12 months. The outline Statement of requirements will be appended. The extended Grant Award will also ensure that LYST and any sub lease will be obliged to execute their duties in terms of equalities

### **3. Equality comments**

- 3.1 The 639 Tenant/operator (LYST) is supported to ensure development and delivery of service provision is in compliance with relevant Codes of Practice and 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 has been 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 have been encouraged to comply with Mayor of London branding guidelines, it being based on guidance from the Royal National Institute of Blind People. Where possible accessible formats will be available.
  - iii) Events: all events have been strongly encouraged to be open to all and, where possible, we will encourage people who share a protected characteristic to participate in any activity in which their participation is disproportionately low.
- 3.2 The 639 Tenant/operator (LYST) liaises 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.

### **4. Other considerations**

- 4.1 Despite the project's current promising financial trajectory, there is of course 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 an 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 and the enhanced board will advise on changes to scope, and on possible funding opportunities to keep operations within budget. Soft market testing has indicated an appetite among a range of tenant/operators to take on the building and project without subsidy. A procurement exercise could be mobilised and a new provider found more quickly than planned if required and deemed appropriate. A related risk would be around the identification of additional funding to subsidise the business support activity. The current tenant/operator has already successfully commenced fund raising to insulate the project from this.
- 4.2 A further risk remains regarding the potential for costs associated with building repairs. This is somewhat mitigated by the significant recent investment in the building with very recent repairs to the building's flats roofs. Over the last 3 years of the project maintenance costs have been minimal, and routine preventative checks and maintenance operations will continue. The longer lease from March 2017 will be fully repairing and will further insulate the GLA from this risk. The tenant/operator will also be asked to build a surplus to be used on the building fabric although this is not guaranteed.

### **5. Financial comments**

- 5.1 Approval is sought for the continuation of the provision of a Community Enterprise Centre as 639 Tottenham High Road through the extension of the current lease to LYST for 12 months and the

variation of the existing Grant Award to LYST to extend and enhance its application for the same period. Approval is also sought to undertake competitive tendering to award a 10 year lease on a peppercorn rent from March 2017.

- 5.2 The extension of the existing lease will continue to be at a peppercorn rent with no additional grant funding but any maintenance costs will fall on the GLA. These are estimated to be up to £60,000 per annum and will be funded from the existing 2016/17 Housing & Land Estate Management budget.
- 5.3 The subsequent 10 year lease is proposed to be at a peppercorn rent on a full repair and insurance basis and at no additional cost to the GLA .
- 5.4 Any future operator will be asked to build up a reserve to be reinvested into the building fabric.

## **6. Legal comments**

- 6.1 The foregoing sections 1-3 of this report indicate that:
  - 6.1.1 the decisions requested of the Mayor fall within the statutory powers of the Authority to do such things as are considered facilitative of or conducive or incidental to the promotion of economic development and wealth creation in Greater London; and
  - 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority'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; and
    - (c) consult with appropriate bodies.
- 6.2 Should the Mayor be minded to make the decisions sought and set out in this Mayoral decision officers must ensure that:
  - 6.2.1 a 12 month lease is agreed by and executed by the Authority and LYST before the expiry of the current lease and before any commitment is made to LYST in this regard;
  - 6.2.2 the Authority's grant funding agreement with LYST is varied in accordance with the provisions in that agreement for the same and that such variation is executed by the Authority and LYST concurrently with the execution of the 12 month lease;
  - 6.2.3 they liaise with Transport for London Procurement who will determine the detail of the procurement strategy regarding the longer term tenant/operator in accordance with the Authority's Contracts and Funding Code and ensure that appropriate lease documentation is put in place and executed by the successful bidder and the Authority before the commencement of that lease.
- 6.3 Section 333ZC of the GLA Act provides that the GLA may not dispose of land held by it for the purposes of housing and regeneration 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 7 years. If the term of the lease is more than 7 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.

- 6.4 It should be noted that as GLA Land and Property Limited (GLAP) will be a party to the legal documentation, GLAP will also need to approve the proposed lease in accordance with its constitution.

## **7. Investment & Performance Board**

Meeting of Investment and Performance Board, Thursday 17 September 2015 10.00 am (Item 9.)  
639 Community and Enterprise Centre Evaluation and Forward Strategy

### **Minutes:**

9.1 The Board received the report evaluating the 639 Tottenham High Road Community and Enterprise Centre and the recommended forward strategy for the project.

9.2 The Assistant Director for Regeneration outlined the work of the 639 Centre to date and the performance targets that had been achieved. The report proposed the lease with the operator, London Youth Support Trust, be extended for 12 months, after which time a full procurement process for a 10 year lease would be undertaken. This would also allow time for a governance review of the project to be undertaken. The 10 year lease would include break clauses.

9.3 The Board discussed the funding for the project. Liability for the building over the next 12 months would fall within the Housing and Land Directorate's contracts. From 2017, the building would become the responsibility of the operator, but the asset would not be transferred across.

### **9.4 DECISION:**

- a) That the continued and long-term provision of a Community and Enterprise Centre at 639 be endorsed, based upon the positive findings of the independent evaluation and the endorsement and support of key consultees including LB Haringey;
- b) That it be noted that on the basis of strategic fit, potential economic impact and potential for financial sustainability the operational model will shift towards a stronger enterprise emphasis, with a more explicit focus on supporting young people;
- c) That the extension of the current lease with the current operator the London Youth Support Trust (LYST) by 12 months (without any additional GLA funding, beyond that proposed at paragraph 2.6 of the report, although outputs would continue to apply and be monitored for that period), before undertaking a competitive exercise to identify a new operator to be in place for a 10 year lease period from March 2017, (both at a continued peppercorn rent) be endorsed. The future 10 year lease would incorporate periodic break clauses to ensure the decision making of any future Mayor is unfettered;
- d) That the Board notes the governance of the project would be enhanced with board membership broadened to increase local business involvement, elected Council representatives, along with representatives from community user groups and the wider London 'start-up' business community. Furthermore the operator would now report directly to the Tottenham Delivery board;
- e) That it be noted that the GLA would develop and utilise the outline Statement of Requirements (Appendix 1) to guide procurement of the 639 Centre long term operator and to inform delivery during the 12 month extension period; and



f) That the proposed maintenance to a reasonable standard by H&L (funded from their maintenance budgets) during the 12 month extension period be endorsed, after which it will be subject to a fully repairing lease.

- See more at:

<http://www.london.gov.uk/moderngov/mgAi.aspx?ID=19517#sthash.bQ5XBCuM.dpuf>

## **8. Planned delivery approach and next steps**

8.1 The next steps following consideration/in-principle approval by IPB are summarised below:

<b>Activity</b>	<b>Timeline</b>
Issue tenant/operators brief for 1 year extension / Invite business plan submissions from current tenant/operator	December 2015
Receive business plan submissions from current tenant/operator	December 15
Develop business plan / draft lease	1 January 16
Extend current provider	From 9 March 16
Carry out condition survey and prepare procurement package	February / March 16
Commence longer term procurement exercise	May 16
Select longer term tenant/operator	Nov 16
Grant and execute longer term lease	March 17

## **Appendices and supporting papers:**

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval or on the defer date.

**Part 1 Deferral:**

**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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 have been consulted on the final decision.

(✓)

**Assistant Director/Head of Service:**

Debbie Jackson has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

(✓)

**Sponsoring Director:**

Fiona Fletcher-Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

(✓)

**Mayoral Adviser:**

Ed Lister has been consulted about the proposal and agrees the recommendations.

(✓)

**Advice:**

The Finance and Legal teams have commented on this proposal.

(✓)

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Allen*

Date

*8.12.15*

**CHIEF OF STAFF:**

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

Signature

*Edmund H...*

Date

*09:12:2015*