

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD791

Title: Purchase of 639 High Road, Tottenham.

Executive Summary:

The purpose of this paper is to approve the release of funds (£555,000) from the Mayor's Regeneration Fund to purchase a building from the London Borough of Haringey at 639 High Road, Tottenham. The building will be transformed into an employment and enterprise hub which will serve the local community. The hub will also provide a base for Team London volunteering activities with all parts of the community.

Decision:

That the Director of Development and Environment (acting under authority delegated as per MD895) authorises:

- (i) the purchase of 639 High Road, Tottenham by either the GLA or GLA Land and Property Limited (whichever is appropriate) from the London Borough of Haringey.
- (ii) the allocation and spend from the Mayor's Regeneration Fund of up to £555,000 for the acquisition, including stamp duty land tax and legal fees, of 639 High Road, Tottenham

AUTHORISING DIRECTOR/HEAD OF UNIT

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name Fiona Fletcher-Smith

Position Director of Development and Environment

Signature



Date

17.5.2012

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

Decision required – supporting report

1. Introduction and background

Following the public order disturbances in August 2011, the Mayor announced a fund of £70m to invest in long term regeneration in some of the worst affected boroughs (MD895). From this fund £20m has been contributed directly by DCLG, this portion is ring-fenced to Tottenham and Croydon. The remaining £50m is being funded directly by the GLA.

GLA officers and the London Borough of Haringey officers have been drawing up plans for multiple proposals in the borough, predominantly focused in Tottenham where the public order disturbances started.

Through consultation with the local community and investigating need for the area linked to jobs and economic growth, it has been proposed that the GLA acquire a riot damaged building at 639 Tottenham High Road (the Building) which will provide a raft of services and activities; all of which will have an employment and enterprise link.

LB Haringey have co-ordinated a number of consultation events and the Tottenham Taskforce has undertaken work to determine if this is the right offer in the area. It has been concluded that this is a very attractive proposal which will be of use to multiple groups of people from across the borough.

The GLA and LB Haringey have agreed, through valuations, that the Building will be purchased for £520,000 and that should the GLA subsequently dispose of the Building then overage should apply. Increases in value and redevelopment costs will be taken into account when determining the overage.

The GLA would now like to invest in legal fees up to the value of £10,000 for services to acquire the Building.

Stamp duty land tax on the purchase cost is at 4% which will total £20,800. Therefore the full cost of acquiring the Building with legal fees and stamp duty land tax will be circa £550,800.

The Building has had an initial survey, although a full structural survey will be required once the purchase is complete and works start to refurbish the Building. Currently the Building, whilst fire damaged during the riots is, so far as we are able to establish, in good structural order. It will need some works internally but so far as we are aware is in a sound state for refurbishment works to be complete by October and within the capital budget allowed in the Mayor's Regeneration Fund proposals.

A design and build contractor will be appointed through a competitive tendering process to work with the GLA and the appointed operator to design the layout of the hub and undertake all refurbishment works, with a view to opening the Building as a community based facility in October this year. A separate paper (DD790) has been produced on this aspect of the project which has been signed off by the Executive Director of Development and Environment.

When the Building has been refurbished and opened in the autumn, it will be managed by an operator who will be procured and appointed by the GLA.

GLA officers are currently seeking bids from potential operators. An operator is expected to be appointed by the end of May and this will form a separate paper to the Mayor and RIG in the coming weeks.

The appointment of the operator will be phased in two steps. Firstly, they will be required to work up a business plan with the GLA, then they will be appointed to operate the centre. There will be a break clause should the GLA not wish to appoint the organisation into stage 2 as operator.

It has been carefully planned that the operator for the Building is procured at the same time as the contractors under the design and build so that the two appointed teams can work together to create the best end user experience to include all the services described in detail below.

Nevertheless, the budget is such that the internal structure of the Building will not be changed significantly and the spaces created could be multi-functional, allowing small adaptations should the services in the building change over time.

The GLA will work with the appointed operator through the summer to produce a viable business plan for the first three years which will include a full view of the revenue streams, running costs and demonstrate which parts of the Building will either be self financing or provide income streams, such as the incubator spaces and social enterprise café. It is also expected that the operator will secure revenue from either grant making bodies, private sector partners or philanthropic individuals, some of whom have already shown an interest in assisting the centre financially. The business plan will be seeking for the operator to be self-financing in 3 - 4 years. Full running costs will be defined during this business planning stage, indicative costs (through research) show that the centre will cost circa £300,000 each year to operate. The business plan will be presented to the Executive Director of Development and Environment and RIG in due course.

Currently it is anticipated that, working with local communities, businesses and LB Haringey, the Building will form a Team London in Tottenham housing skills training, advice for budding entrepreneurs, incubator spaces for new businesses, a social enterprise café which will serve as a focal point for the local community, skills and training advice services for those looking for employment or to better their job opportunities with an on-site crèche facility to allow parents to make full use of the facilities and volunteering opportunities for all parts of the community from mentoring young people to working with older people and environmental projects.

The GLA have secured the support of 2 commercial incubator operators who would like to have some involvement with the appointed operator, be it mentoring or otherwise, so that the commercial elements of the Building are well utilised. All revenue will be recycled back into the running of the Building and the services provided.

Research into the need for the services provided has taken place over many months so there is confidence that the Building will be well used.

There are also 3 organisations who have already indicated that they would like space in the Building to provide their own services which will create footfall and inevitably jobs.

Should no commercial operator be secured to take over the Building and the GLA decide to release the asset from their portfolio, it is anticipated that a residential use would be the most likely. Property officers have advised that the Building will not lose value should it be sold for residential use. Any increase in resale value will be used for other projects in Tottenham.

2.

Issues for consideration

a) Links to strategies and Strategic Plan

The proposed programme is not mentioned in the strategic plan directly, as it is a response to the unforeseen exceptional incidents of August 2011. However, the programme overall, and the individual projects for Tottenham currently being scoped link closely to three of the Mayor's priority

themes: improving Londoners' quality of life, investing in young Londoners and making London safer.

b) **Impact assessments and Consultation**

Consultation has already been held with community members in Tottenham, and this work will seek to increase the engagement with local communities, to ensure the plans and designs of the project fits with local needs. Impact assessments will be carried out once projects have been finalised and before they are delivered.

c) **Risk**

That works are not complete before the main building is open and that the facility is not utilised to its full potential. These will be mitigated by a full project plan for both the erection of the building and the activities that take place in it.

Once complete, the building is either under-utilised or the business case provided by the operator shows that the uses for the Building highlighted above are not viable and the subsequent monies received upon any resale may not cover funds used for the refurbishment. This is however seen as low risk as all consultation and analysis undertaken to date indicates that the Building will be used to capacity.

3. Financial Comments

The cost of this decision is estimated at up to £555,000 which will be capital expenditure incurred in 2012-13. Funding for the project will be from the £70 million approved budget for post-riots regeneration interventions which includes £20 million London Enterprise Fund grant funding from the Department for Communities and Local Government. There is provision within the overall revenue and capital budgets to fund this investment, taking into account current committed spending and the aggregate of projects which are proceeding to stage 2 business cases.

In approving this decision the GLA will be committing to future revenue costs by way of operator subsidy, although the longer term objective is that the building should be self-financing. The potential annual on-going cost is currently estimated at up to £300,000. A business case and contract for the operation are to be developed over the summer and a separate decision will be required for this expenditure and its funding. This will need to include consideration of an exit strategy in the event that subsidy might be required outside of the £70 million budget currently approved for post-riots interventions.

Insurance arrangements will need to be confirmed. Any additional costs would be met from the corporate insurance budget.

All necessary budget adjustments will be made.

4. Legal Comments

4.1 The proposals detailed above to purchase the Building fall within Section 30 of the Greater London Authority Act 1999 (as amended) ("GLA Act") which gives the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA. The principal purposes, as set out in section 30(2), are:

- (a) promoting economic development and wealth creation in Greater London;
- (b) promoting social development in Greater London; and
- (c) promoting the improvement of the environment in Greater London.

4.2 The Building will need to be purchased by either the GLA or GLA Land and Property Limited depending on the terms of the GLA (Specified Activities Order) 2012.

5. Investment & Performance Board

The approval for this decision is required urgently and hence the Regeneration Investment Group has not been consulted in advance of this proposal. The team will provide a short paper on this decision to RIG to ensure it is kept up to date.

6. Background/supporting papers

MD895

DD758 (cost consultant and health and safety appointment)

Tender specification for the design and build contract

Tender specification for centre operator

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? No

If yes, for what reason:

Until what date:

Is there a part 2 form – No

ORIGINATING OFFICER DECLARATION:

Tick to indicate
approval (✓)

Drafting officer:

Joanna Rowelle 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:

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

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Executive Director, Resources

I have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

Signature

M. J. Allen

Date

17.5.12