

Report for: Assistant Director Corporate Property and Major Projects

Title: Approval to the waiving of standing order CSO 10.01.1 in order to appoint an agent to act on the Council's behalf in the negotiation and completion of the purchase of the lease at Unit 2, Fountayne Business Park and the grant of a sub-lease to Ada: National College of Digital Skills

Report authorised by : Jon McGrath, Assistant Director Corporate property and Major projects

Lead Officer: Neil Simon, Property Consultant

Ward(s) affected: Tottenham Green

Report for Key/
Non Key Decision: Non key

1. Describe the issue under consideration

1.1 The Director Regeneration Planning and Development approved the acquisition of a lease at Unit 2, Fountayne Business centre on 5th July 2016. 2016. An agent is required to undertake the negotiation of the purchase to completion of the lease and to sub lease the property to the National College for Digital Studies (NCDS).

2. Recommendations

2.1 It is recommended that standing order CSO 10.01.1 is waived in order to appoint Cushman & Wakefield to act on the Council's behalf to negotiate and complete the purchase of the head lease of Unit 2, Fountayne Business Centre and to sub let the building to NCDS. The contract sum is £20,000 plus VAT.

3. Reasons for decision

3.1 The nature of the transaction, the location of the building and knowledge of the parties involved is key in negotiating the transaction. Cushman & Wakefield have acted for both the Council and NCDS in the past and are familiar with this location.

3.2 The fee is agreed based on an hourly rate in contrast to the usual percentage requested by an agent for a purchase or sale making a substantial saving to the Council.

Alternative options considered

3.3 An alternative agent could be appointed although they would not have the knowledge and experience of transactions in the area or the relationship with the parties as Cushman & Wakefield.

4. Background information

4.1 The Director Regeneration Planning and Development approved the acquisition of the head lease at Unit 2, Fountayne Business Centre and the subletting of the building to NCDS in July 2016. 2016. An agent is required to undertake the negotiation of the purchase and sub letting to completion.

5. Contribution to strategic outcomes

5.1 The National College for Digital Skills is a major new project which stands to transform the quality of technical vocational education to Haringey's young people and their future career prospects. It is committed to taking students from non-traditional backgrounds and will prepare them for careers in London's technical and financial sectors with typical starting salaries in excess of £25,000 p.a. Routeways to employment will be secured through the industry links which the college has already developed.

5.2 It will also play an important place-making role in Tottenham Hale through its new build campus on Ashley Road and, over time, should serve to attract new tech businesses to the area by creating a local talent pool.

5.3 Officers and members have been working over the past year to secure this investment in the future of the area and had already provisionally identified a requirement for financial support to bring the project to fruition.

5.4 Negotiations on the new build site and premises are progressing effectively. However the planning and build process will take approximately two years and the college has indicated that it wishes to open by September 2016, and to establish itself from the outset at a single location, in order to build reputation and student numbers.

5.5 An interim location is therefore required pending completion of the permanent premises. Unit 2, Fountayne Business Centre, Broad Lane, Tottenham N15 4EQ would be the most suitable interim site but Ada NCDS is unable to finance the rental costs of the premises because its government grant is exclusively capital.

5.6 The Property is available at a rent of £200,000 per annum and comprise 1260 sqm of accommodation on two floors. The total cost of a ten year lease is therefore £2m but this is offset by a £285k surrender premium from the building's existing tenants.

5.7 It is therefore proposed that Haringey Council invest £1.715m net of acquisitions funding in taking a ten year lease from July 2016 and sub-letting to Ada NCDS at a peppercorn rent, in order to secure this important regeneration and economic development project for the borough. The college will be responsible for the remaining running costs including business rates.

5.8 The net cost of £1.715m will be substantially offset by income through ongoing operation of the refurbished building, once Ada vacates, as an incubator for tech sector businesses. Preliminary modelling of different occupancy rates and rental levels suggests total income over the remaining eight year period of the lease ranging between £600k and £1.3m, reducing the ten-year net cost to Haringey to between £1.1m and £400k.

5.9 The proposed investment will lever in circa £30m of government capital, together with ongoing revenue support for the provision of the post-16 training programme through standard further education national funding formula (funding per student qualification). Haringey funding is therefore leveraging in other investment at a ratio of between 1:27 and 1:75.

5.10 The college will contribute to place-making and job creation targets in the Tottenham Hale DCF, and to both the 'Fully Employed Borough' and 'More Dynamic Borough' aspirations from the Economic Development and Growth Strategy.

6. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and procurement

6.1 The proposed transaction meets the terms of the Delegated Authority given by Cabinet in January 2015 around the use of the Strategic Site Acquisitions Fund in that it provides Regeneration benefits and is within the defined area. Although not a direct acquisition of Land or Property the length of the lease involved means that the proposed transaction can be appropriately treated as capital expenditure.

6.2 The Strategic Site Acquisitions Fund was agreed by Cabinet on 11 February 2014 by way of the creation of a revenue budget of £1.900,000 to finance the borrowing costs of an estimated £50,000,000 of capital expenditure.

6.3 The net cost to the Council of the initial transaction is £1,715,000 taking account of the surrender premium. However, the rental income expected to be received over the length of the lease will further reduce the cost to the Council and offset the related interest costs.

6.4 The exact borrowing costs related to this transaction will need to be assessed as part of normal Treasury Management activity and recharged to the Strategic Site Acquisitions Fund revenue budget but as there have been relatively few acquisitions to date there is no risk that the necessary revenue

funding is not available. It is also expected that the future rental income is also charged to the Strategic Site Acquisitions Fund to offset the related interest costs.

6.5 The Corporate Procurement Unit notes the recommendations in this report and that there is no input from procurement required.

Legal

6.6 The Property is currently leased to The Secretary of State for the Environment under a lease dated 17 March 1995 for a term of 25 years from 25 December 1994. That lease will be surrendered and the recommendation is for the Council to acquire a new ten year lease from Select Properties (Tottenham) Limited (the freeholder) and to grant a sub lease out of that lease to Ada NCDS . Consent of the landlord will be required to sub letting and for any change of use.

6.7 The Director of Regeneration, Planning and Development has the authority given by Cabinet on 20 January to acquire land and properties however this must comply with the criteria set out in that decision.

Equality

6.8 The Council is subject to the Public Sector Equalities Duty ("PSED") set out in section 149 of the Equalities Act 2010 which obliges the Council in performing its functions "to have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it"

6.9 The protected characteristics under the legislation are age, sex, ethnic origin, sexual orientation, disability, religion or belief, pregnancy or maternity and gender reassignment, marriage and civil partnership.

6.10 Because of the college's intention to recruit learners from backgrounds traditionally under-represented in the digital industries (women and people from BAME backgrounds) it is anticipated that the project will have a positive impact on equalities. The college is currently working with the Council to recruit a marketing officer to promote the offer to young people.

7. Use of Appendices

Appendix A – Site Plan of Unit 2, Fountayne Business Centre

8. Local Government (Access to Information) Act 1985

- a) Delegated decision Director Regeneration Planning Development 5th July 2016

Appendix A-Site Plan



