

Agenda item:

[No.]

CABINET

On 21st July 2009

Report Title. **Hornsey Town Hall Refurbishment and Redevelopment**

Report of **Director of Corporate Resources**

Signed : *J. Pamer* 10/7/09.

Contact Officer : **Dinesh Kotecha, Head of Corporate Property Services**

Tel: **020 8489 2101**

e-mail dinesh.kotech@haringey.gov.uk

Wards(s) affected: **Crouch End**

Report for: **Key decision**

1. Purpose of the report

- 1.1. This report follows the outcome of first the feasibility report prepared by the design team working on the Hornsey Town Hall project and secondly the market appraisal report undertaken for this site by specialist consultant surveyors. The Hornsey Town Hall Community Partnership Board (CPB) has considered both reports and recommends a development option to be taken forward. The preferred option currently highlights a capital and revenue funding gap and recommends a phased implementation to minimise risk and safeguard the Council's position.
- 1.2. The project has reached the first gateway and the purpose of this report is to seek Cabinet approval agree the selection of the site development option, agree to increase the level of the forward funding by the Council and give approval to submit a planning application. This decision in effect determines the extent of the site and buildings to be retained for transfer to community use and the extent of the site to be used as the enabling development to generate

a capital receipt for reinvestment into the Town Hall.

- 1.3. The report also outlines the forthcoming milestones of this project and sets out the future key decisions that will be required prior to works commencing on site. In summary these are making contractual commitments for the restoration of the Town Hall, marketing and disposal of the remainder of the site for the enabling development and approving the transfer of the Town Hall and retained parts to the Hornsey Town Hall Creative Trust (HTHCT).

2. Introduction by Cabinet Member

- 2.1. I concur with the recommendations.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

- 3.1. The Town Hall became surplus to Council requirements through the relocation of staff under the accommodation strategy. Its subsequent regeneration through this project will be a major contribution to the Council's Regeneration Strategy objectives.

4. Recommendations

- 4.1. Cabinet is requested to make the following key decisions:-
- a) Agree to the implementation of site development option 2b, as set out in the report.
 - b) Approve the continued preparation and submission of the application for planning consent for option 2b including the whole development, taking account of the feedback from the public consultation recently undertaken.
 - c) Agree to increase the extent of the Council's forward funding from £6 million to £7.1 million to accommodate the revised timescale for the marketing and building of the enabling development.
 - d) To approve the additional fees and preparatory costs of £450,000, which forms part of the increased forward funding, to support the preparation of the full planning application for the proposed development and the sale of the land (noting the at risk nature of the costs and mitigation being undertaken to manage the risks).

5. Reason for recommendation(s)

- 5.1. The Hornsey Town Hall Project has been through a feasibility process and is at a stage where decisions are required to take it forward. The recommendations set out reflect the current steps required to move the project to the next gateway. These include agreeing to a specific project option to go forward to a planning application and a revised funding profile recommended to take the project forward.

6. Other options considered

- 6.1. The full range of scheme options prepared as part of the feasibility study has been considered by the Community Partnership Board. The feasibility options appraisal is set out in the report.

7. Report Background

- 7.1. In March 2008 Cabinet decided to forward fund the design and preparatory works for the project covering the appointment of the design team, establishing the costs of refurbishment of the Town Hall and obtaining planning consent for the works.
- 7.2. A joint Client Group was set up in April 2008 by the Council and CPB to perform the client role, working with the professional team and advising the partners in taking forward the project.
- 7.3. The Community Partnership Board has continued to lead the process of generating a vision for the Town Hall as 'A world class model of civic renaissance, an arena for all, that harnesses a spirit of progress, community, creativity and enterprise for future generations in Haringey, London and beyond'.
- 7.4. Capita Symonds was appointed following approval by Procurement Committee in November 2008 to advise and project manage the design and feasibility study together with Architect John McAslan and Partners as the design architect.
- 7.5. In view of the changing property market, Knight Frank property consultants were commissioned to undertake a property market appraisal of this site to provide a robust assessment of the current potential value of the enabling development based on a number of scenarios. These include a mix of affordable and private residential units assessed on a 30/70 percentage split.
- 7.6. Options for the disposal of the site were considered and reported with a recommendation that a planning consent is obtained for the proposed development prior to securing a developer. The planning consent would remove the planning risk and provide the market with some certainty in terms of the form of development and value. Knight Frank undertook development appraisals for land values of £6m, £8m, £10m and £12m which are reflected in the options considered in this report. These figures are being reviewed based upon option 2b and will reflect the full detailed nature of the planning application being prepared. Revised figures may also impact upon the current funding gap.

8. Feasibility Study and Options Appraisal

- 8.1. Following a feasibility report undertaken by the design team seven options were presented to the CPB in consultation with Council officers by the design

team. A do nothing option was not considered on the basis that this would not achieve the objectives of the Council and CPB. A summary of the options can be set out as follows:-

8.2. All the options are based upon the Town Hall being retained and refurbished and the car park to the rear of the Town Hall and to the rear of Broadway Annex being developed for residential. The feasibility process included discussion with English Heritage and the 20th Century Society.

OPTION	SUMMARY
Option1 – Full refurbishment of Town Hall Building including Broadway Annex	<ul style="list-style-type: none"> • Complete Town Hall refurbished to a high and medium level and retained • Facilitating development includes new development to the car park to the rear and mews development • Broadway Annex building also retained and refurbished
Option 2a – Reduced refurbishment of Town Hall building excluding Broadway Annex and East Wing	<ul style="list-style-type: none"> • The Town Hall refurbished to a medium to low level but excluding Council Chamber and link block which are refurbished in a later stage • Facilitating development includes car park to the rear and mews development • East wing is converted to residential and sold and Broadway Annex also sold
Option 2b – Retain and refurbish Town Hall building and Broadway Annex excluding east wing	<ul style="list-style-type: none"> • The Town Hall refurbished to a medium to low level and retained. The Council Chamber and link block refurbished as a later phase • Facilitating development includes car park to the rear and mews development • East wing is converted to residential as part of development and sold • Broadway Annex building is refurbished and retained for commercial revenue income
Option 2c – Retain and refurbish Town	<ul style="list-style-type: none"> • The Town Hall refurbished to a

Hall building including the east wing excluding Broadway Annex	<p>medium to low level and retained. Council Chamber and link block refurbished as a later phase</p> <ul style="list-style-type: none"> • Facilitating development includes car park to the rear and mews development • Broadway Annex building is sold • East wing is refurbished and retained for commercial revenue income
Option 3 – Minimum refurbishment and replacement of existing M&E services	<ul style="list-style-type: none"> • The Town Hall refurbished to a low level of refurbishment (including East Wing) • Facilitating development includes car park to the rear and mews development • Broadway Annex building is sold
Option 3b – Minimum refurbishment, replacement of existing M&E services, enhanced refurbishment of Assembly Hall excluding east wing and Broadway Annex	<ul style="list-style-type: none"> • Assembly Hall refurbished to a high standard. The rest of the Town Hall to a low level of refurbishment • Facilitating development includes car park to the rear and mews development • East wing is converted to residential and sold and Broadway Annex is also sold.
Option 4 – Full refurbishment of Town Hall excluding Broadway Annex	<ul style="list-style-type: none"> • The Town Hall refurbished to a high to medium level (including East Wing) • Facilitating development includes car park to the rear and mews development • Broadway Annex building is sold

8.3. The main conclusion from the options appraisal is as follows were considered in detail by the CPB and officers from the Council.

Option	Considerations
Option 1	Rejected. Would result in £11.24m funding gap and therefore level of refurbishment unrealistic. Would be very difficult to bridge this gap.
Option 2a	Rejected. Would require sale of Broadway Annex building and East wing of Town Hall, resulting insufficient revenue, even with fund raising, sinking fund and contingency, to run the Town Hall
Option 2b	Preferred Option. See 8.5 and 8.6 below

Option 2c	Rejected. See 8.7 below.
Option 3	Rejected. Unworkable in terms of creating an effective business plan and would not meet the aims of the CPB in terms of branding the development
Option 3b	Rejected. Same reason as Option 3.
Option 4	Rejected Would result in loss of control of community led proposal. Partnership arrangement would be difficult to make work in terms of the business plan and community uses.

8.4. A financial summary of the options is set out in the Exempt information.

8.5. Options 2b and 2c were considered to represent the best way forward for the following reasons :-

- The refurbishment of the buildings is at a realistic level in terms of the requirements from the business plan
- Phase one shows a deficit of £3.16m which is potentially manageable through fund raising by the HTHCT. In the event that the fund raising takes longer than anticipated this option affords the opportunity to scale down and re-phase the works. The second phase is estimated at an additional £3.37m.
- A good mix of uses can be supported by the business plan
- There is a significant commercial component in the leasing of either a refurbished Broadway Annex building or refurbished East wing of the Town Hall which will support the revenue funding for the running of the building.
- The CPB/HTHCT and Council recognise the need for raising funding for the capital funding gap and a fund raising strategy is being put in place to bridge the gap

8.6. Outputs for option 2b include:-

1. Community facilities – The Town Hall would provide creative studios, a cinema, performance area (the Assembly Hall), offices, function rooms, rehearsal studios and health facilities.
2. Commercial facilities - The Broadway Annex would be refurbished to provide office accommodation.
3. Housing – The enabling development would comprise a new build development (4 to 5 storey blocks) on the rear car park, the conversion of the east wing and a mews development to the rear of Broadway Annex, providing approximately 130 residential units with an estimated capital receipt of £10m raised (current values). The funding would support the refurbishment of the Town Hall.

8.7 Option 2c is not being recommended on the basis that the use of Broadway Annex as residential would not retain the commercial character of the High Street and use of the East Wing as commercial would not complement the enabling development as much as use for residential.

9. Business Plan Development

- 9.1. The Trust commissioned work to develop a business plan through David Pratley Associate, working with the architect and design team. Further work is being undertaken to develop the business plan further in relation to option 2b with a view to a fully developed business plan being reported to Cabinet.
- 9.2. The CPB have established a company limited by guarantee, the Hornsey Town Hall Trust (HTHCT), with the aim of it assuming responsibility for operating the Town Hall as a community facility. The HTHCT has applied for charitable status and are currently in discussion with the Charity Commissioners to finalise their charitable status.
- 9.3. The Council and the CPB are continuing to work to build the capacity of HTHCT to act as the manager for the redeveloped Town Hall as a community facility. This will be reported at the next gateway as part of the due diligence prior to moving to the contract stage.
- 9.4. Draft Heads of Terms for a leasing arrangement for the Town Hall has been prepared on the basis of a peppercorn rent and full repairing lease. Detailed discussion will need to be undertaken further. Details of the lease will be reported to Cabinet for approval.
- 9.5. The plan assumes a staffing structure comprising a Chief Executive and full time staff of seven covering finance, marketing, house management and technical functions.
- 9.6. The HTHCT are continuing to develop a fund raising strategy to address the current affordability gap of £3.1 million for the capital works and this will be stepped up once the recommendation to take forward option 2b is approved.
- 9.7. The HTHCT and the Council are also working with the design team to develop options for scaling down phase 1 by way of a contingency to deal with any residual affordability gap at the next gateway. There will be a full financial assessment undertaken at this stage by the Council and CPB on the status of the project and reported to members prior to letting a contract for the works to the Town Hall and granting a lease to the HTHCT.
- 9.8. In relation to the test of sustainable business plan Option 2b currently shows a deficit of £32,500 per annum. Further work will continue on the business plan as the project develops and the HTHCT will be working on how this figure will reduce and managed.

10. Milestones and Project Gateways

10.1. The next milestones for the project are as follows:

- Planning application put forward in Autumn 2009
- Planning consent received through approval at committee in Winter 2009

- Review of project and report to Cabinet on marketing and sales strategy for development land plus review of HTHCT business plan in Winter 2009
- Contract of works specification and procurement process agreed in Winter 2009
- The site is marketed and a developer secured Spring/Summer 2010
- A contract for the works is awarded Spring/Summer 2010
- Start on site for Town Hall works Summer/Autumn 2010
- New development start on site Autumn/Winter 2011
- Complete Town Hall works Autumn/Winter 2012
- New development completes Winter 2013/14

The next project gateway, once the scheme option is approved is the receipt of a planning consent for the development. Future gateways include :-

- Securing a developer partner and completion of a development agreement
- Final business plan and lease signed off to the HTHCT
- Procurement of phase one works
- Completion of phase one works
- Completion of residential development units

11.Risks

- 11.1. There are a number of financial risks inherent within this project, notably affordability (capital funding), viability (sustainability of business plan) and cost control (construction costs and change in scope).
- 11.2. At this stage there is a capital funding gap of £3.16 million for option 2b. It is crucial that the HTHCT progress their fund raising strategy to remove or narrow this gap. The Council may need to limit the risk by scaling down the works contract to the level of the funding available.
- 11.3. A further risk to the affordability is the level of income generated from the enabling development, if it is considerably less than estimated or there is again a very poor response from the market. The work carried out by Knight Frank indicates that the estimated receipts are robust and the planning risk can be eliminated once consent is received. The Council intends to manage this risk by asking Knight Frank to review the estimated level of capital receipt prior to the marketing stage. The selection of a developer will be a key gateway before proceeding to contracting for the works.
- 11.4. At this stage and for the recommended option the viability risk is considered to be manageable as the business plan deficit of £32,500pa is not likely to threaten viability. The Council will manage this risk by carrying out the due diligence of the further developed business plan as well as the capacity and competency of HTHCT as the future beneficial lessee entrusted to manage the community facilities.

- 11.5. As regards the risk of cost control the Council will manage this jointly with the CPB by continuing to operate strong project governance and change control mechanisms with routine reporting and monitoring through the Council's programme structures and Client Group.
- 11.6. The work undertaken to bring the project to the feasibility stage and to take it forward to planning application is a risk to the Council and is estimated at £1.43m which includes the additional fees of £450,000 to take the project to this stage.
- 11.7. The additional fees of £450,000 that are requested in the report will support the planning process and also provide substantial information to prospective developers of the site helping to mitigate the risk of not achieving an optimum capital receipt.
- 11.8. Knight Frank has reported on the property market and has acknowledged that marketing the site now without a planning consent contains a very high risk with current market conditions not conducive to unconditional sales. In order to mitigate these risks, planning permission will be sought prior to marketing to ensure some certainty of value in the site and to achieve best consideration for the project. There is still a risk with this strategy if the market has a sudden downturn and costs to the Council to get to this stage have been estimated at £2.2m.

12. Chief Financial Officer Comments

- 12.1. Members previously approved (March 2008) to forward fund £6m of advanced works prior to the capital receipt coming in. The risks of the capital receipt not coming in at all or at a lower value were considered, and it was agreed that the majority of expenditure would not be committed until the receipt was secure. The revenue cost of lost interest earnings / borrowing costs of £300k revenue was also reported. The majority of this funding has now been set aside and was reported to Members in the financial outturn report to Cabinet in June 2009.
- 12.2. This report proposes an increase to that forward funding of £1.1m to £7.1m. This would cost a further £45k per annum for lost interest.
- 12.3. The proposed scheme in this report has a considerable funding gap in capital terms and it is noted that the HTHCT will continue to use their best endeavours to address this gap by implementation of its fund raising strategy. Current economic conditions may make this a more difficult task as well as impacting on the potential receipt value.
- 12.4. The ongoing revenue position for the scheme shows a small shortfall, so further work will need to be done to close this gap. The revenue costs and income profile showing the impact of completing different stages at different

times will need to be explored.

13. Head of Legal Services Comments

- 13.1. The recommendation to proceed with Option 2b will eventually involve the disposal of parts of the Council land. In disposing of the asset the Council must obtain best consideration. The Council can only rely on the Local Government Act 1972 general disposal consent (England) 2003 if the value of the asset is less than £2m. It is anticipated that the value of the lease to be granted to the HTHCT will be in excess of £2m and therefore a specific consent will be required. Where applicable the Council must have regard to its community strategy.
- 13.2. A report on title has been produced which shows restrictive covenants registered against part of the site. When considering how best to carry out the redevelopment proposals further advice should be obtained on whether that part of the site should be appropriated for planning purposes.
- 13.3. Part of the site is subject to a tenancy and further legal advice is being sought on how best to terminate the tenancy so that vacant possession can be obtained in good time so the refurbishment and development can be carried out. Compensation may be payable in respect of tenancies that have security of tenure or no break clauses.
- 13.4. The Hornsey Town Hall building is a grade II* listed building; the Hornsey Library is a grade II listed building. Buildings are listed in their entirety including the exterior and interior. A listed building includes any object or structure fixed to the building and any object or structure within the curtilage of the building which although not fixed to the building forms part of the land. It is noted that English Heritage and the 20th Century Society have been consulted at an early stage of this project and this will need to continue during the project.
- 13.5. Further comments will be given when this matter is reported again to Cabinet.

14. Head of Procurement Comments

- 14.1. Head of Procurement comments for item 4.1d only
- 14.2. The Consultant Capita has been called off the Urban regeneration framework for design and related construction services following approval in November 2008 for Hornsey Town Hall a grade 2* listed building.
- 14.3. The Consultants Capita Symonds has set up their supply chain in

discussion with the Client including the appointment of John McAslan as Architects following a mini competition for these services by Capita.

14.4. The additional fees as noted in Appendix B are for additional services related to the planning process within the scope of the original contract award.

14.5. The Head of Procurement therefore acknowledges the need for additional fees as recommended by the Client on this project.

15. Equalities &Community Cohesion Comments

15.1. The aim of the Hornsey Town Hall project is to support social and economic regeneration and therefore this project will contribute to the development of sustainable communities and provide opportunities for individuals.

16. Consultation - Public Exhibition

16.1 A public Exhibition for the project was held on 12th to 18th June 2009. During the exhibition there were 903 visitors with over 500 feedback forms being completed. A public meeting has also been held with around 80 people attending. The comments received are currently being analysed and were generally very supportive to the project including the acceptance for the need for the enabling development.

17. Service Financial Comments

17.1. Cabinet agreed in March 2008 a capital budget of £6m of forward funding based upon an estimated receipt of £10m from the enabling development. This reflected fees and preparatory costs of £2.5m and a refurbishment figure of £7.5m. This figure was based upon an assessment of property market conditions and the proposed refurbishment at the time.

17.2. Option 2b has been recommended to be taken forward on the basis of phasing the project. A summary of the financial breakdown is as follows:-

Total Capital Costs:-		Total Capital Funding/Income:-	
Town Hall Essential Works	£1,210,900	Council contribution:-	
Town Hall Scheme Phase1	£6,880,000		
Broadway Annex Essential Works	£302,700	Hatherley Gardens receipt	£ 480,000
Broadway Annex Refurbishment	£1,646,300	Facilitating development	
Fees, surveys, Council Costs	£2,750,000	Car Park and mews	£7,900,000
		Residential wing to HTH	£1,250,000

Total Phase one	£12,789,900	Total	£9,630,000
Capital Budget Deficit Phase one		£3,159,900	
The business plan operating deficit for this option is currently projected as £32,500 per annum.		The business plan currently includes a £75,000pa sinking fund and £50,000pa contingency	
Phase one does not include the Council Chamber, link block and Mayors Parlour and this would need to be funded by the Trust at a later date as part of phase two work at an estimated cost of £3,370,000 (Total cost £16.16m)			

17.3. Approval is sought to increase forward funding of this project by £1.1m from £6m to £7.1m. This increase is required to accommodate the revised cash flow of the project which has arisen as a result of the revised timescale for the marketing and construction of the enabling development for the whole scheme.

17.4. The property market has seen a substantial down turn since the beginning of 2008 and financing developments has become extremely difficult. Knight Frank has advised that a great deal more detail will be required for a developer to be secured in terms of a planning consent and robust marketing and the scope has subsequently changed for professional advisers to achieve this. This change in scope has resulted in the professional fees and preparatory costs increasing from £2,500,000 in 2008 to the current figure of £2,750,000.

17.5. It should also be noted that professional fees are based on a percentage of construction costs, which has increased from £7.5m in March 2008 to £10m for phase one and £13.41m overall for option 2b.

17.6. The additional fees of £450,000 requested includes information required for the massing of the development, detail on the siting of the development plots, issues around overlooking, detailed plans for elevations and layouts, access and transport issues, environmental issues, geotechnical issues and detailed servicing and project management. The figure of £450,000 has been assessed as required to undertake this work and is above the level of fee approved at Procurement Committee in November 2008.

17.7. A breakdown of the additional fee proposal is attached as Appendix B – exempt information.

17.8. These figures have now been reassessed for option 2b and are estimated at £2.75m. This figure is reflected in the planning application proposals which

cover the full refurbishment of the building (including the later phases of option 2b) and enabling development. The total fees and preparatory costs overall for the project are not estimated as increasing by the same amount as other costs are currently being contained.

17.9. In view of the additional requirements for the marketing and sale of the development site the scope of the project has changed. The project requires further resources to enable sufficient information to be completed by the design team to be made available to developers in marketing the land and for a full planning application to proceed. The benefits of the additional work will be incorporated into the marketing process and will form part of the evaluation undertaken by prospective developers as part of bidding subject to negotiation.

17.10. The terms of the disposal of the land to a development partner will include a requirement that the development is commenced within a defined period and the Council agrees the timing of the capital receipt from the sale. Additional assurances will be required including the ability to perform, its financial standing, a non refundable deposit and agreement on potential development overage.

17.11. In order to control costs a number of safeguards have been put in place. Current professional fees are subject to existing frameworks and the additional fees being requested are proposed as a fixed sum. The specialist and consultant fees together with surveys are currently being monitored by Procurement and Property working with the CPB. The fee profile reflects work being undertaken only when necessary and include competitive quotes for specialist advice and surveys. The scope of works is being consistently challenged and scrutinised through the project with a view to making the fee level decrease where possible.

17.12. It was agreed at Procurement Committee in November that the contract with Capita be reviewed after Stage D of the Royal Institute of British Architects (RIBA) scale. This stage will be reached at planning and will create an opportunity to review project costs and options for taking the project forward in terms of the professional team.

17.13. Phase one for option 2b has a capital budget deficit of £3.16m taking into account the Councils capital contribution of £9.63m. The HTHCT working with the Council will continue to use their best endeavours to implement its fund raising strategy to address the funding gap in order to progress to the next project gateway.

17.14. The procurement of the contract of works to the Town Hall will reflect the funds available from the enabling development. In order to mitigate risk an assessment of the phasing of the works will be undertaken once planning approval is received. This will take into account the funding available to the HTHCT at the time including agreements that are in place. The business plan

will also be reviewed at this stage in order to ensure that the phasing is viable in terms of the running of the building. A contract of works will not be put in place for the works to the Town Hall unless the Council are satisfied that sufficient funding is available from the commitments made to HTHCT for the funding gap and a sufficiently robust business plan is in place.

18. Use of appendices /Tables and photographs

- 18.1. Appendix A – Feasibility Option 2b
- 18.2. Appendix B – Exempt information

19. Exempt/non-exempt information

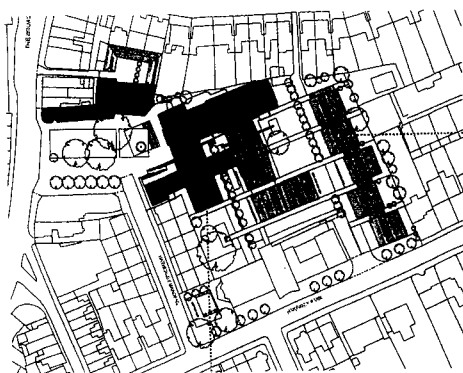
- 19.1. This report contains exempt and non-exempt information. Exempt information is contained in Appendix B and is not for publication. The exempt information is under the following category (identified in the amended schedule 12A of the Local Government Act 1972):-
- 19.2. (3). Information relating to the financial or business affairs of any particular person (including the authority holding that information).

20. Local Government (Access to Information) Act 1985

- 20.1. Cabinet report March 2008
- 20.2. Procurement report November 2008
- 20.3. Cabinet report 2005
- 20.4. Feasibility report – Exempt information
- 20.5. Exhibition summary
- 20.6. Knight Frank market report -- Exempt information

APPENDIX A **BREAKDOWN OF PROPOSALS FOR OPTION 2b**

Site Plan



Developed/
Disposed

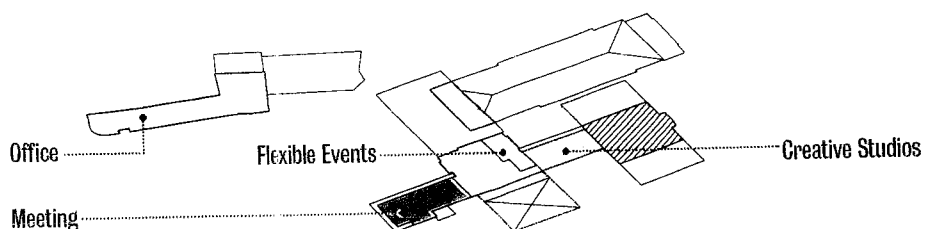
Retained by Trust

Key

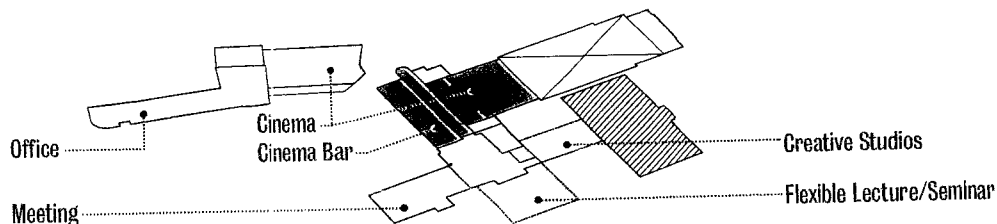
- High Level of Refurbishment
- Medium Level of Refurbishment
- Low Level of Refurbishment
- No Proposed Works in Phase 1
- Disposed

Tower
(5 Floors)

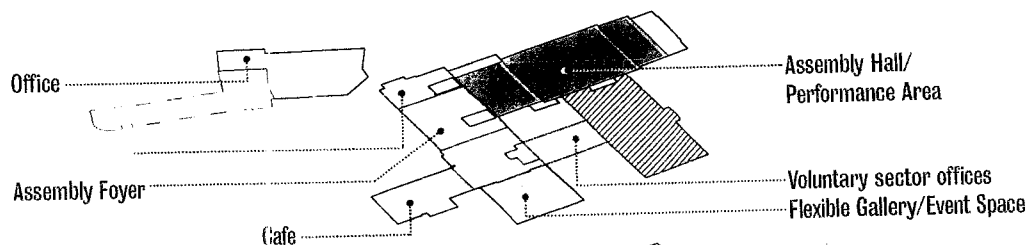
Second Floor



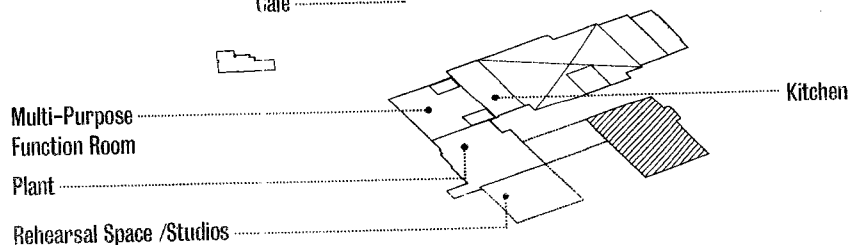
First Floor



Ground Floor



Lower Ground Floor



Total Capital Project Costs(Phase 1)		£12,790,000	Capital Receipts		£9,630,000
Town Hall Essential Works	£1,210,900		Sale of Hatherley Gardens	£480,000	
Town Hall Reduced Scheme Phase 1	£6,880,000		Facilitating Development	£7,900,000	
Broadway Annex Essential Works	£302,700		Residential to HTH East Wing	£1,250,000	
Broadway Annex Refurbishment	£1,646,300				
'On - Costs' (fees,surveys etc)	£2,750,000				
CAPITAL BUDGET DEFICIT		-£3,155,000			
Phase Two Costs		£3,370,000			
BUSINESS PLAN BALANCE		-£32,500			

