

## 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 summarises the forward Strategy including 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.

### 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.
- 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'.
- 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.
- 1.11 This will include work to restore the east elevation façade (front of the High Road) and south west elevation (facing Lordship Lane) including the restoration of the terracotta tiles. THE GLA will seek to repair/replace the lift, refurbish the roof and address internal leaks and rising damp.
- 1.12 More recently water inundation and internal leaks have highlighted the need to accelerate planned preventative maintenance to the roof.
- 1.13 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.

## 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).
- 2.9 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.

2.10 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 GLA's 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.

