

Report for: Cabinet on 17 October 2017

Item number: 14

Title: Proposal to transfer the headlease for the Laurels Healthy Living Centre to the NDC legacy organisation, Bridge Renewal Trust

Report authorised by : Charlotte Pomery, Assistant Director, Commissioning and Vicky Clark, Assistant Director, Economic Development and Growth

Lead Officer(s): Christine Mosedale, Commissioning Manager

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1 The Bridge Renewal Trust ("the Trust") was set up in July 2009 as the successor body of the Bridge New Deal for Communities (NDC) to ensure continued benefits for local residents. During the period of its existence, the NDC funded a range of community based schemes, including the purchase by the Council of a 125 year lease for the ground and first floors at 250-266 St Ann's Road, London, N15 for the purpose of setting up the Laurels Healthy Living Centre ("the Laurels") that would provide integrated health care services to the community. The intention was that the leasehold interest in the property would also offer benefits to the community as the rental income would contribute to the Trust's sustainability in the longer term.
- 1.2 On 22 June 2011, the Council agreed a 10 year funding arrangement with the Trust ("Funding Agreement"), effective from March 2011, that implemented this intention with the rental income paid by the NHS to the Council passed on to the Trust as a grant, supporting the development of a sustainable asset based successor body. This funding agreement is due to end in March 2021 and was only ever intended as a medium term position prior to the transfer of the leasehold interest to the Trust during the ten year Funding Agreement period.
- 1.3 This report seeks authority to transfer the Council's leasehold interest in the property being the ground and first floors of 250-266 St Ann's Road, London, N15 also known as the Laurels to the Trust as a long term mechanism for guaranteeing the future of the Laurels as an integrated health care setting and for ensuring continued delivery of the NDC legacy.

2. Cabinet Member Introduction

The transfer of the Laurels building to the Bridge Renewal Trust represents an important point in carrying forward the legacy of the NDC. Over the last 8 years the Bridge Renewal Trust have demonstrated that they are a strong and sustainable voluntary and community organisation well equipped to put into effect the original intentions of the NDC and to ensure a continued contribution to the health and wellbeing of the borough. The transfer of the Laurels building will safeguard its future as an integrated healthcare centre, support the delivery of the NDC legacy and ensure that this valuable asset remains available for community use, benefiting local residents directly.

3. Recommendations

3.1 Cabinet is asked to do the following:

- a) Approve the disposal of the 125 year head lease in ground and first floors premises at 250-266 St Ann's Road London N15 known as the Laurels Healthy Living Centre to the Bridge Renewal Trust for the sum of £1.00 (subject to the consent of the Secretary of State and Circle 33 Homes Ltd).
- b) Give delegated authority to the Strategic Director for Regeneration, Planning and Development to agree the final terms of the disposal.
- c) Note that the Council will continue to be able to nominate two representatives, one Councillor and one officer, onto the Board of the Bridge Renewal Trust.

4. Reasons for decision

4.1 The Council has a leasehold interest in the property known as 250-266 St Ann's Road, London, N15 ("Laurels"). The transfer of the 125 year lease of the Laurels from the Council to the Trust as the NDC's successor body was always intended in order to secure the legacy of the NDC for local residents. The transfer was considered in 2009 but was not taken forward at that time since the successor body was untested and it was too early for the Council to realistically assess its capacity to successfully own and manage the asset. The 10 year funding agreement was put in place at that time specifically to allow the Trust to develop and to have the opportunity to demonstrate their longer term sustainability and reach. It is considered that the Trust have now established themselves as both a key community organisation in the borough and as a viable voluntary sector operation and, with a strong board and management, have demonstrated that they have the capacity to own and manage the asset and deliver the NDC legacy.

4.2 This decision is needed now as there are less than four years left to run on the Funding Agreement. Audit stipulations require any capital investment to be depreciated over the lifetime of the Funding Agreement. The very short depreciation period hinders the Trust from making long term decisions which would improve and expand health service provision and realise the NDC's original vision – which the Trust maintains - of a holistic healthy living centre with a range of services. This includes bids to external funding agencies for capital investment. Examples of work that are required imminently include

improvements to configure internal space on the ground floor to deliver a healthy living pharmacy to meet NHS England requirements.

- 4.3 The Trust have also been affected by the high annual depreciation costs as a result of the short funding agreement. In 2013-2014, the Trust invested £136,000 to refurbish parts of the underused Laurels ground floor space to create two modern therapy and consulting rooms. These facilities are currently used to provide popular and affordable complementary therapies including podiatry, osteopathy and deep tissue massage. In line with relevant audit stipulations, this substantial capital investment has had to be depreciated over the lifetime of the funding agreement. This short depreciation period has greatly burdened the Trust with higher than necessary annual depreciation costs which have negatively impacted on its ability to fundraise.
- 4.4 The transfer of the Laurels will enable business planning and provide long term financial stability as it will enable the Trust to develop new and innovative means of creating lasting change in the local neighbourhood in particular and Haringey in general. It will empower the Trust and local residents to achieve better management of the asset and to enable long term funding of capital projects and planned maintenance. Crucially, long term ownership will also help the Trust attract external grants and other funding as investors have confidence in the long term future of the organisation.
- 4.5 Finally, the transfer – which has been anticipated since the initial legacy plans for the NDC were drawn up – will ensure that this valuable asset remains available for community use, benefiting local residents directly.

5. Alternative options considered

- a) **Do nothing** – doing nothing for now and waiting until March 2019, 2 years before the funding agreement is due to expire, has been considered and discounted due to the financial impact that the remaining period is having on the Trust's ability to invest and undertake much needed capital improvement works and more widely to invest and plan for future service delivery.
- b) **As is but with new, longer funding agreement** – this has been considered, however the NDC was designed with the intention of providing a legacy and for this to be delivered by a successor organisation, in this instance the Trust. The Council have been holding the asset in trust until it could assess whether the organisation had the capacity to own and manage the asset and deliver the legacy.

6. Background information

The Bridge NDC and the Laurels

- 6.1 New Deal for Communities was a Central Government-led regeneration programme for the regeneration of some of the UK's most deprived neighbourhoods. The Bridge NDC was a £50 million 10 year regeneration programme based in the South Tottenham and Seven Sisters area that ran from 2001-2011.

- 6.2 It was made up of a partnership between local residents and key agencies such as Haringey Council, the NHS and the Metropolitan Police. The programme was required to create physical change, employment opportunities, improvements in health and wellbeing, improve the economic profile of the area and engage the wider community. It focused on improvement through community engagement and building sustainable and local arrangements for delivery using statutory partners and the voluntary sector.
- 6.3 The 125 year lease for the Laurels was purchased by the Council on 23 February 2004 funded by an NDC grant of £3.85m and is held in the General Fund.
- 6.4 The Laurels was designed to operate as a Healthy Living Centre, housing integrated health care services including GP services, to extend out of hours access, health visitors, district nurses, speech and language therapists etc. alongside voluntary sector health and social care providers offering complementary treatments, advocacy, befriending etc.
- 6.5 On 23 February 2004 the Council granted an underlease of the ground and first floors of the Laurels to Haringey Primary Teaching Care Trust for a term of 25 years ("Underlease").

The succession arrangements

- 6.6 As set out in the Bridge NDC succession strategy, The Trust, a charitable company limited by guarantee, was set up on 1 July 2009 specifically as a viable asset-based successor body to the NDC to sustain and build on the NDC activities with a particular focus on tackling health inequalities. More detail on the Trust's aims and objectives are set out in Appendix 1 – the Bridge Renewal Trust 2016/17 Trustee's Annual Report and Accounts. As a registered charity, the Trust is subject to regulation by the Charity Commission.
- 6.7 In 2009 the government required that succession arrangements were agreed and submitted. Cabinet considered transferring its head lease of the Laurels to the Trust then but it was not taken forward as the successor body was untested and it was too early for the Council to realistically assess its capacity to successfully own and manage the asset. Instead, the 10 year funding agreement was put in place specifically to enable the Trust to develop and to have the opportunity to demonstrate their longer term sustainability and reach.
- 6.8 The funding agreement took effect from 22 June 2011 and sees the £285,000 that the Council receives in rent from NHS Properties under the Underlease passed directly to the Trust in line with the NDC objective to create an asset based successor body with a sustainable income stream.

The Trust

- 6.9 Since its establishment in 2009 the Trust has established itself as a leading voluntary and community organisation contributing to the health and wellbeing, and strengthening of the local community.
- 6.10 Based in the Laurels Healthy Living Centre, the Trust delivers whole health services that sit alongside the primary health care services with the aim of

ensuring the healthy living offer at the Laurels is integrated with medical services so it becomes a sector leading Healthy Living Centre. The Trust also delivers services out in the community, managing the Chestnuts Community Centre - a vibrant and popular community centre located within Chestnuts Park and the Bridge Community Hut – a multi-purpose community centre with community gardens on Tiverton Estate, on behalf of the Council.

- 6.11 The Trust's annual turnover has increased year-on-year from £285,000 in 2010-11 to c£1.1m for 2016-17. Over the same time period, staff and volunteer numbers have increased from 3 to 32 and 3 to over 60 respectively. To ensure long-term sustainability during a period which has seen significant changes to funding for the Voluntary and Community Sector, the Trust have diversified their income streams beyond the funding provided by the 10 year funding agreement. For 2016/17 the breakdown was:
- Earned Income such as rental income and fees (49%)
 - Service contracts (31%)
 - Charitable grant funding (18%)
 - Others such as donations (2%)
- 6.12 The Trust has a 5-year business plan (2016-21) in place that sets out how they will adapt to the changing needs of local residents and the funding landscape. The plan focuses on the projects and services the Trust aims to deliver, how income will be secured, and how the Trust needs to be organised in order to deliver quality, responsive services and projects that have a real impact on the health and wellbeing of local people.
- 6.13 The Trust have established relationships in place with the Voluntary and Community Sector and local communities, as well as with a range of other partners including Haringey Clinical Commissioning Group and the Council which will support delivery of the business plan.
- 6.14 A 2016 audit of the Board's performance by Social Investment Business found that leadership of the Trust is strong with a full and capable board of trustees, made up of 80% local residents and 20% local authority, with relevant professional backgrounds in strategic and business planning, social enterprise, financial management, health and social care, community development, legal and communications and marketing. The Chair, Vice Chair and Treasurer are all founder Trustees which has helped to provide consistency around long term vision and direction, and has also maintained a set of enduring relationships. A Finance and Investment subcommittee steers the Trust's financial development strategy.
- 6.15 Under the Trust's Articles of Association the Council has the right to nominate two representatives to serve as Trustees on the Trust's Board. This right is entrenched under the Articles. The Articles also provide that the Council nominated Trustees can be removed by the Council. This would remain unchanged. The current Council representatives on the Board of the Trust are Cllr Barbara Blake, Ward Councillor for St. Anns and Dan Hawthorn, Director for Housing and Growth. In line with the requirements of the Charity Commission, and under general company law, the Council nominees to the Trust's Board need to act in the best interests of the Trust and must not view their role as being representatives of the Council.

- 6.16 In the judgement of Council officers, the evidence shows that the Trust has the necessary (a) Governance arrangements; (b) financial stability; (c) coherent strategy; (d) delivery capability; and (e) community trust to satisfy us that the transfer, as envisaged when the succession arrangements were put in place, can now be executed.

Details of the Laurels and transfer to the Trust

- 6.17 The freeholder is Circle Thirty Three Homes Limited of the building known as 250-266 St Ann's Road, London N15. Circle Thirty Three Homes Limited also manage the homes that are above the Laurels.
- 6.18 The Council holds a full repairing insuring Head lease in respect of the ground and first floors at 250-266 St Ann's Road, known as the Laurels, for an initial term of 125 years from 25 December 2003 at a rent of £50 pa which was acquired for a sum of £3.85m through a NDC grant provided in the financial year 2003/04.
- 6.19 On 23rd February 2004, the Council granted an underlease of the whole to Haringey Primary Teaching Care Trust for a term of 25 years, at a current rent of £285k pa (current market value circa £300k pa).
- 6.20 In order to assign the Head lease to Bridge Renewal Trust, it will be necessary to make an application to assign to the Landlord Circle 33 Homes Ltd requesting their formal consent.
- 6.21 The alienation provisions in the Head lease states that assignment can only be to a NHS body or with Landlord consent, and so this will need to be addressed with Circle 33 Homes, as the Bridge Renewal Trust are not a NHS body. The user clause however states the building is to be used for the provision of primary healthcare, health social or community purposes.
- 6.22 The Council is required to achieve best consideration when disposing of property in accordance with S123 of the Local Government Act 1972. As the Council is proposing to transfer the Headlease for a consideration of £1.00, compared to a current market valuation of £3.8m (assessed by Wilks Head & Eve) it will be necessary for the Council to obtain specific consent from the Secretary of State as the transfer value does not meet best consideration.

7. Contribution to strategic outcomes

- 7.1 This decision is in line with the Council's Corporate Plan 2015-18. In particular it supports the delivery of Priority 2 which focuses on ensuring adults lead healthy, fulfilling lives and are able to maximise their independence and Priority 4 to drive growth and employment from which everyone can benefit.

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

Finance

- 8.1 The Council purchased 125 year lease for the Laurels on 23 February 2004 with a New Deal for Communities (NDC) grant of £3.85m. The Council has a full repairing, insuring lease and receives a rental income of £285,000 from the sub leasee.
- 8.2 The Council has a 10 years funding agreement with the Bridge Renewal Trust (the Trust) which sees the annual rental income, currently £285,000, passed directly on to the Trust.
- 8.3 The Laurels is valued at £3.8m but the transfer of the headlease to the Trust will be for a nominal sum of £1. The transfer of the headlease to the Trust will mean that the rental income from the sub leasee will go directly to BRT and so will the repairing and insuring obligation.
- 8.4 There appears to be a neutral revenue implication as a result of this transaction on the Council. However, considering the transfer value of £1, there should be measures in place to protect the asset if BRT ceases to exist.
- 8.5 The property is held on the Council's Balance Sheet as an Investment Property and will need to be written out on disposal - this will have no impact on usable reserves.

Legal

- 8.6 The Laurels is held in the general fund. The Council has the power under section 123 of the Local Government Act 1972 to dispose of the property but must obtain best consideration otherwise the Consent of the Secretary of State is required. The transfer will be undervalue (being valued at £3,800,000.00) and therefore will need the specific consent of the Secretary of State.
- 8.7 The Council will also need the consent of the Landlord under the headlease before the disposal can take place.

Equality

- 8.8 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act

Advance equality of opportunity between people who share those protected characteristics and people who do not

Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

- 8.9 The Laurels Healthy Living Centre that the Council is intending to dispose the 125 head lease to the Bridge Renewal Trust provides a range of different health and social care voluntary services which benefits all protected groups in the community. In particular, children and young people, older people, disabled people, women and girls, and different BAME communities. These groups are likely to benefit from the Centre because of the health inequalities that they experience.
- 8.10 By transferring the head lease, the Trust will be able to continue to offer the services in Centre, as well as opportunities to further develop and enhance the Voluntary and Community Sector in the borough, This will have a positive impact for all protected groups in the community as well as opportunities to foster good relationships with different protected groups.
- 8.11 The Council has taken steps to ensure that the Trust has the governance framework to maintain the long term continuation of the voluntary services at the Centre, with an emphasis to reflect changing needs in the local community.
- 8.12 An equality impact assessment was not undertaken because the transfer of the lease will not see a change in the delivery of voluntary health services at the Centre.

9. Use of Appendices

Appendix 1: Letter from Bridge Renewal Trust's Auditors confirming the income figures for 2016/17

10. Local Government (Access to Information) Act 1985

- 10.1 N/A