

Delegated Key Joint Decision Report of Corporate Director of Environment and Regeneration and the Director of Financial Management

Officer Key Decision	Date: 22 May 2019	Ward(s): Finsbury Park
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SUBJECT: To Acquire a Lease on the First Floor at 113-115 Fonthill Road for the creation of new affordable workspace

1. Synopsis

- 1.1 The aim of this report is to seek agreement from the Corporate Director of Environment and Regeneration and the Director of Financial Management (in consultation with the Executive Member for Inclusive Economy and Jobs) to sign the lease on a unit located on the first floor 113-115 Fonthill Road, Finsbury Park, to be operated as affordable workspace.
- 1.2 As part of the Council-led £2million project for the creation of affordable workspace (part-funded by the Mayor of London), the Council is seeking to acquire a 10-year lease agreement from a private landlord for one retail unit at 113-115 Fonthill Road for this to be used as affordable workspace. The total estimated value to acquire the 10-year lease is £650,000.
- 1.3 Once the lease agreement is agreed and acquired, the Council will appoint an organisation to manage the premises as affordable workspace for a period of 10 years, with regular reviews. All liabilities related to the management of the workspaces will be transferred to an appointed organisation through an under-lease.
- 1.4 The Council will offer the affordable workspace to an appointed organisation at a peppercorn rent, plus business rates and utilities, in return for social value outcomes for the local community and for supporting the development of the key emerging economic clusters in the area, Fashion Garment Production and Tech.
- 1.5 In addition to the under-lease, the Council will establish a contract with the appointed organisation to monitor closely the delivery of social value measures and their benefit to the local communities. The under-lease will be appended to the contract and can be terminated in the event of underperformance from the appointed organisation.

2. Recommendations

- 2.1 For the Corporate Director of Environment and Regeneration to approve the allocation of contributions to fund the rental payments in respect of the lease of the first floor of 113-115 Fonthill Road, for a term of 10 years at an annual rent of £65k as outlined in this report.
- 2.2 For the Director of Financial Management to take a lease of the first floor of 113-115 Fonthill Road for a term of 10 years at an annual rent of £65k.

3. Date decision is to be taken: 5 June 2019

4. Background

- 4.1 Finsbury Park is a busy, multi-cultural area with a great number of independent small cafes, shops. Fonthill Road, at the heart of Finsbury Park, is a unique shopping destination with a well-established tradition of fashion garment production and independent clothing shops and wholesalers. Fonthill Road has also attracted a network of start-ups that have emerged as a fair-tech hub.
- 4.2 In April 2018, Islington Council received £1.03 million from the Mayor of London's Good Growth Fund initiative to run a £2million project for the creation of new affordable workspace in Finsbury Park. The remaining value of this project is funded by the Council, using match-funding from S106 and housing capital receipts.
- 4.3 The creation of Council-led affordable workspace through the Good Growth Fund initiative aims to support both the Fashion Garment Production and Tech clusters and to tackle affordability issues that the local community is facing to find workspace as price of commercial property continues to increase in the area. Moreover, with the delivery of social value outcomes the council is not only seeking to create workspace at low cost with a traditional business support offer, but to generate jobs, training and opportunity for social innovation for the benefit of the local community.
- 4.4 The Council's catchment area for suitable properties focused on Fonthill Road and its immediate surroundings. This was so that the retail unit was in close proximity to the re-developed garages on Durham Road, where the garment production units will be developed. In addition, the primary beneficiaries for the Good Growth Fund project were determined to be the Finsbury Park ward area.
- 4.5 The Inclusive Economy team, advised by Legal Services, has already agreed the Head of Terms preceding two lease agreements for the premises at Fonthill Road (one for the ground floor and one for the first floor), and is seeking to sign agreements to lease before proceeding to procure organisations to manage the spaces. The allocation of the funds for the ground floor premises was approved as a non-key decision report in March 2019.

The approximate total rental value of both premises for acquiring a 10-year lease is £950,000. This is equivalent to a rental value of approximately £30,000 a year for the ground floor retail unit and £65,000 a year for the first floor office unit. This meets the affordability criteria set with the Greater London Authority for the area, under the terms of the Good Growth Fund agreement with the Council.

A premises specification for both floors of 113-115 Fonthill Road is attached as Appendix 2.

- 4.6 Once the agreement to lease is established, the Council will run a procurement tender process to appoint organisations to manage the affordable workspaces. The appointed organisations will enter into a contract and under-lease with the Council for a 10-year term, with a five-year review. Both the contract KPIs and performance clauses will be subject to regular contract management and monitoring reviews.
- 4.7 The Inclusive Economy and Property teams have been searching the Finsbury Park area for suitable premises for over 6 months. This property offers the opportunity to locate both the retail space (for the garment production affordable workspace) and the offices for the tech space. The premises at 113-115 Fonthill Road enables the Council to combine two affordable workspace units within one building, owned by the same landlord. Details about the premises size, specification and plans are included in Appendix 2.
- 4.8 The Council is seeking to undertake some minor works to improve accessibility to the building, including an upgrade to the lift and exterior access. This has been negotiated with the landlord, and will be appended to the lease agreement. Costs for this will be apportioned accordingly, and ward councillors have agreed to allocate Section 106 funding for this purpose, as part of the Council's match funding for the project.
- 4.9 The benefits of acquiring these two spaces are:
- The garment retail unit will enable trainees and micro businesses to sell products emerging from the production space at Durham Road. It is required that the operator will provide training in merchandising in the shop unit, further developing the skill-set of emerging entrepreneurs;
 - The retail unit will be centrally located in the Fonthill Road Fashion Village Cluster, enabling the operator to work with existing traders and develop the vibrancy and sustainability of the fashion cluster;
 - Finsbury Park is emerging as a 'fair tech' hub, with a small cluster of social enterprises and worker co-operatives. Locating the Council's tech space on the Fonthill Road facilitates networking with these organisations, and develop the vibrancy and sustainability of this tech cluster;
 - The tech office space is being vacated by a tech entrepreneur, who has fitted out the offices to Category A standard, which could accelerate mobilisation by at least 3-4 months, cutting down the amount of time the Council will be paying rent for a vacant space during works. Legal Services and Property Services are negotiating the terms of transfer of assets;
 - Both units are in the heart of the Finsbury Park ward, with the highest levels of long-term unemployment in the borough. The units and outreach work from both, will allow the Council and its operators to target programmes, working with those who are furthest from the labour market including Black, Asian and minority ethnic groups, women and people with long-term health conditions;

In addition, the spaces will enable the Council to fulfil its obligations in its funding agreement with the Greater London Authority, and the associated project plan milestones.

5. Implications

5.1 Financial implications:

The total estimated value to acquire the two 10-year leases is £950,000 which will be funded from a combination of housing revenue account resources (£300,000) and S106 (£650,000).

This breaks down to £30k a year for the ground floor and £65k a year for the first floor. In total the Council is contributing £1.030m to the Good Growth Fund initiative which is match-funded by £1.030m from the Greater London Authority.

5.2 Legal Implications:

The Council has power to provide workspaces under section 1 of the Localism Act 2011 which provision confers a general power of competence on the Council to do anything for the benefit of its area or persons resident or present in its area. Accordingly, the Council may enter into the leases for providing affordable workspaces for local people.

5.3 Resident Impact Assessment:

The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

The RIA is attached at Appendix 1.

5.3.2 RIA Summary:

5.3.3 The procurement of affordable workspace providers through a concession process, linked to the acquisition of two lease agreements at 113-115 Fonthill Road to create affordable workspace, will enable the Council to secure, deliver and monitor significant social value outcomes from the long-term activity of the affordable workspaces. The alignment of this procurement strategy with the establishment of under-lease agreements with the appointed provider will ensure that the organisations appointed deliver the concession service according to the Council's standards, avoiding further issues or liabilities derived from the delivery of this service and management of the premises.

5.3.4 The Council has based the awarding criteria for procuring affordable workspace providers on a number of strategic objectives related to the main themes included in the upcoming Inclusive Economy Strategy which are core Council aims. These are support for small business, employment, training and skills as well as the development of local clusters.

5.3.5 The impacts identified in section 3 of the RIA will have overall positive impacts on residents, and will play a key role in improving the socio-economic outcomes of small organisations managing the workspaces. It will bring further opportunities to entrepreneurs and micro businesses using the spaces; and will offer a broad range of training and employment-readiness opportunities for residents interested in entrepreneurship, and will seek to open up new career pathways for young people, particularly those living in Finsbury Park. At its core, the affordable workspace initiative seeks to implement inclusive growth and to unlock economic opportunities for residents within the borough.

6. Reasons for the decisions:

- 6.1 The Inclusive Economy team has carried out research and benchmarking of properties in Fonthill Road since late-summer in 2018. The premises identified at 113-115 Fonthill Road are within the affordability limits of the GLA grant aid and fulfil the conditions required in the grant agreement.
- 6.2 Acquiring a 10-year lease agreement at the stated premises for the creation of new affordable workspace at Finsbury Park aligns with the principles of Inclusive Economy, that promotes social innovation and an economic development that is inclusive of residents and local businesses.

7. Record of the decision:

- 7.1 I have today decided to take the decision set out in recommendation 2.1 of this report for the reasons set out above.

Signed by:

Corporate Director of Environment and Date
Regeneration

- 7.2 I have today decided to take the decision set out in recommendation 2.2 of this report for the reasons set out above.

Signed by:

Director of Financial Management Date

Appendices

- Appendix 1: RIA
- Appendix 2: Premises specification for 113-115 Fonthill Road.

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