
REPORT FOR: CABINET

Date of Meeting: 10 March 2016

Subject: Stanmore Business Innovation Centre

Key Decision: Yes

Responsible Officer: Paul Nichols, Director of Planning and Regeneration

Portfolio Holder: Councillor Keith Ferry, Portfolio Holder for Business, Planning and Regeneration.

Exempt: Yes. Exempt for Appendix A which is exempt under paragraph 3 of Schedule 12a of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

Decision subject to Call-in: Yes

Wards affected: All of Harrow

Enclosures: Appendix 1 **Exempt** – Stanmore Innovation Centre
Appendix 2 Prior Approval Office to Residential
Appendix 3 Analyses of Business Start Up in Harrow
Appendix 4 EQIA

Section 1 – Summary and Recommendations

This report seeks approval to purchase commercial office work space at Stanmore Place.

Recommendations:

Cabinet is requested to:

Delegate authority to the Chief Executive following consultation with the Deputy Leader and Portfolio Holder for Business, Planning, and Regeneration to approve the purchase of the Stanmore Business Innovation Centre and Move On Space adjacent thereto forming part of the development at Stanmore Place from St Edwards and to agree the terms of such acquisition and to enter into a contract for the purchase of the above on such terms having regard to the best interests of the Council

The decision will be subject to satisfactory confirmation of title following completion of normal legal due diligence;

Reason: (For recommendations)

The purchase of commercial work space provides an opportunity to generate an income stream to meet the Medium Term Financial Strategy targets for Regeneration, Enterprise and Planning and to provide work space for businesses and to support job creation.

Section 2 – Report

Introductory paragraph

This report requires authority from Cabinet to purchase Office work space at Stanmore Place, which will provide accommodation for new businesses and growing businesses. The income from those current or future occupiers of these spaces will provide a surplus (profit) over and above the operating costs of the space and the capital financing costs of the initial purchase.

Options considered

The following were considered:

- I. Secure commercial work space in line with the Council's commitments to Make a Difference for Business and become more business like in generating commercial income.

or

II. Do nothing and cut posts.

Background

Stanmore Place is a residential led development in Honey Pot Lane Stanmore. The Section 106 Agreement for the site requires the developer (St Edwards) to provide office, retail and community space. The space is provided in one continuous block, which has been subdivided into grid lines, the use of space is allocated within those lines. The Section 106 Agreement with St Edwards includes an obligation for the office space to include "Incubation Space" for new businesses (less than 5 years old) and "Move On" space (for growing businesses that require bigger areas on longer leases).

This report recommends Harrow Council purchases the Incubation Space (17,760sqft, 1649.9sqm) and also 16,979sq ft (96615sqm) of Move On Space.

The Incubation Space has been built and is being let, the Move On Space is currently being fitted out. Phase 1 of the Fit Out for Building 2.1 (gridlines 11-15) will be complete this financial year, the next phase for building 2.1 (gridlines 16 – 20) is due to be fitted out in October 2016.

St Edwards have agreed that the purchase of Gridlines 16-20 can be completed when the space is capable of being let. This means the Council would not be acquiring a property that was not ready to generate an immediate rental income stream.

The proposal to purchase and manage work space at Stanmore Place is built into the MTFs proposals for the Economic Development and Research service.

Harrow Council has a corporate priority to "Make a Difference for Business". The Council is recognised for its excellent work to deliver this priority. In November 2015 it was awarded the honour of being chosen by the Federation of Small Businesses and London Councils as the "Best All round Business Friendly Borough". The award was provided because of how we respond to the needs of business, through consultation, procurement, mentoring, networking, and the provision of specialist information, advice and guidance.

Current situation

In 2015/16 the former Environment & Enterprises MTFs targets included the generation of £50k net income per annum from 2017/18 onwards from the "Commercialisation of work space, subject to the agreement of St Edwards".

This report provides the business case for the purchase of office space work units at Stanmore Place. The office space which is divided into units are occupied by new businesses and growing businesses and provide an opportunity to generate income for the Council.

The acquisition and management of the work units fits in with the Council's "Commercialisation" strategy and with the role of the Council's Corporate

Estate service. Corporate Estate manages the Council's non operational property assets with the aim of maximising revenue and capital.

Why a change is needed

The current property market is failing to provide premises for small businesses and growing businesses. The introduction of Permitted Development has resulted in the loss of office space to residential conversions.

The introduction of Permitted Development has led to a loss of office accommodation in the borough, that loss includes occupied units as well as vacant space. To date 20,000sqm of office space has been lost, this is the equivalent of losing 2,000 jobs. To put this into perspective, this is equal to two thirds of the 3,000 job creation target in the Regeneration Strategy. The purchase of the work space at Stanmore Place will help safe guard jobs. As office landlords convert their premises to residential units, business tenants are squeezed out of offices, and need space elsewhere (either in Harrow or out of the borough).

Implications of the Recommendation

Resources, costs

St Edwards has offered to sell the Incubation Space and Move On Space (gridlines 11-15 and gridlines 16-20 to the council for £X (Sum in Exempt Appendix 1). The sum is subject to negotiation, and subject to the projected income from the commercial work space exceeding the costs (including financing costs) to ensure that the offer is financially viable.

The projected surplus for the next three years resulting from the purchase is forecast to be more than sufficient to meet Economic Development's MTFS target. The table below summarises the net surplus between 2016/17 and 2018/19. More details of the assumptions underpinning the forecasts are available in this business case.

Net Surplus	2016/17	2017/18	2018/19
	£	£	£
Building One (Incubation Space)			
Building Two (Move On Space) GL11-15			
Building Two (Move On Space) GL16-20			
Total			

(Sum in Exempt Appendix 1)

Staffing/workforce

Corporate Estate manages the Council's commercial property and the Economic Development team provides enterprise support to Harrow businesses. The Economic Development team have also been responsible for leading on the development of work space in Harrow. A restructure would be undertaken to ensure the management of the Centre fits into the Council's structures.

The Council's Corporate Estate service would issue licences to occupants and provide a billing and rent collection service for the premises.

The 4 staff currently employed at Stanmore Business Innovation Centre would be integrated into Economic Development.

The centre currently has 4 staff

- Director: staff management, marketing, customer relations, licensing, debt management, financial management.
- Innovation Director: undertaking business diagnostics of tenants, provision of relevant enterprise support services (e.g. access to finance, product development, Intellectual Property Rights, Marketing, market research, business planning etc),
- Assistant Manager: facilities management, cleaning, maintenance, management of the meeting facilities, bookings, organisation of tenant requirements, general administration.
- Receptionist: reception service, telephone and mail service for tenants.

If the Council purchases the space and continues the current activities being carried out from there, the staff will be subject to TUPE to Harrow Council. The current salary costs of staff are £X p.a. (Sum in Exempt Appendix 1).. It is currently too early to seek the terms and conditions of the affected staff. When the Council gets nearer to the point of purchase, TUPE 2006 regulation 11, sets out the information that St Edwards can release to Harrow Council. There are data protection issues which mean it would not yet be appropriate for St Edwards to share the details of individual contracts of employment with Harrow Council

Performance Issues

Circa £X+ surplus per annum (Sum in Exempt Appendix 1)

Circa 70 units let

80 businesses supported

20 business growth (increased turnover / staffing).

200 jobs created

Environmental Implications

The provision of local work space reduces journey to work times and contributes to improving air quality.

Risk Management Implications

Risk included on Directorate risk register? No
 Separate risk register in place? Yes

Council			
Main risk	Likelihood	Impact	How manage/contingency
Increased demand for services against reduced budgets	L	L	The surplus (profit) generated will reduce generate income to fund services.
Implications if targets, milestones are not met	L	L	The buildings could be sold to generate a capital receipt.
Implications for health and safety, in terms of does it increase risk to any party (employee, resident, business or other) by agreeing the decision.	L	L	Health and Safety Risk Assessments and ongoing management of Health and Safety.

Legal Implications

The acquisition of the property will need to be preceded by the usual legal due diligence to establish that the proposed property has good and marketable legal title.

The sale of the property is likely to be treated automatically as a standard rated supply which would mean that VAT at the then current rate (presently 20%) as at the date of completion would be payable in addition to the purchase price. The Council would need to ascertain whether or not any VAT paid was recoverable and to the extent that it was not the purchase price would be increased by that amount. The transaction may be capable of treatment as a TOGC (Transfer of a Going Concern) and if so that would mean that no VAT would be payable but the Council would have to elect to tax which would mean that the property would remain VATable for 20 years and the Council would be required to then charge VAT on any rent it charged.

The Council's Constitution part 3A1- Schedule Terms of Reference states that Cabinet as a whole will have the responsibility for :

(i) recommending major new policies (and amendments to existing policies)

to the Council as part of the Council's policy framework and implementation of those approved by the Council; and

- (ii) the preparation of and agreement of other policies and plans for implementation by Portfolio Holders and others; and
- (iii) key decisions including an executive decision which is likely to involve the Council in incurring expenditure which is, or the making of savings which are, significant having regard to the budget for the service or function to which the decision relates.

The Council has statutory authority to hold property for a variety of purposes including those mentioned in section 120(1) of the Local Government Act 1972, which include for the benefit, improvement and development of their area.

Senior Lawyer- Jennifer Affie

Financial Implications

The proposed purchase of Stanmore Place will require a capital funding which has been included in the Council's 16/17 capital programme. The payments to St Edward will be phased based upon the completion/transfer date of individual sub-building, but it is anticipated that all transactions will be complete during 2016/17.

The funding requirement and the forecast financial returns are detailed in **Appendix 1** (exempt due to commercial information). The forecast net surplus will be sufficient to meet the saving target in 17/18 set in the MTFS.

Detailed financial analyses have been included in the business case. Based on a forecast rent of £38-£40 per square foot, the business can become break-even if the overall occupancy level of 73% is achieved. The Incubation Space currently achieves an occupancy rate of 91%. At the budgeted occupancy level of 85%, the gross yield is 14% (net yield being 6% if capital financing costs are accounted for).

There are some one-off costs such as property valuations, legal and other costs associated with the TUPE of staff. These are to be quantified however it is anticipated that these can be met from the net surplus in 16/17.

Equalities implications / Public Sector Equality Duty

The occupancy of space will be monitored to determine the ownership of businesses by the protected characteristics. If occupancy levels show that business tenants are not reflective of the population, action will be taken to ensure that marketing material is targeted to address any under

representation. We can also undertake monitoring of satisfaction rates, which will include equality monitoring. This can tell us satisfaction rates by protected characteristics and enable changes in provision to be made where relevant.

Council Priorities

The recommendation meets the Council’s Vision to :

Build a Better Harrow, by providing “our local businesses to be successful and able to reach their full potential with access to more commercial workspace” It will do so by providing workspace to businesses.

Be More Business-like and Business Friendly, by meeting the “needs of local businesses, and supports them to grow and be successful” by addressing the loss of commercial workspace created by Permitted Development. We are being more commercial by becoming self financing.

Section 3 - Statutory Officer Clearance

Name: Jessie Mann	<input checked="" type="checkbox"/>	on behalf of the * Chief Financial Officer
Date: ...12 February 2016.....		
Name: Jennifer Affie	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 16 February 2016.....		

Ward Councillors notified:	NO* , as it impacts on all Wards <i>* Delete as appropriate.</i>
EqIA carried out: Mark Billington EqIA cleared by: Paul Nichols	YES. If ‘NO’ state why an EqIA is not required for Cabinet to take a decision

Section 4 - Contact Details and Background Papers

Contact: Mark Billington, Head of Economic Development and Research,
Mark.Billington@harrow.gov.uk

Background Papers:

Section 106 Agreement Honeypot Lane Stanmore' Reference P/2826/15 at

<http://www.harrow.gov.uk/planningsearch/lg/GFPlanningSearchResults.page>

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

*(for completion by Democratic
Services staff only)*

YES/ NO / NOT APPLICABLE*

** Delete as appropriate
If No, set out why the decision is
urgent with reference to 4b - Rule
47 of the Constitution.*

