

MAYORS' EXECUTIVE DECISION MAKING

Thursday, 14 April 2011

Mayor's Decision Log No. 002

1. CAPITAL PROGRAMME - MILE END CHILDREN'S CENTRE (Pages 1 - 6)

The Mayor has:-

1. Approved entering into a 25 year lease with East End Homes for the Mile End Children's Centre on the terms set out in the attached report;
2. Agreed that the capital contribution should be paid for works undertaken in 2010/11; and
3. Authorised the Assistant Chief Executive Legal Services to enter into all necessary documentation to implement the attached report.

For further information please see the attached report.

If you require further information regarding this Mayoral Decision, please contact:
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PART C
LONDON BOROUGH OF TOWER HAMLETS
MAYORAL DECISION PROFORMA

Mayoral Decision Log No: *(To be inserted by Democratic Services)* 002

Title: Capital Programme – Mile End Children's Centre

Is this a Key Decision?: No

UNRESTRICTED

1. EXECUTIVE SUMMARY

- 1.1 This report seeks approval to enter into a lease for the Mile End Children's Centre project as described in the report. The matter is urgent as if the Council does not utilise the grant funding for the Children's Centre by April it is repayable and will be lost to the borough
- 1.2 Full details of the decision sought, including reasons for the recommendations; other options considered; background information; the comments of the Chief Finance Officer; the concurrent report of the Assistant Chief Executive (Legal Services); implications for One Tower Hamlets; Risk Assessment; Background Documents; and other relevant matters are set out in the attached report.

2. DECISION REQUIRED

The Mayor is requested to

- 2.1 Approve entering into a 25 year lease with East End Homes on the terms set out in the report
- 2.2 Agree that the capital contribution should be paid for works undertaken in 2010/11.
- 2.3 Authorise the Assistant Chief Executive Legal Services to enter into all necessary documentation to implement this report

APPROVALS

1. Corporate Director

I approve the attached report and recommendations above for submission to the Mayor.

Signed *A. L. White* Date *14-4-11*

2. Chief Finance Officer

I have been consulted on the above recommendations and my comments are included in the attached report.

Signed *C. Naylor* Date *14/4/2011*

3. Assistant Chief Executive (Legal Services)

I have been consulted on the above recommendations and my comments are included in the attached report.

Signed *S. Bell* Date *14.3.11*

4. Chief Executive

I consider that the recommendations above are consistent with the Council's agreed Budget and Policy Framework and will contribute to the achievement of the authority's Strategic Plan.

Signed *C. Naylor* Date *14.4.11*

5. Mayor

I agree the recommendations above for the reasons set out in the attached report.

Signed *M. H. Naylor* Date *18/4/11*

Report of: Corporate Director, Children, Schools & Families	Title: Children, Schools & Families - Capital Programme – Mile End Children's Centre
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Originating officer(s) Pat Watson, Head of Building Development	Wards Affected: Mile End East
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1. **SUMMARY**

- 1.1 This report seeks approval to enter into a lease for the Mile End Children's Centre project as described in the report.

2. **DECISIONS REQUIRED**

The Mayor is asked to:

- 2.1 Approve entering into a 25 year lease with East End Homes on the terms set out in the report
- 2.2 Agree that the capital contribution should be paid for works undertaken in 2010/11.
- 2.3 Authorise the Assistant Chief Executive Legal Services to enter into all necessary documentation to implement this report

3. **REASONS FOR THE DECISIONS**

- 3.1 The decision is required urgently in order to prevent the loss of £250k Sure Start Capital grant towards cost of Children's Centre. There has been considerable delay in reaching agreement on the Heads of Terms for the lease. Negotiations were interrupted and then restarted following the loss of grant in summer 2010.

4. **ALTERNATIVE OPTIONS**

- 4.1 This proposal for the provision of Mile End CC has been pursued in order to obtain better value for money by joint funding the provision with East End Homes. At this stage there is no alternative proposal for use of the funds and the capital grant would be lost.

5. **BACKGROUND**

Mile End/Bow Road

- 5.1 Cabinet approval was sought and granted for the capital development of a Children's Centre in Mile End/Bow Road.

East End Homes are building a combination of social and private housing above a community centre. It was proposed to make a

financial contribution to a building development with East End Homes on Joseph Street on the Bede Estate, E3.

The original agreement was that in return for capital investment, LBTH would be granted a lease of the Joseph Street premises for 25 years at nil rent (LBTH would be responsible for internal repair and payment of a service charge for outgoings according to its shared use of the building, parts of which will be used for youth activities and community use outside children's centre hours). The building would be fitted out to an agreed specification.

LBTH's contribution was originally proposed to comprise:

- £250k Sure Start Early Years capital towards cost of Children's Centre, as approved by Cabinet
- £198,600 Sure Start Quality & Access capital towards cost of Children's Centre playgroup area fit-out, garden landscaping and equipment, as approved by Q&A Board
- £39.5k Sure Start Maintenance capital contingency for additional loose furniture and equipment (including ICT)

Following central government clawback of funding the £198,600 Sure Start Quality & Access capital was withdrawn.

As a result East End Homes has reassessed their position and are requesting a payment of rent. This is due to two contributing factors; firstly the withdrawal of Sure Start Quality & Access capital and; secondly as a result of the bespoke basic requirements of a children's centre the real costs for the build have come in at a much high level than was expected by East End Homes.

The original level of rent requested was £27,500 this was subsequently negotiated down with East End Homes to £18,000 with a rent review every five years. This reduction was in exchange for additional capital cash investment of £60,000 which has been identified as under spend across the Children's Centres, Phase Two and Three Capital Build Projects

There is space within the proposed children's centre area for a playgroup on the premises and the lease would allow us to sublet to a provider which would offset some of the cost (possible £8-10K).

As outlined in the previous Cabinet, the improvements to this property will provide benefits; comprising provision for delivery of multi-purpose Children's Centre offering a range of early education, health, employment and family support services to the local community.

Urgent approval to the terms of the lease is sought in order that the sum of £250k can be paid to East End Homes in consideration of the

lease. If a payment is not made, the Sure Start capital grant funds will be lost to Tower Hamlets as the final claim from the DfE has to be made by 20 April 2011.

In conclusion

Total Capital Payment £310,000
Rent to East End Home £18,000 per annum (rent review every 5 years)
LBTH Potential Rental Income approx. £8,000 - £10,000 per annum

The revenue for rent will come from the Early Years Childrens Centres allocation of the Early Intervention Grant.

6. COMMENTS OF THE SERVICE HEAD OF ASSET MANAGEMENT

- 6.1 The Heads of Terms have been agreed with East End Homes and are in line with standard commercial terms. The Council's proposed capital contribution of £310,000 has been reflected in the rent proposed in respect of the first five years of the lease. The rent has been agreed at £18,000 per annum until the first review in five years time. The current rental value of the proposed building is estimated to be in the region of £100,000 per annum. Furthermore it has been agreed that all future rent reviews will be at 50% of the rental value.

On this basis it is estimated that the rent at the next review will be approximately £50,000 per annum.

However, it should be noted that the above figure has been estimated based on current market rents and will need to be revisited nearer the time of review.

A break clause is to be incorporated with the lease and the Council will have the option to end the lease after five years subject to a six month rent penalty.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1 Sure Start Capital grant requirements are that the works be completed by 31st March 2011, although the Department for Education accepts that final cash payments may take place during April 2011. If there are any further delays in the release of the payment, the DfE would be entitled to withdraw the funding.
- 7.2 The works by East End Homes, of which the Children's Centre is a small part, are underway, so a contribution to the scheme by LBTH is appropriate for 2010/11 financial year, although access to the facility is not due for many months yet. The timing of the decision to proceed with this arrangement (ie after the end of the financial year), however, may result in scrutiny by the grant auditors, which leaves some risk of a

dispute of the authority's interpretation of the appropriate financial year to which this transaction belongs.

7.3 In the event of a decision to proceed with the £0.310m contribution to the East End Homes scheme and the DfE subsequently taking the view that the capital has not been spent within the relevant timescales, the costs would need to be financed from elsewhere in the (schools) capital programme, with a consequent reduction in investment elsewhere.

7.2 The £18k on-going revenue contribution would be met from the early years share of the Early Intervention Grant.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

8.1 The principals of this transaction were agreed in the previous Cabinet report on 7th October 2009 but the Mayor is being asked to agree to change some of the terms which were reported as a result of funding for the project being lost.

8.2 The report outlines the reduced contribution being made and the consequent requirement for a rent to be payable rather than the previously agreed rent free arrangement. The Service Head Asset Management has reported on the commercial terms and the Chief Finance Officer on the risk involved if the view is taken that the capital has not been spent within the time limits. The DfE have been made aware of the proposal and are not objecting to it.

8.3 It is proposed to pay the moneys to East End Homes to be held to the Council's order pending completion of the Lease documents

9. ONE TOWER HAMLETS CONSIDERATIONS

9.1 The implementation of the Children, Schools & Families capital programme is part of the LA's strategy to improve achievement by improving the teaching and learning environment for all phases and for services for children and families.

9.2 Strategies to raise educational attainment, including improving quality of school buildings, support students moving into employment.

10. RISK MANAGEMENT IMPLICATIONS

10.1 The implementation of the project will be monitored to ensure completion by the programmed date.

11. EFFICIENCY STATEMENT

11.1 Capital works identified in the report will seek to improve energy efficiency and reduce ongoing maintenance.