


<p style="text-align: center;">Cabinet</p> <p style="text-align: center;">28 September 2018</p>	 <p style="text-align: center;">TOWER HAMLETS</p>
<p>Report of: Ann Sutcliffe – Acting Corporate Director, Place</p>	<p>Classification: Part Exempt (Annex B)</p>
<p>61 Vallance Road – Grant of Lease</p>	

Lead Member	Mayor John Biggs
Originating Officer(s)	Richard Chilcott, Acting Divisional Director, Property and Major Programmes
Wards affected	Spitalfields and Banglatown
Key Decision?	Yes
Forward Plan Notice Published	24 th August 2018
Reason for Key Decision	Rental charge exceeds delegated authority level
Strategic Plan Priority / Outcome	The proposal has an emphasis on developing new skills and supports the Council's vision to improve educational attainment for young people and develop a broader range of learning.

Executive Summary

61 Vallance Road (formerly known as Keen Students School) is part of a PFI school site, has been vacant since June 2017 and is considered to be surplus to operational requirements. The Council received a number of expressions of interest from, potential occupiers including an offer from ADA National College for digital skills (ADA) to take a lease of the property. Their offer was considered the best in terms of fit with the use of the property and also their ability to pay the rent and unitary charge to the Council. ADA is a further education college focussing on technology and digital training. The report recommends that the Council grants a sublease to ADA.

Recommendations:

The Mayor in Cabinet is recommended to:

1. To grant approval for a lease to be granted to ADA on the basis of a 5 year term for an annual charge of £75k per annum inclusive of rent.
2. Delegate to the acting Corporate Director of Place in consultation with the Corporate Director of Governance the ability to agree the detailed terms of the lease and any other agreements.

1. REASONS FOR THE DECISIONS

- 1.1 61 Vallance Road forms part of a broader education PFI contract. Under the terms of the PFI agreement The Council are liable for unitary charges equating to £46,000 per annum. The costs are chargeable regardless of whether the building is occupied or not.
- 1.2 ADA National College for digital skills (ADA) would like to take a 5 year lease of 61 Vallance Road. ADA is a further education college focussing on technology and will pay an inclusive charge of £75,000 including rent for the building. The total income to the Council that arises from entering into the proposed lease exceeds the delegated authority level provided to officers and so this matter needs to be referred to Cabinet for approval to proceed.

2 ALTERNATIVE OPTIONS

- 2.1 **Leave as is** - Under the terms of the PFI agreement The Council are liable for unitary charges equating to £46,000 per annum whether space is used or not. If left vacant the building whilst will continue to be basically maintained by the PFI company will age and may also be vulnerable to squatters. Leaving the building vacant is not a sensible option.
- 2.2 **Secure a subtenant** - Securing a sub tenant (the preferred option) will allow the Council to cover the FM unitary charge and secure an additional rental income. Letting to ADA, as a subtenant will be compatible with the use of the rest of the site as an education campus and is the best option from those considered.
- 2.3 **Disposal** – The terms of the PFI agreement mean that the Council is obligated to retain 61 Vallance Road.

3. DETAILS OF THE REPORT

- 3.1 The site of 61 Vallance Road was previously used and occupied under a sublease by Keen Students School. The site comprises a 2 storey building with an internal floor area of 203 square meters. The building forms part of an educational 'campus' comprising of Osmani Primary School and Osmani Youth Centre. A plan of the site is shown in annex 1.
- 3.2 The site is subject to a PFI agreement which has a unitary charge of £46,000 per annum to the Council. This charge covers soft services like cleaning, grounds maintenance, annual maintenance etc. and is payable directly to the PFI operator, Amber, regardless if the site is in operational use or not.
- 3.3 Keen Students School vacated the site in June 2017. Officers in the Asset Management team spent some time considering the various options (outlined

above) for the use of the site and establishing the best way to secure a suitable tenant. A number of expressions of interest and offers for the building were received for a lease of the building. The best proposal was made by ADA. A schedule of the offers is shown in annex 2. In deciding the best organisation to take lease space the Council would normally look at several factors including:

- Rent
- Use
- Readiness to occupy
- Ability to occupy the whole building
- Track record
- Financial status

In this case, the Council received unsolicited interest in this building which was analysed. The Council set the rental level based on the market rent and the level of the unitary charge.

- 3.4 In terms of background to ADA it came to light that local residents were not benefitting from the numerous technical jobs that had been generated in Canary Wharf and the Shoreditch area. Addressing this issue has been identified as a priority for the Growth and Economic Development service.
- 3.5 Some good work has been delivered via the Enterprise team in improving digital skills in schools (e.g. like code clubs) but we have yet to see this translate into improved employment outcomes. The application from ADA National College for Digital Skills, supports this vision to improve local residents access to local digital jobs.
- 3.6 ADA operates a specialist digital sixth form from its existing base in Tottenham Hale and will be using Vallance Road to deliver its apprenticeship programme. ADA was established with a social mission to increase the representation of underrepresented and disadvantaged groups (women and people from BAME backgrounds) in the tech sector. Since the tech sector is generally one of the better paid employment sectors, this work will also impact on prosperity indicators for the same target group.
- 3.7 The apprenticeships delivered here are higher level (first year degree equivalent) opportunities with big name firms including Google, Facebook and Deloitte, so provide good quality learning, relatively high earnings from the start and excellent progression potential. With apprenticeships it is the employers themselves that select the candidates so we can't guarantee that having ADA located in the borough will improve digital employment outcomes for our young people.
- 3.6 That being said they are proposing to deliver a programme of school and community work as part of their tenancy, which will raise the profile of these opportunities, and encourage and help equip young people to apply. We will be brokering partnerships between ADA and the schools with whom we pilot our new careers work. The adjacent primary school has met ADA and anticipates working with them to improve the digital skills of the pupils.

3.7 ADA's industry partners frequently visit the college site to deliver training and, with the Vallance Road site being more convenient for CW, Shoreditch and the City these are likely to increase. This has the potential to generate spin off benefits on the enterprise creation side as visitors recognise the convenient location and relative affordability of the area.

3.8 As part of the due diligence, ADA's Governance, constitution, safe guarding and other policies and track record with Haringey were examined. Additionally ADA is supported by an investment of £13 million from the Government and £18 million from the Greater London Authority. The head of property confirmed the £75,000 all-inclusive rent which is considered to be best consideration and represents best value to the Council.

3.9 Whilst the building was occupied relatively recently it has been discovered that the current fire alarm system is connected to the adjoining Osmani Primary School. The head teacher and governing body (who were consulted on the occupier options) raised concerns from a general safeguarding position if the route of emergency escape was to remain passing through the school playground. Minor works are required to reduce the risks and to ensure the space is fit for purpose in terms of fire regulations and site management. The Council need to establish what the cost of the works are and the risks if the works are not complete.

4. EQUALITIES IMPLICATIONS

4.1 The Council has a disproportionate number of ethnic and minority groups represented in the number of young people not in education, training and work. This proposal will provide well needed opportunities for young people and the local community to acquire new skills.

5. OTHER STATUTORY IMPLICATIONS

"This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- *Best Value Implications,*
- *Consultations,*
- *Environmental (including air quality),*
- *Risk Management,*
- *Crime Reduction,*
- *Safeguarding."*

5.1 BEST VALUE IMPLICATIONS

One of the key important factors considered for selecting the tenant for 61 Vallance Road was the track record and the ability to for the proposed

occupier to meet all the costs relating to the occupation. It was also important to secure commitment to the site for as long as possible to avoid the risk of the Council needing to cover the cost of the unitary charge. A valuation was carried out of the site and it confirms that the rental charge represents best consideration for the site.

5.2 Risk Management Implications

Risk	Mitigation
That formal approval may not be forth coming in time for the college to complete their planning for opening for their next student cohort.	Legal services to prepare all legal documentation in parallel with obtaining approvals to proceed.
Adjacent school not happy with selected occupier	There has been considerable engagement with school to explain the Council's approach to find a replacement occupier for the building. The school have confirmed their agreement for ADA to take a lease of the space. Meetings between both new provider and the school will be arranged shortly so any potential issues are identified and policies put in place.
Provider cannot afford rent	Checks on the organisation's financial standing and track record undertaken during the bid evaluation process.
Not all the space needed meaning we may need to find others to fill the voids and all the complexities that can arise from that	Focus on provider able to use the whole building to lessen the risk of the Council having to cover the unitary charge in the future.

6. **COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 This report requests that the Mayor in Cabinet agrees to grant a lease to ADA National College for digital skills in relation to 61 Vallance Road, for a period of five years, at an annual charge of £75,000.
- 6.2 The building is currently vacant, although under an existing PFI agreement the Council must pay an annual unitary charge of £46,000 whether the building is occupied or not. Therefore under this proposal the Council will receive net annual income of £29,000 for five years. There is no rent review during the five year period so the net income will reduce over the 5 year period.
- 6.3 Officers in the Asset Management team have considered the options for the use of the site, and a number of expressions of interest and offers were received; of these, after taking into account the factors outlined at paragraph

3.3, it was decided that the best proposal came from ADA National College for digital skills.

- 6.4 It is understood that there will be no ongoing financial liability for the Council in relation to the upkeep of the building whilst ADA are occupying it, as this will be the responsibility of either ADA or will be covered by the annual PFI unitary charge.
- 6.5 This report highlights at paragraph 3.5 that some minor works are required in relation to fire safety. It is understood that this work may be covered by the unitary charge, or if not the Council will be liable for these. No estimates are yet available but it is understood that any such costs would be absorbed within existing budgets.

7. COMMENTS OF LEGAL SERVICES

- 7.1 ADA is a Further Education College that operates as a limited company with charitable status. Leasing the site would take the form of a conventional sublease on commercial terms (although the Council may wish to reserve the right to terminate the lease in the event of school closure or one or more unfavourable OFSTED reports).
 - 7.2 Per Finance's comment at 6.4 and as part of the consultation with the Corporate Director of Governance the lease will presumably be on a fully repairing and insuring basis, for no net financial liability to the Council.
 - 7.3 It is understood that the current rental figure (including the unitary charge) has been assessed by an independent surveyor who confirms that the site has been out to the market, and this bid represents the best consideration the Council considers to be reasonably obtainable. The land is held in the General Fund and, therefore, the Council has the power by virtue of section 123 of the Local Government Act 1972 to dispose of it in any manner that it may wish. Absent Secretary of State consent, the disposal, however, must be for the best consideration that can reasonably be obtained.
 - 7.4 The Council's best value duty requires it to manage its asset portfolio in an efficient and effective way. Disposing of land for the best consideration obtainable together with reducing revenue expenditure discharges this duty.
 - 7.5 The Council is required when exercising its functions to comply with the duty set out in section 149 of the Equality Act 2010. Given the current usage of the land, there are no direct equality implications arising from the proposed transaction.
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Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Annex A – Site Plan
- Annex B – List of Applicants (EXEMPT)
- **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**
- None

Officer contact details for documents:

Alan P McCarthy - Interim Head of Asset Management (PLACE)

M Wynter - Senior Strategic Asset Manager (PLACE)

