


Cabinet 30 January 2019	 TOWER HAMLETS
Report of: Ann Sutcliffe, Acting Corporate Director, Place	Classification: Partly Restricted
Letting of first floor of Bethnal Green Library	

Lead Member	Mayor John Biggs, Responsibility for Asset Management
Originating Officer(s)	Richard Chilcott, Acting Divisional Director, Property and Major Programmes
Wards affected	Bethnal Green
Key Decision?	No
Forward Plan Notice Published	20 November 2018
Reason for Key Decision	n/a
Community Plan Theme	A great place to live, and a healthy and supportive community

Executive Summary

Bethnal Green Library has been underused for several years with the changes to the space required to deliver library services with the first floor space largely redundant. In 2017 options for upgrading the building and increasing the use was investigated. Following a substantial refurbishment programme partly funded with GLA grant to provide work space, officers in Asset Management undertook a marketing exercise for this first floor space and have received offers for using the space for start-up/business space. The best offer was received from Barts NHS Trust.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Agree to the grant of a 7 year lease to Barts NHS Trust for the rent commencing at £60,000 pa.
2. Delegate to the Acting Corporate Director of Place in liaison with the Corporate Director Governance, authority to enter into any detailed negotiations and to enter into the legal documentation in order to give effect to the decision.
3. Note the Equalities Impact Assessment / specific equalities considerations as set out in Paragraph 4.1.

1. REASONS FOR THE DECISIONS

- 1.1 Parts of the building used as Bethnal Green Library have been under occupied for several years. This proposed letting will allow the first floor to be put back into use.
- 1.2 The Council's Whitechapel Delivery Project team had secured funds in the form of a grant from the GLA to support the delivery of new work space in the area. Bethnal Green Library was identified as suitable for letting and the GLA agreed to include Bethnal Green Library in the funding allocation. This funding has been used to improve the overall condition of the building and made the first floor accessible and lettable.
- 1.3 This site in addition to being under occupied has been very expensive in terms of general maintenance and running costs. Securing a letting of the first floor will not only provide a rental income but will also spread the running costs of the site.
- 1.4 This report has been presented to Cabinet as the transaction has a value of over £250k over the duration of the term.

2. ALTERNATIVE OPTIONS

- 2.1 Leave everything as is – This is not an option as the Council cannot continue to bear the burden of all the maintenance and running costs. The funds from the GLA if not deployed would have been clawed back. The business case for the refurbishment could only be justified with the plans for securing a tenant.
- 2.2 Relocate Library and redevelop site – This library is a popular community resource, well located and has no other suitable space to relocate to. In addition, the building is listed building under s66 of the Planning (Listed Building and Conservation) Act 1990 making it more difficult to redeveloped and/or change its uses.

3. DETAILS OF THE REPORT

- 3.1 Bethnal Green library is a two storey building comprising 1,318 sqm and laid out as 5 main rooms, three on the ground floor and two on the first as shown on the plans attached at Appendix 1. With the changes in delivery of library services, only one main room on the ground floor is currently in use as a library. The upper floor had become dilapidated and used for general storage purposes. The ground floor rooms whilst used very occasionally are in need of refurbishment and modernisation.
- 3.2 The building is a Grade II listed and originally opened as a library in 1922. The first floor accommodation comprises of a net internal area of 3898 sq ft.
- 3.3 In 2017 it came to light that whilst the building was under occupied running and maintenance costs were very high. Council Officers reviewed the options

for improving the use of the building and generating income. It was proposed that the ground floor be used for events and the upper floors rented out.

- 3.4 In terms of potential uses for the upper floors, the Council secured GLA funding on the basis of developing affordable workspace. The geographical area for using this funding was restricted and the Bethnal Green Library site was identified as the only space that the Council could deliver the workspace use.
- 3.5 The GLA funding was used along with internal funds to refurbish and repair the roof, overhaul the windows, replace the external drainage, refurbish the toilets, upgrade the lighting and improve the internet capacity of the first floor and install a lift between the ground and first floors. Council Officers are currently looking at how the ground floor can be refurbished and put back in to use.
- 3.6 Letting agents were procured by Council Officers to find work space providers capable and willing to deliver quality space.
- 3.7 After nine weeks of marketing, the agents received offers from four organisations. A detailed breakdown of the four offers is shown at An 2. The letting agents reviewed all of the offers for the space and provided the Council with a report and recommendation as to the best offer received which was from Barts NHS Trust who wish to create flexible space for start up and small businesses associated with the Barts Life Sciences Project.
- 3.8 The offer was based on:
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|-------------------|---|
| Term: | 7 years with break clauses on the fifth and seven anniversary of the Term |
| Rent: | Initially £60,000 per annum increasing to £78,000 on the third anniversary of the Term |
| Use: | Workspace for start-up and small businesses associated with the Barts Life Sciences Project |
| Service: | Their offer assumes a Service Charge of approx £5,000 pa |
| Special Requests: | Disability Discrimination Act compliant wc to be provided and a three month rent free period. |
- 3.9 Match with Corporate objectives & Community Plan
- 3.10 Tower Hamlets Strategic and Community Plans set out a variety of issues in the Borough and covers corporate priorities. The plans for creating workspace and specifically the Barts proposal supports several of the Council's

objectives and assists in addressing some of the issues in the Borough. Some of these objectives are outlined below:

Tower Hamlets (TH)Corporate strategy/Community Plan objectives	Vision
TH recognises that there is high levels of persistent unemployment in the Borough	The workspace accommodation will offer flexible and affordable space to individuals and small businesses involved in the field of life sciences. These plans will clearly assist in creating employment opportunities.
Develop Cross cutting partnerships	This project will be delivered in collaboration with the Barts Trust and Queen Mary University of London (QMUL). Barts also works with Capital Enterprise and other organisations and are very experienced in partnership working.
Health issues for T H develop up to 10 years earlier for TH residents	T H residents will benefit from the works arising out of the field of Life Sciences.

3.11 Fit with the GLA Grant

3.12 Barts has recognised that there is demand for Life Science skills in the UK. Bethnal Green Library is seen as providing opportunity for individual, start-ups and growing businesses in the health care innovation sector to work collaboratively with the support of the Bart's Life Science team. The Bart's Life Science team will provide access to clinical professionals, business support and connections to wider life science professionals across London.

3.13 Barts Life Science already work collaboratively with Capital Enterprise, and the Digital Catapult. Barts intends to model the Bethnal Green Library opportunity on the Health Foundry work space where organisations and individuals can access space on a variety of flexible terms.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific equality opportunity implications but this transaction will enable small organisations and individuals to start and expand businesses in life sciences in flexible and affordable accommodation. The location of the premises may also give rise to local employment opportunities.

5. OTHER STATUTORY IMPLICATIONS

5.1 **BEST VALUE (BV) IMPLICATIONS**

Council Officers can confirm that the transaction constitutes best value. The site has been extensively marketed for several weeks and formal offers for renting the premises were received and evaluated as shown at Appendix 2 of this report.

5.2 **RISK MANAGEMENT IMPLICATIONS**

Risk	Mitigation
That the service charges estimated by the Council are higher than those assumed in the offer from Barts.	The true costs of the service charges will be reviewed by relevant Council Officers to ensure that they are correctly apportioned.
That the length of time between when offers were received and permission granted to proceed may result in a loss of interest from Barts.	Council Officers must communicate with all parties and instruct Legal Services as soon as possible to commence the legal process.
As Barts offer is subject to board approval, there is always the risk that approval may not be forthcoming or varied.	Council Officers have been advised that board approval can run in parallel with detailed lease negotiations. Council Officers will ask Barts to keep their board abreast with what is happening so any concerns may be dealt with early.
Barts offer is subject to the provision of a disabled wc	Council Officers will work closely together to understand how any disabled WC may support the first floor space. Non compliance with this requirement may impact on the financial offer and even interest in the letting of the premises.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 A capital refurbishment and improvement programme has recently been undertaken at Bethnal Green Library, which included works to create affordable workspace on the first floor of the building. This element of the project, at an approximate capital cost of £193,000, was partly funded via a grant of £120,000 awarded from the GLA's High Street Fund to finance the delivery of affordable workspace to create jobs and support local SMEs.
- 6.2 This report seeks approval to award a lease to the Bart's NHS Trust for the newly refurbished first floor space. The lease will be for a seven year period, commencing at an annual rental of £60,000 which will increase to £78,000 per annum from year 3 for the remainder of the lease period.

6.3 Bethnal Green Library is managed and accounted for within the Council's Corporate Landlord function. The rental income generated from the lease arrangements will therefore support this budget.

7. COMMENTS OF LEGAL SERVICES

7.1 The report seeks Cabinet approval for the grant of a lease of part of what was Bethnal Green Library at market value. The grant will amount to a disposal and requires Cabinet consent as the rental value will exceed an aggregate of £250,000

7.2 The Council's disposal powers are pursuant to section 123 of the Local Government Act 1972 which states that the Council may dispose of its land in any manner that it may wish. However, except in the case of a short tenancy (i.e. leases of less than seven (7) years), the consideration for such disposal must be the best that can reasonably be obtained. Otherwise the Council requires consent of the Secretary of State for the disposal. The report indicates that the rent to be received represents the best that can reasonably be obtained from the evaluation carried out and summarised at Annex 2 of this report. Further the proposed term is seven years.

7.3 The Council's procedure for disposals and lettings, adopted at Cabinet on 8th April 2015, specifies that disposals may be by one of the following means: (a) informal tender; (b) formal tender; (c) auction; and (d) sale by negotiation. The procedures provide that the Director, Corporate Property and Capital Delivery will determine the most appropriate method of disposal, based on the type and location of the property and the prevailing property market, and subject to the Council meeting its legal requirements. In this case, the disposal has been by informal tender and negotiation. This is referred to in paragraph 3.7 of this report and as shown in the Appendix 2 to this report.

7.4 The Council is obliged as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness". The information within the report suggests that the proposed disposal will secure the objectives set out in the 1999 Act.

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, namely to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity between those who share a protected characteristic and those who do not, and foster good relations between those who share a protected characteristic and those who do not. The information within the report suggests the proposed disposal will help to secure these objectives.

Linked Reports, Appendices and Background Documents

Linked Reports

None

Appendices

Appendix 1 – Site plan

Appendix 2 – Offers (Exempt – Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

None

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