



<b>Title of Report</b>	Capital Update and Property Disposals and Acquisitions Report
<b>Key Decision No</b>	FCR S082
<b>For Consideration By</b>	Cabinet
<b>Meeting Date</b>	27 June 2022
<b>Cabinet Member</b>	Philip Glanville, Mayor of Hackney
<b>Classification</b>	Open
<b>Ward(s) Affected</b>	All
<b>Key Decision &amp; Reason</b>	Yes      Spending or Savings
<b>Implementation Date if Not Called In</b>	4 July 2022
<b>Group Director</b>	Ian Williams, Finance and Corporate Resources

## 1. CABINET MEMBER'S INTRODUCTION

- 1.1 This report updates members on the capital programme agreed in the 2022/23 budget.
- 1.2 Through the proposals in this report we demonstrate our commitment to meeting our manifesto pledges as well as continuing to deliver against the Council's revised Corporate Plan to Rebuild a Better Hackney. Specifically we are investing in facilities everyone can enjoy and continuing to build a greener borough as well as providing support for local charities and businesses.
- 1.3 £1m of investment is proposed to fund essential maintenance and refurbishment to the existing infrastructure across the Borough's 58 parks and open spaces. This will include works to pathways, sports pavilions, play areas, drainage systems, signage as well as the implementation of the Grounds Maintenance IT Management System helping to ensure our residents continue to enjoy the full benefits of our parks and open spaces. We are also investing £100k to continue our programme of replacing single use bins in parks with dual use recycling bins - supporting a greener and more environmentally sustainable public realm.
- 1.4 Finally, we propose to continue to support the work The Bootstraps Company do in assisting local businesses and charities as well as our young people by extending their current lease or granting them a new 125 year lease on The Print House at 18-22 Ashwin Street.
- 1.6 I commend this report to Cabinet.

## 2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 This report updates Members on the current position of the Capital Programme and seeks approval as required to enable officers to proceed with the delivery of those schemes as set out in section 11 of this report and the property proposal as set out in Section 3.3.
- 2.2 **Proposed Lease to The Bootstrap Company, The Printhouse, 18 -22 Ashwin Street E8 3DL:** Bootstrap, a charity that has been based in Dalston for more than forty years, aims to address inequality in Hackney through promoting responsible business practice, helping young people make informed career choices and supporting tenant charities to deliver their objectives. Bootstrap runs a commercial lettings business (c 60,000 sq. ft) from the Print House. Its business model enables it to fund the basic infrastructure with a commitment to support beneficiaries directly through paid work placements and training. Tenants in turn deliver charity activities as part of their commitment to responsible business and Bootstrap's objectives. The Company is also now establishing delivery partnerships with youth mentoring and career charities to support its tenants and help

young people into employment. Bootstrap currently has 73 tenants from a diverse range of industries, most of them concentrated in four main clusters - Film & TV Production (18%), Design & Architecture (14.6%), Events & Hospitality (14.6%), and Charity Sector (18%). All have committed to support Bootstraps' charity work.

- 2.3 Covid impacted Bootstrap quite severely but it kept 70% of its tenants by offering rent holidays and reductions. Subsequently, the company is looking to refinance and have determined that they will be able to do so at more favourable rates from a wider pool of potential lenders should their current lease with the Council be extended from the current 77 years unexpired to 125 years.
- 2.4 Subject to Cabinet approval the Council and Bootstraps have agreed a surrender of their existing lease and regrant of a new lease of 125 years (plus legal fees at £1,500 and survey fees), on a peppercorn rent for a premium of £375,000. The lease will be broadly on the same terms as the existing with some modifications to the user clause and alienation provisions. This will enable Bootstrap to refinance and put their business on a stable footing, whilst providing the Council with a capital receipt.
- 2.5 A plan of the area subject to this proposal is attached (Appendix 1) for identification purposes.

### **3. RECOMMENDATION(S)**

- 3.1 **That the scheme for Climate, Homes and Economy (Non-Housing) as set out in section 11.2 and 11.3 be given approval as follows:**

**Parks Infrastructure:** Spend approval of **£1,000k in 2022/23** is requested to fund essential maintenance and refurbishments to the existing parks infrastructure.

**Parks Bins Replacement:** Spend approval of **£100k in 2022/23** is requested to replace existing single use litter bins in the borough parks with dual use recycling bins.

- 3.2 **That the scheme outlined in section 12.1 be noted.**
- 3.3 **To authorise either the surrender of the existing lease and regrant of a new lease of 125 years or the extension of the existing lease to 125 years to The Bootstrap Company, The Printhouse, 18-22 Ashwin Street E8 3DL (which forms part of 18 - 24 Ashwin Street as shown edged in red for indicative purposes only on the plan at Appendix 1).**
- 3.4 **To delegate authority to the Corporate Director of Finance and Resources to agree all commercial terms of the transaction.**
- 3.5 **To delegate authority to the Director of Legal to settle, agree and enter into all documentation necessary for this transaction.**

#### **4. REASONS FOR DECISION**

- 4.1 The decisions required are necessary in order that the schemes within the Council's approved Capital programme can be delivered and to approve the property proposals as set out in this report.
- 4.2 In most cases, resources have already been allocated to the schemes as part of the budget setting exercise but spending approval is required in order for the scheme to proceed. Where, however, resources have not previously been allocated, resource approval is requested in this report.
- 4.3 To facilitate financial management and control of the Council's finances.

#### **5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 5.1 **Proposed Lease to The Bootstrap Company, The Printhouse, 18 -22 Ashwin Street E8 3DL:** The alternative course of action to extending the lease is to not extend it which reduces the Company's refinancing options. A longer lease will widen the pool that Bootstrap can refinance from and will mean that they can negotiate better terms and without this their ability to support the charities and charitable work of themselves and their tenants will be compromised. The Council will also not receive the agreed premium payment.

#### **6. BACKGROUND**

##### **Policy Context**

- 6.1 The report to recommend the Council Budget and Council Tax for 2022/23 considered by Council on 28 February 2022 sets out the original Capital Plan for 2022/23. Subsequent update reports considered by Cabinet amend the Capital Plan for additional approved schemes and other variations as required.

##### **Equality Impact Assessment**

- 6.2 Equality impact assessments are carried out on individual projects and included in the relevant reports to Cabinet or Procurement Committee, as required. Such details are not repeated in this report.

##### **Sustainability and Climate Change**

- 6.3 As above.

##### **Consultations**

- 6.4 Relevant consultations have been carried out in respect of the projects included within this report, as required. Once again details of such consultations would be included in the relevant detailed reports to Cabinet

or Procurement Committee.

## Risk Assessment

6.5 The risks associated with the schemes detailed in this report are considered in detail at individual scheme level. Primarily these will relate to the risk of the projects not being delivered on time or to budget. Such risks are however constantly monitored via the regular capital budget monitoring exercise and reported to cabinet within the Overall Financial Position reports. Specific risks outside of these will be recorded on departmental or project based risk registers as appropriate.

## 7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

7.1 The gross approved Capital Spending Programme for 2022/23 currently totals **£245.479m (£121.427m non-housing and £124.052m housing)**. This is funded by discretionary resources, borrowing, capital receipts, capital reserves (mainly Major Repairs Reserve and revenue contributions) and earmarked funding from external sources.

7.2 The financial implications arising from the individual recommendations in this report are contained within the main report.

7.3 The recommendations in this report do not impact the revised gross capital spending programme for 2022/23 which remains at **£245.479m (£121.427m non-housing and £124.052m housing)**.

Current Directorate	Revised Budget Position	June 2022 Cabinet	Updated Budget Position
	£'000	£'000	£'000
Chief Executive's	4,035	0	4,035
Adults, Health & Integration	30	0	30
Children & Education	15,670	0	15,670
Finance & Corporate Resources	61,704	0	61,704
Climate, Homes & Economy (Non-Housing)	39,988	0	39,988
<b>Total Non-Housing</b>	<b>121,427</b>	<b>0</b>	<b>121,427</b>
Housing	124,052	0	124,052
<b>Total</b>	<b>245,479</b>	<b>0</b>	<b>245,479</b>

7.4 **Proposed Lease to The Bootstrap Company, The Print House, 18 -22 Ashwin Street E8 3DL:** The existing lease at Print House 18 - 22 Ashwin Street London E8 3DL will be surrendered and a new lease of 125 years will be granted or the existing lease will be extended to 125 years. This will generate a one off capital receipt of £375k for the council and the rental income will remain at a peppercorn rate.

## 8. **VAT IMPLICATIONS ON LAND AND PROPERTY TRANSACTIONS.**

8.1 The lease will generate a £375,000 payment. As the property is not opted to tax the lease premium would be exempt from VAT and form part of the council's partial exemption calculation.

## 9. **COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES**

9.1 The Group Director, Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.

9.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:

- (i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices, and monitor compliance with them.
- (ii) Determine the accounting records to be kept by the Council.
- (iii) Ensure there is an appropriate framework of budgetary management and control.
- (iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

9.3 Under the Council's Constitution, although full Council set the overall Budget it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Councils' decisions. The Cabinet has to take decisions in line with the Council's overall policies and budget.

9.4 The recommendations include requests for spending approvals. The Council's Financial Procedure Rules (FPR) paragraphs 2.7 and 2.8 cover the capital programme with 2.8 dealing with monitoring and budgetary control arrangement

9.5 Paragraph 2.8.1 provides that Cabinet shall exercise control over capital spending and resources and may authorise variations to the Council's Capital Programme provided such variations: (a) are within the available resources (b) are consistent with Council policy.

9.6 **S106 For Noting:** With regard to the allocation of monies from agreements under section 106 of the Town and Country Planning Act 1990, s.106

permits anyone with an interest in land to enter into a planning obligation enforceable by the local planning authority. Planning obligations are private agreements intended to make acceptable developments which would otherwise be unacceptable in planning terms. They may prescribe the nature of the development (for example by requiring that a percentage of the development is for affordable housing), secure a contribution to compensate for the loss or damage created by the development or they may mitigate the development's impact. Local authorities must have regard to Regulation 122 of the Community Infrastructure Levy Regulations 2010. Regulation 122 enshrines in legislation for the first time the legal test that planning obligations must meet. Hackney Council approved the Planning Contributions Supplementary Planning Document on 25 November 2015 under which contributions are secured under S106 agreements. Once completed, S106 agreements are legally binding contracts. This means that any monies which are the subject of the Agreement can only be expended in accordance with the terms of the Agreement.

9.7 **Proposed Lease to The Bootstrap Company, The Print House, 18 -22 Ashwin Street E8 3DL:** The approval of the grant of a lease for more than 7 years pursuant to the Hackney Mayoral Scheme of Delegation of January 2017, is reserved to the Mayor and Cabinet.

9.8 Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. However, the General Disposal Consent 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the "undervalue" (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less. Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required. Furthermore, the General Consent Order 2003 specifies that it is the responsibility of the Council to satisfy itself that the land is held under powers which permit it to be disposed of under the terms of the 1972 Act.

## 10. COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

10.1 Given the nature of the proposal this is not a transaction that could be tested by exposure to the market. The Council appointed a firm of Chartered Surveyors to value its interest and the premium agreed is the product of a negotiation between the Council and the tenant.

10.2 I am satisfied that the figure noted in this report meets the best consideration requirements of S123 of the Local Government Act 1972.

## **11. CAPITAL PROGRAMME 2021/22 AND FUTURE YEARS**

### **11.1 Climate, Homes and Economy (Non-Housing)**

11.2 **Parks Infrastructure:** Spend approval of **£1,000k in 2022/23** is requested to fund essential maintenance and refurbishments to the existing infrastructure in the Borough's Parks. Parks and green spaces play an important role in providing facilities for residents and visitors to the borough. To ensure the existing parks infrastructure is maintained to an acceptable standard, it is proposed to undertake various essential works across all of the Borough's Parks. The capital works include repairs and maintenance to pathways; fences and walls; Sports Pavilions flooring repairs; statutory testing remedial works; play area repairs (excluding new play areas) ; bridge repairs (not on the public highway); car park ticket machines ( ; Sustainable Drainage Systems (SUDS) in a number of parks ; signage implementation and replacement); the implementation of the Grounds Maintenance IT Management System as well as some contingency to help manage recent increases in costs associated with energy, labour, materials, supplies etc.

This capital expenditure will significantly benefit the successful maintenance of the London Borough of Hackney's 58 parks and open spaces totalling 282 hectares, of which 28 are currently Green Flag award winners. This capital project supports the Council's Sustainable Community Strategy 2018-2028 Priority 1 'A borough where everyone can enjoy a good quality of life and the whole community can benefit from growth' and Priority 3 'A greener and environmentally sustainable community which is prepared for the future'. This approval will have no net impact on the capital programme as the resources already form part of the approved programme.

11.3 **Park Litter Bins Replacement:** Spend approval of **£100k in 2022/23** is requested to replace existing single use litter bins in the borough parks. This capital expenditure will replace a significant number of single use bins in parks with dual use recycling bins. We currently have 558 bins across the various parks. This programme of work started in 2021/22 with 160 new bins purchased and installed and will continue in 2022/23. This demonstrates the Council's commitment to making Hackney a greener and environmentally sustainable community which is prepared for the future. It is vital we protect and enhance the parks and green spaces. As London's road network continues to experience high levels of congestion with poor air quality on key routes, the value of open and green spaces becomes even more important. This capital spend supports the Council's Sustainable Community Strategy 2018-2028 Priority 1 'A borough where everyone can enjoy a good quality of life and the whole community can benefit from growth' and Priority 3 'A greener and environmentally sustainable community which is prepared for the future'. This approval will have no net impact on the capital programme as the resources already form part of the



approved programme.

## 12. S106 Approval for Noting

- 12.1 May 2022 Cabinet gave resource and spend approval for **£89k in 2022/23** of S106 funding for the project Community Energy Fund. We ask the Cabinet to note the change in the agreement for where the s106 funding will now come from as set out below.

Agreement No.	Project Description	Site Address	2022/23 £'000
2018/0926 (Previous agreement)	Community Energy Fund	Britannia Leisure Centre (incl car park & hard courts) adjacent to Hyde Rd, & Pitfield St, N15 JU, land on the corner of PennSt, & Bridport Place; & other land within Gopsall St, Northport St & Shoreditch Park	88,976.94
<b>Replace with the Agreement Below</b>			
2018/4172 (Amended Agreement)	Community Energy Fund	The Laundry, 2-18 Warburton Road, Hackney, London, E8 3FN	(88,976.94)
<b>Total Capital S106 for Noting</b>			

## APPENDICES

Appendix 1 - Site Plan for 18 - 22 Ashwin Street, Bootstraps

## BACKGROUND DOCUMENTS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required.

None.

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