

<b>Title of Report</b>	Capital Update and Property Disposals and Acquisitions Report	
<b>Key Decision No</b>	FCR S084	
<b>For Consideration By</b>	Cabinet	
<b>Meeting Date</b>	18 July 2022	
<b>Cabinet Member</b>	Philip Glanville, Mayor of Hackney	
<b>Classification</b>	Open with exempt appendices	
<b>Ward(s) Affected</b>	All	
<b>Key Decision &amp; Reason</b>	Yes	Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function
<b>Implementation Date if Not Called In</b>	26 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 for our young people and building a greener borough as well as continuing to work to maximise our commercial income in the light of 12 years of austerity and Government funding cuts.
- 1.3 This month we seek approval for the allocation of £416k of Department for Education (DfE), Devolved Formula Capital (DFC) grant to individual schools maintained by Hackney Council for 2022/23 to support them in

essential maintenance of their buildings. We are also seeking approval for £850k of investment in the Ann Tayler Children's Centre to fund a new roof. This is a Council owned Children's Centre situated in London Fields which provides day care for children aged 0 to 4 years old. By undertaking this major investment, at this time, the Council will safeguard and enhance the asset value of the property and ensure that the children and families that use the centre continue to benefit from a fit for purpose facility.

- 1.4 In continuing our journey to Net Zero we will bring forward investment of £2.835m over a 4 year period to roll out a further 675 cycle hangers across the borough, providing secure cycle parking for over 4,000 cyclists and their bikes. Hackney already leads the way for such secure on street storage and this investment represents a doubling of existing capacity in the borough, and three times what we promised in our recent Manifesto. It is encouraging that in response to the Climate Emergency, residents are more and more choosing cycling as their preferred way to travel. As a consequence the demand for cycling spaces has continued to far outstrip supply - and this proposal will substantially reduce the waiting time for a cycle parking space. We will ensure that these new hangers are installed in an equitable way, matched to demand and the current waiting list, but also ensure all parts of the borough and that homes on our streets and estates are equally served. We will also audit our existing hangers to ensure that they are being used as efficiently as possible and explore provision for a more diverse range of bikes.
- 1.5 This report also recommends investment of £65k at Millfields Waste Depot to fund the appointment of the professional advisers necessary to develop a detailed scope of works to rectify the defects at this site which the Council inherited from the Olympic Development Association (ODA) and prepare the documentation required to go out to tender.
- 1.6 With regard to Keltan House; following the Council becoming aware of WeWorks desire to surrender their lease, the Council's Strategic Property Services team and our Agent, in conjunction with the Council's Area Regeneration team, have been working to secure an alternative tenant. As well as the fundamental priority of finding an operator that could make a centre of this size financially and commercially viable, and meet rent and other lease commitments into the medium and long term we also considered how these operators could contribute to the Borough's aspirations in terms of social value, such as equal opportunity and fairness, ambitions for net zero carbon and growing small businesses.

- 1.7 With regard to 74 & 75 Walrond House, following our initial review of the property in conjunction with our letting agents, we considered the best configuration in order to benefit from current retail market demand and to minimise void risks in the medium to long term. We opted to seek interest from retailers seeking 3000-4000 sq ft units, enabling us to offer a unit with a good retail profile i.e. street frontage along with another unit that may not be as attractive a proposition on an individual basis. Subsequent interest confirmed that this was the most viable proposition.

Consequently, in this report we recommend granting leases for the period of 15 years to incoming tenants for both properties.

- 1.8 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 3.5 and 3.6..

- 2.2 **Proposed Lease of Keltan House, 89-115 Mare Street, E8 4RT:** Where the Council enters into a lease of more than 7 years this constitutes a disposal for the purpose of Section 123 of the Local Government Act 1972 and the Council is required to demonstrate that it has achieved best consideration. The proposed letting is the result of a targeted three month marketing campaign by an established agency with extensive experience and expertise in the East London property market. The proposal is the best all round offer the Council has received as a result of this campaign. A 15 year lease is required by the proposed tenant due to the level of investment that will be made in the 'fit-out' of the building and set up costs of the business. The majority of the existing 'fit-out' is likely to be of benefit and value to the incoming tenant and as such reused, reducing the level of incentives sought by the incoming tenant, and removing the need for the Council to provide an up-front capital contribution, which was a requirement of other bids. The 15 year lease secures a sustained rental income stream with a rent review every five years. In addition, the tenant is well financed and expected to provide a good covenant.

- 2.3 The Council's Area Regeneration team visited the proposed tenant to discuss their social value commitments and wider contributions to the area that they could support at Keltan House. In line with the draft Hackney Central Town Centre Strategy, there is a particular interest in how the tenants of Keltan House will; support the local diversity of workspace provision, promote wider benefits for local businesses and stakeholders beyond the premises, including for residents; and contribute towards the Net Zero pathway. In conversations, the proposed tenant has suggested they will be able to provide a good balance of workspace spaces and price points, and promote workshops, work experience and mentor programmes for local education providers. The tenant is expected to invest in the

building over the duration of the lease to improve the environmental credentials, as well as opening up the entrances to be more inviting, which would have a significant benefit for the wider impact on Mare Street.

- 2.4 The Council's Area Regeneration team will be working on a memorandum of understanding to reflect these Council aspirations with regards to delivering wider social benefit, and to quantify the expectations of the proposed tenant's commitments. The Memorandum of Understanding will establish Environmental, Social and Governance benchmarks to track the socio-environmental environmental impacts.
- 2.5 I am satisfied that this proposed letting complies with the Council's obligations under Section 123 and should the letting not proceed will enable the re-marketing of the property. Finally, I would like to place on record my thanks to all those members of the teams from within the Council and our agents who have worked tirelessly to reach this outcome.
- 2.6 **Proposed Lease of 74 & 75 Walrond House, Matthias Road, N16 8BF:** Similar to the case above, where the Council enters into a lease of more than 7 years this constitutes a disposal for the purpose of Section 123 of the Local Government Act 1972 and the Council is required to demonstrate that it has achieved best consideration. 74 & 75 Walrond House Walrond House have been marketed for an extended period by a specialist Retail sector Agency. The proposal is the best all round offer the Council has received as a result of this campaign. A 15 year lease is required by the proposed tenant due to the level of investment that will be made in the 'fit-out' of the building, bearing in mon that these units have been provided to a basic shell & Core with Capped services standard and the tenant will be required to complete an extensive fit out including installation of services. The 15 year lease proposed will secure a tenant of good covenant securing a strong revenue stream for the duration of the proposed lease.
- 2.7 In common with Keltan House , the Council's Area Regeneration team have engaged with the proposed tenant to discuss their social value commitments and wider contributions to provide training and employment opportunities within the immediate area.
- 2.8 The Council's Area Regeneration team will be working on a memorandum of understanding to reflect these Council aspirations with regards to delivering wider social benefit, and to quantify the expectations of the proposed tenant's commitments.

### **3. Recommendations**

- 3.1 **That the schemes for Children and Education as set out in section 11 be given approval as follows:**

**Final Devolved Formula Capital (DFC) Allocation Capital Funding: Resource and spend approval of £416k in 2022/23 is requested for the**

allocation of the Department for Education (DfE) grant to individual schools maintained by Hackney Council for 2022/23.

**Ann Tayler Children's Centre:** Virement and spend approval of £850k (£50k in 2022/23, £780k in 2023/24 and £20k in 2024/25) is requested to fund the new roof replacement at this children's centre.

- 3.2 That the scheme for Finance and Corporate Resources as set out in section 11 be given approval as follows:**

**Millfields Waste Depot:** Resource and spend approval of £65k in 2022/23 is requested to enable Council officers to start Phase 1 of the remedial works at this site.

- 3.3 That the scheme for Climate, Homes & Economy (Non-Housing) as set out in section 11 be given approval as follows:**

**Cycle Hangers:** Resource and spend approval of £2,835k (£70k in 2022/23, £945k in 2023/24, £945k in 2024/25, £875k in 2025/26) is requested to enable Council Officers to roll out a further 675 cycle hangers across the borough over 3 years, providing secure cycle parking for more than 4,000 bikes.

- 3.4 That the scheme outlined in section 12 be noted.**

- 3.5 To approve the disposal by leasehold interest of the basement, part ground, first, second and third floors of Keltan House for a term of 15 years (as shown edged in red for indicative purposes only on the plan in Appendix 1).**

- 3.6 To approve the disposal by leasehold interest of 74 & 75 Walrond House for a term of 15 years (as shown edged in red for indicative purposes only on the plan in Appendix 3).**

- 3.7 To authorise the Director of Legal Services to prepare, agree, settle and sign the necessary legal documentation to effect the proposed disposals and to enter into any other ancillary legal documentation required to complete the proposed disposal transactions.**

- 3.8 To delegate authority to the Group Director of Finance and Corporate Resources to enter into a lease of 15 years, and to agree all other terms of the lease, provided that the requirements of Section 123 Local Government Act 1972 are met.**

**4. Reason(s) 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 Keltan House, 89-115 Mare Street, E8 4RT:** Letting of the building on a floor by floor basis has been considered but this is not considered to be viable because of the significant management cost (including a concierge, maintenance, and statutory compliance) and the much higher risk of voids.
- 5.2 The Council did consider a transaction with an alternative rent structure, where the base rent is lower than the market rent but the Council might receive a top up rent depending upon the tenant's turnover. This option was rejected because the transaction proposed by this Cabinet report provides greater certainty of income. Predictability of income is of great importance to the Council.
- 5.3 A freehold disposal has been considered but is not recommended, because the property is a significant income generator and represents a strategic hold within the general fund. This is a position that both the Strategic Property team and Finance and Corporate Resources team informally keep under review.
- 5.4 **Proposed Lease of 74 & 75 Walrond House, N16 8BF:** Letting of the building as individual units has been considered, however it was concluded that the relatively poor retail profile and lower floor level of 75 Walrond house would detract from the overall value that could be obtained and would represent an increased risk of void costs with lower rental value forecast as it would be less attractive to retail tenants of good covenant. The present proposal provides a relatively secure income stream for the Council in the medium term.

**6. Background**

**Proposed Lease to Keltan House, 89-115 Mare Street, E8 4RT (The Property)**

- 6.1 The property comprises 30,000 square feet across the basement, part ground and upper floors of Keltan House; the majority of the ground floor is occupied by Mare Street Market (a Barworks subsidiary).

- 6.1.1 The Property was let to WeWork in 2016 and was completely renovated by the tenant to provide a combination of open plan workspace and smaller office suites. Without prior consultation with us, WeWork emptied the building of all members / sub-occupiers in September 2021. We were initially advised that this was a temporary cost saving exercise. However, WeWork's intentions to permanently close the building and seek a surrender of its lease with the Council became apparent in the following weeks.

#### Approach

- 6.1.2 Strategic Property Services consequently appointed a suitably experienced Commercial property agent to act for the Council in negotiating appropriate surrender terms with WeWork and finding a new tenant for the property. Our initial strategy was for our Agent to directly approach eight to ten established workspace operators on a strictly confidential non-disclosure agreement basis, in order to assess the level of interest and likely terms required by a new operator in the event that the WeWork lease is surrendered. Our Agent simultaneously engaged with WeWork to consider any proposals they had in terms of surrendering the lease, whilst maintaining the Council's primary position that WeWork could not simply walk away from their obligations.
- 6.1.3 The list of initial parties to be approached was compiled by the Council's Strategic Property Services team and our Agent, in conjunction with the Council's Area Regeneration team, and included consideration of operators listed on the Council's Approved Workspace Providers list as well as our collective wider knowledge of the key players in the market. A fundamental priority was finding an operator that could make a centre of this size financially and commercially viable, and meet rent and other lease commitments into the medium and long term. We also considered how these operators could contribute to the Borough's aspirations in terms of social value, such as equal opportunity and fairness, ambitions for net zero carbon and growing small businesses.
- 6.1.4 There was very strong interest in the property and a number of proposals were received and analysed. The assessment criteria included rental income; requirement for capital expenditure by the Council; tenant covenant strength; consequent asset value; experience and commercial viability; and economic and environmental impact. Terms have now been agreed with the strongest applicant, subject to contract.

#### **Proposed Lease of 74 & 75 Walrond House, Matthias Road N16 8BF**

- 6.1.5 The overall property comprises three ground floor retail units of 7,070 sq ft in total. Subjects of this report are Units 74 & 75 Matthias Road which make up 1,668 sq ft and 3,336 sq ft respectively. Unit 74 fronts onto Matthias Road, whilst Unit 75 Matthias Road, whilst adjoining, fronts onto a landscaped courtyard.

- 6.1.6 The Property was recently developed by Anchor Housing and comprised seventy two good quality flats, three retail units and a community resource centre located to the rear of the development. The three retail units replace ten smaller Hackney owned retail units which previously stood on the site. These small units struggled in this location and Anchor considered three medium sized units would prove more viable in today's market. Anchor provided a fund of £200,000 to be used to either fit out the premises or to use as an incentive for tenants to fit out the premises themselves. This enabled Hackney to offer the incentive of 19 months rent free to reflect the tenants investment in the premises, without direct loss or cost to the Council,

#### Approach

- 6.1.7 Strategic Property Services appointed a suitably experienced Retail Agent to market the property. Our initial strategy was to let the units individually, however the agents reported back on particular difficulties with letting of the units individually, outlining in particular the poor retail profile, column layout and lower floor level of the largest of the units, suggesting that the most suitable approach would entail letting of units 74 & 75 together as the combined floor area was attractive to national retailers seeking units of approximately 4,000 sq ft units. There was little local interest particularly due to the fit out requirements, in particular considering the requirement to raise the floor level in Unit 75 Walrond House and a requirement to remove a non structural wall between the units.
- 6.1.8 A fundamental priority was finding a retailer of sufficient covenant to make the investment in the fit out and meet ongoing rent and other lease commitments into the medium and long term.
- 6.1.9 There was very strong interest in the property and a number of proposals were received and analysed. The assessment criteria included rental income; requirement for capital investment by the Council; tenant covenant strength; consequent asset value; experience and commercial viability; and economic and environmental impact. Terms have now been agreed with the strongest applicant, subject to contract.

#### Outcome

- 6.2 The Council has agreed terms with a national retailer, subject to contract.

#### Policy Context

- 6.3 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



- 6.4 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

- 6.5 As above.

Consultations

- 6.6 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

- 6.7 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 If the recommendations in this report are approved, the revised gross capital spending programme for 2022/23 will total **£245.230m (£121.178m non-housing and £124.052m housing)**.

Current Directorate	Revised Budget Position	July 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	(384)	15,286

Finance & Corporate Resources	61,704	65	61,769
Climate, Homes & Economy (Non-Housing)	39,988	70	40,058
<b>Total Non-Housing</b>	<b>121,427</b>	<b>(249)</b>	<b>121,178</b>
Housing	124,052	0	124,052
<b>Total</b>	<b>245,479</b>	<b>(249)</b>	<b>245,230</b>

- 7.4 **Proposed Lease to Keltan House, 89-115 Mare Street, E8 4RT:** This report seeks approval to grant a 15 year lease to a new tenant following the surrender of the current lease with WeWork. The proposed rental offer is considered reasonable and in line with market conditions. As the property is currently vacant there is a risk of substantial amounts of void costs; particularly relating to security and business rates (c.£317k pa) if we do not have a new tenant in place.
- 7.5 There will be reduced rental periods and a rent free period during the first 24 months, however, there will be no capital contribution requirements from the Council. The rental income will also be at a fixed rate every year with five year rent review, which gives the Council predictability over its forecasted income.
- 7.6 Details of the proposed lease, being commercially sensitive, can be found in the exempt appendix 2.
- 7.7 **Proposed Lease of 74 & 75 Walrond House, Matthias Road, N16 8BF:** This report seeks approval to grant a 15 year lease. The units are completed to a shell and core standard, prospective tenants are required to fit them out themselves.
- 7.8 There will be a rent free period for the first 19.5 months. However, there will be no capital contribution requirements from the Council. The rental income will also be at a fixed rate every year with five year rent review, which gives the Council predictability over its forecasted income.
- 7.9 Details of the proposed lease, being commercially sensitive, can be found in the exempt appendix 4.

## 8. **VAT implications on land and property transactions**

### 8.1 **Proposed Lease to Keltan House, 89-115 Mare Street, E8 4RT:**

**Rent:** There is an 'option to tax' on Keltan House so all rent will be taxable at the 'Standard Rate'.

**Rent Free Period:** Since the Council has an 'option to tax' in place on Keltan House, if the tenant was doing something for the Council in return for any rent free period, for example undertaking works that were Council responsibility, there would be a risk that there is a barter in place. In these

circumstances, the Council charges VAT on the 'rent free' period. However, where a 'rent free' period is given to a tenant and the tenant does nothing in return, for example where the 'rent free' is agreed as a market incentive, there is 'no supply' by the tenant to the landlord, and no VAT charge applies during the 'rent free' period.

## **8.2 Proposed Lease of 74 & 75 Walrond House, Matthias Road, N16 8BF**

**Rent:** There is an 'option to tax' on 74 & 75 Walrond House, Matthias Road, N16 8BF so all rent will be taxable at the 'Standard Rate'.

**Rent Free Period:** Since the Council has an 'option to tax' in place on 74 & 75 Walrond House, Matthias Road, N16 8BF, if the tenant was doing something for the Council in return for any rent free period, for example undertaking works that were Council responsibility, there would be a risk that there is a barter in place. In these circumstances, the Council charges VAT on the 'rent free' period. However, where a 'rent free' period is given to a tenant and the tenant does nothing in return, for example where the 'rent free' is agreed as a market incentive, there is 'no supply' by the tenant to the landlord, and no VAT charge applies during the 'rent free' period.

- 8.3 Millfields Waste Depot:** On the basis that the Council is arranging for works to be undertaken VAT will be charged to the Council on the works. The Council owns the building and uses it for Council purposes. On this basis the VAT would be input tax for the Council and assuming the use by the Council is for non-business purposes the VAT should be recoverable in full. If there is any exempt use by the Council from the site then a proportion of the VAT incurred on the works will need to be included in the Council's partial exemption calculation. The original transaction "The Council gave Transport for London (TfL) land in full payment for them to build the depot". From a VAT perspective there is a barter transaction although no money changed hands the items did. From a VAT perspective the Council values the things moving between the parties and charges VAT. However, TfL barter "Millfield Depot" had a defect and they are now asked to put it right. The Council have decided to do the work, but from a VAT perspective this supply is still TfL supply (barter). Since, the Council has decided to do the work we, the Council, are acting as the contractor supplying TfL with construction work to put their barter right and as such we need to charge TfL VAT on the amount the Council recoups from them.

## **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 **Proposed Lease to Keltan House, 89-115 Mare Street, E8 4RT and Proposed Lease of 74 & 75 Walrond House N16 8BF:** This report seeks authority to enable the disposal of leasehold interests for terms of 15 years. Section 123(2) and (7) of the Local Government Act 1972 provides that the Council cannot dispose of land for a term in excess of 7 years where that disposal is for consideration at less than best value that can reasonably be obtained on the open market without the consent of the Secretary of State.

9.7 The recommendation to grant long term leases of prime location property in the Borough is further supported by Section 1.1 of the Localism Act 2011 which grants every local authority the power to do anything which they consider is likely to achieve economic well being of the area. In this case ensuring that the property is a) not at risk of void periods which can result in illegal occupation and b) generating a market value income meets the criteria of the 2002 Act.

9.8 As the Director of Strategic Property Services has confirmed that these Properties have been marketed appropriately and these transactions represent the best financial outcome for the Council, the requirements of Section 123 have been met and there are no legal impediments to the grant of the leases for the required terms.

## **10. Comments of the Director of Strategic Property Services**

10.1 I am satisfied that the property Keltan House, 89-115 Mare Street, E8 4RT

and 74 & 75 Walrond House Matthias Road N16 8BF have been marketed appropriately and that these transactions represent the best financial outcomes for the Council and the requirements of Section 123 have been met and there are no legal impediments to the grant of the leases for the required term.

## **11. Capital programme 2021/22 and future years**

### **11.1 Children and Education:**

#### **11.1.2 Final Devolved Formula Capital (DFC) Allocation Capital Funding:**

Resource and spend approval of **£416k in 2022/23** is requested for the allocation of the Department for Education (DfE) grant to individual schools maintained by Hackney Council for 2022/23. The Department for Education allocates the Devolved Formula Grant annually to local authorities. The grant will be allocated to individual Local Authority schools based on the total number of pupils per school as at 1 April 2021. Every eligible school gets a fixed sum, and a variable amount based on pupil numbers. This investment will support the Government's priority to ensure that every child has the opportunity of a place at a good school, whatever their background. This year Hackney Council has been granted £416k to help maintain and improve the condition of school buildings and grounds. This capital funding helps to support Priority 1 and 2 Priority of the Council's 2018-2028 Sustainable Community Strategy 'A borough where everyone can enjoy a good quality of life and the whole community can benefit from growth' and 'A borough where residents and local businesses fulfil their potential and everyone enjoys the benefits of increased local prosperity and contributes to community life'. This approval will have no net impact on the capital programme as the resources are funded by grant.

#### **11.1.3 Ann Tayler Children's Centre: Virement and spend approval of **£850k (£50k in 2022/23, £780k in 2023/24 and £20k in 2024/25)****

is requested to fund the new roof replacement at this children's centre. This is a Council owned children's centre situated in London Fields provides full day care for children aged 0 to 4 years old. Following ongoing issues with roof leaks, reported over a number of years by the children's centre, a survey and a report was commissioned, which identified from the condition of the roof, that it had become life-expired, and required replacement. The current dilapidated condition of the roof, at times, with heavy rainfall, causes areas of the centre to be taken out of use, impacting on the occupants. A full replacement is required to ensure the integrity of the roof for the next 20 years. By undertaking this major investment, at this time, the Council will safeguard and enhance the asset value of the property. This will increase the environmental benefits to the occupants, and provide a wind and water tight building and we will also ensure where practical, the materials are used from sustainable resources, and also ensure the replaced roof meets the 'U' value requirements of the building regulations, which ensures a more energy efficient property is provided for future use reducing carbon values to meet the long term objectives of being carbon neutral objectives. This capital project supports the Council's 2018-2028 Sustainable Community

Strategy Priority 3 'A greener and environmentally sustainable community which is prepared for the future'. This approval will have no net impact as the resources already form part of the capital programme.

## **11.2 Finance and Corporate Resources**

**11.2.2 Millfields Waste Depot:** Resource and spend approval of **£65k in 2022/23** is requested to enable Council officers to start Phase 1 of the remedial works at this site. The existing Millfield waste depot was built between 2008 - 2010 for the Council by the Olympic Delivery Association (ODA). This was part of a complex set of arrangements between the ODA and the Council related to the construction of the Olympic park. In 2016 the Council undertook an extensive investigation into the potential ground defects to try and ascertain whether they were genuine construction defects or were due to acceptable levels of wear and tear. This detailed investigation would also determine if the issues would continue to get worse, the work needed to rectify them, and an initial cost estimate of this work. The Council appointed external specialists to investigate the potential defects. The potential defects investigated were as follows:

- Rutting/sinking of the surface in the heavy vehicle parking area along the eastern edge of the site
- Long continuous cracks in the heavy vehicle parking area, significant cavities in the subsurface, and the buckling of the boundary palisade fence, all of which are occurring along the eastern boundary
- The sinking and breakup of a significant area of the surface at the entrance to the depot.

Through a legal agreement with Transport for London (TfL), TfL have agreed to pay the Council £300k towards the rectification of a number of ground defects at the Millfields waste depot. To recover this money, the Council must prove to TfL that this money has been spent on the rectification works prior to January 2026. This project will be split into 2 phases:

- Phase 1 will cover the appointment of the professional advisers necessary to develop a detailed scope of works to rectify the defects and prepare the documentation required to go out to tender. A revised cost estimate of the works will also be produced.
- Phase 2 will cover the tender process, the appointment of a competent contractor and the carrying out of the works.

This approval is for the funding needed to deliver Phase 1. The intention is to appoint external professional advisers to provide project management and technical services for which the costs will be recoverable from TfL. Internal staff time to appoint and oversee these professional advisers is not recoverable but will be absorbed across the wider capital programme for Phase 1. It is estimated that this phase will take 18 weeks. Once Phase 1 has been completed, a subsequent further bid will be submitted for the funding needed to deliver Phase 2. The existing cost estimate for Phase 2

is between £800-£900k, however only once Phase 1 has been completed will a more accurate cost of the works and the time required to carry them out be ascertained. This capital project supports the Council's 2018-2028 Sustainable Community Strategy 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 it will be externally funded by TfL.

### 11.3 **Climate, Homes & Economy (Non-Housing)**

11.3.2 **Cycle Hangers:** Resource and spend approval of **£2,835k (£70k in 2022/23, £945k in 2023/24, £945k in 2024/25, £875k in 2025/26)** is requested to enable Council Officers to roll out a further 675 cycle hangers across the borough over 3 years, providing secure cycle parking for 4000 bikes. Hackney Council has over the last few years installed nearly 650 cycle hangars across the borough. However, despite this work - which has seen the number of hangars increase by a third in the last two years - demand for the spaces has continued to far outstrip supply, and consequently the waiting list for a space stands at over 5,000 residents. The calculated waiting time for those on the waiting list today now stands at over 11 years, with many cycle hangars having a waiting list of over 40 residents, and space turnover averaging between one and two spaces per hangar per year. This capital expenditure for the provision of cycle hangars will:

- Help 4,000 residents currently awaiting a space on street and on estates obtain a space in a secure cycle storage;
- Reduce the resident waiting lists from 11 years to less than 2 years;
- Unlock significant cycling potential by removing a major obstacle to cycling more (the lack of storage for a bike in many people's homes); and
- Enable significant income growth that will ensure that future investment in new cycle hangars can be self-funded;
- Allow our residents to access a mode of transport that can save them significant amounts of their weekly budgets by lowering their transport expenses and help improve their health.

The hangars are sited in the carriageway and do not form an obstruction to the use of the footway. Each hangar typically replaces a pre-existing car parking bay. Locations are chosen to respond to demand and with an even spread across the borough to ensure equitable access to the scheme. Managing the cycle hangar scheme is resource intensive and the expected increase in delivery from 75 hangars per year to 225 would require appropriate resources to deliver. Scheme planning, procurement and public consultation and engagement will be carried out by a dedicated officer in the Council's Streetscene team, together with an additional officer in the Council's Parking team to lead on-site identification and installation. Both would be funded through this capital approval. The additional revenue generated by the growth of the scheme would be used in part to expand the

customer service and engineering teams within Parking to meet this growth in service.

In order to support this business case, it is intended to seek approval from Cabinet for fee increases that will reduce the payback period to around 20 years, while ensuring that the council's commitment that the annual fee for rental of a cycle parking space remains lower than the lowest cost parking permit on both estates and on-street is delivered. If funding is agreed, the first step will be to tender for suppliers to bid for the provision of the hangars necessary to meet existing waiting list demand. It is anticipated that the size and length of the contract that Hackney would seek would drive down cost, and potentially deliver better value than the modelling assumptions used in this request, which are based around the current cost of the hangars installed in Hackney (£3,5k each). The conclusion of this procurement would allow hangars to be installed from 2023/24.

This capital project supports the Council's 2018-2028 Sustainable Community Strategy Priority 3 'A greener and environmentally sustainable community which is prepared for the future' and Priority 5 'A borough with healthy, active and independent residents'. The current Hackney's cycle hangar scheme is self-funding with a large waiting list. This approval will have no net impact on the capital programme as it will be funded by earmarked discretionary resources held by the authority.

## **12. For Noting:**

- 12.1 In June 2022, the Council was successfully awarded £700k external funding from the Greater London Authority Green and Resilient Spaces to fund the improvement works to the **West Reservoir in Woodberry Down**. A delegated powers report dated 29 April 2022 gave resource and spend approval to enable Council officers to proceed with the delivery of works to this site. The Council has accepted the grant agreement with the grant conditions. As a result **£700k in 2023/24** was approved to spend on this project. This capital funding aims to open up currently inaccessible waterside green space at West Reservoir for public access, allowing people to circulate around the perimeter of the water, as well as creating new reedbed habitats for wildlife. New bridges will link routes over the New River enabling more people to experience the natural and built heritage of the site. An improved open water swimming facility and other enhancements will also increase the number of visitors to the site. This builds upon the £1.6m Council's capital contribution for the improvement works at the West Reservoir Centre and £264k grant funding from the Department for Business, Energy and Industrial Strategy (BEIS) for the installation of a water source heat pump at the West Reservoir Centre approved by cabinet in May 2021. The milestones for this next phase of the improvements works is set out in the table below:



<b>Milestone</b>	<b>Date</b>	<b>£'000</b>
Procurement of Design Team	Aug 2022	120
Public Consultation & Engagement	Nov 2022	3
Planning Application Submitted	Feb 2023	4.5
Contractors Start on Site	Aug 2023	137.5
Hard/Soft Landscaping works complete	Nov 2023	435
Capital Works Complete Public engagement & volunteering activities on site	Mar 2024	0
<b>Total</b>		<b>700</b>

West Reservoir was built in 1833 to purify the New River and to act as a water reserve for London. The former filter house, now a water sports centre with a café, was built in the 1930s. The site has historical significance to the borough. The West Reservoir is owned by Hackney Council, but leased to the Council's Leisure Partner Greenwich Leisure Limited (GLL), who operate the site on behalf of the Council. GLL will continue to operate the site once the improvements have been made, and will use income from their water sports operation, event hire business and cafe to pay for the maintenance of the site. In addition, the project will develop a volunteer programme run by Hackney Council's new Volunteering Officer in partnership with London Wildlife Trust to assist in maintaining the newly opened green connection around the edge of the Reservoir. The Volunteering Officer will be paid from the Council's Parks and Green Spaces revenue budget.

The Council is committed to providing more green spaces for residents to enjoy, as well as helping to enhance and protect biodiversity. The Council wants to make West Reservoir a site that is more accessible and better used by the community, whilst enhancing its environmental sustainability and maintaining its uniqueness. This also demonstrates the Council's commitment to working towards addressing the impacts of climate change, poor health, increasing work opportunities and biodiversity loss. This capital project supports the Council's 2018-2028 Sustainable Community Strategy Priority 3 'A greener and environmentally sustainable community which is prepared for the future' and Priority 5 'A borough with healthy, active and independent residents'. This approval will have no net impact on the capital programme as it will be funded by grant.

## **Appendices**

Appendix 1 - Site Plan for Keltan House, 89-115 Mare Street, E8 4RT

Appendix 3 - Site Plan 74 & 75 Walrond House, N16 8BF

### **Exempt Appendices**

Appendix 2 - Exempt Keltan House, 89-115 Mare Street, E8 4RT

Appendix 4 - Exempt 74 & 75 Walrond House, N16 8BF

By Virtue of Paragraphs using Part 3 of schedule 12A of the Local Government Act 1972 this appendix is exempt because it contains information relating to the financial or business affairs of any particular person including the authority holding the information and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

### **Background documents**

None.

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