

## LONDON BOROUGH OF CROYDON

To: Croydon Council website  
Access Croydon & Town Hall Reception

### **STATEMENT OF EXECUTIVE DECISIONS MADE BY THE CABINET MEMBER FOR FINANCE & TREASURY ON 8 JUNE 2015**

This statement is produced in accordance with Regulation 12 of the Local Authorities (Executive Arrangements) Meetings and Access to Information) (England) Regulations 2012.

The following apply to the decisions listed below:

**Reasons for these decisions:** are contained in the **attached** Part A report

**Other options considered and rejected:** are contained in the **attached** Part A report

**Details of conflicts of Interest declared by the Cabinet Member:** none

**Note of dispensation granted by the head of paid service in relation to a declared conflict of interest by that Member:** none

The Leader of the Council has delegated to the Cabinet Member the power to make the executive decisions set out below:

#### **CABINET MEMBER'S DECISION REFERENCE NO. 28/15/FT**

**Decision title: Grant of Agreement for lease and subsequent lease to Tech Leaders Club Ltd for MRF funded tech hub**

Having carefully read and considered the Part A and B reports and the requirements of the Council's public sector equality duty in relation to the issues detailed in the body of the reports, the Cabinet Member for Finance & Treasury, in consultation with the Leader of the Council

**RESOLVED:** to agree to the grant of the agreement for lease and subsequent ten year lease to establish a high tech business hub to be located at 75/77 High Street and first floor Davis House to Tech Leaders Club Ltd on the terms detailed in the Part B report.

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Democratic Services Manager  
Date: 17 June 2015

# Croydon Council

## Part A Report

<b>DELEGATED DECISION REPORT TO:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance and Treasury</b>
<b>AGENDA ITEM:</b>	<b>N/A</b>
<b>SUBJECT:</b>	<b>Grant of Agreement for lease and subsequent lease to Tech Leaders Club Ltd for MRF funded High Tech Business Hub</b>
<b>LEAD OFFICER:</b>	<b>Steve Wingrave Head of Asset Management and Estates</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall Cabinet member for Finance and Treasury</b>
<b>Ward</b>	<b>Fairfield</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>  <b>Growth for the Prosperity of All: Growth Plan &amp; District Centre Investment and Place Plans</b>	
<b>LOCAL AREA AGREEMENT (LAA) TARGETS:</b>	
<b>FINANCIAL SUMMARY</b>  The acceptance of the proposals will allow the grant of an agreement for lease enabling a fit out of 75/77 High street and first floor Davis House to be undertaken to provide a business hub, which on completion will be followed by the grant of a lease to enable the operation of the hub to nurture and support high tech business growth in Croydon.. The capital cost of the works will be reimbursed through the £800,000 Mayors Regeneration Fund (MRF) grant.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO: this is not a key decision</b>	

This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.'

The Leader of the Council has delegated to the Cabinet Member for Finance and Treasury the power to make the decisions set out in the recommendations below

## **1. RECOMMENDATIONS**

That the Cabinet member having carefully read and considered the Part A and B reports:

1.1 Agrees to the grant of the agreement for lease and subsequent ten year lease to establish a high tech business hub to be located at 75/77 High Street and first floor Davis House to Tech Leaders Club Ltd on the terms detailed in the associated Part B report

## **2. SUMMARY**

This report recommends the grant of an agreement for lease enabling the fit out of 75/77 High Street and first floor Davis House to be undertaken to provide a high tech business hub (the hub). On completion of the work a 10 year lease will be granted to enable the operation of the hub to nurture and support high tech business growth in Croydon.

## **3. BACKGROUND**

3.1 The Council holds the freehold interest in Davis House, in which the vacant retail unit of 75/77 High Street and the First floor of Davis House in combination provide the ideal location providing approximately 20,000 sq ft of space with High Street access for the provision of the hub.

## **4. DETAIL**

4.1 The tech sector has been recognised as a major growth area in office take-up in the UK. The purpose of the hub is to provide accessible and cost effective accommodation for start-up and growth businesses together with a supportive environment to grow and retain these businesses in a Croydon office environment.

4.2 The Croydon Tech Hub was first proposed in 2013 and was progressed further through discussions with Croydon Tech City to develop a proposition that would fit with the local market. The tech hub concept was approved by cabinet on 29<sup>th</sup> September 2014.

4.3 The opportunity and requirements were then advertised and directly circulated to 75 organisations who were invited to take part in a two stage selection process. The initial stage was by submitting an expression of interest providing a brief outline of the organisations proposal and vision. Fifteen organisations

contacted the Council in response with 7 submitting formal applications by the closing date. These were then considered by officers and a shortlist of 4 were invited to make a presentation and attend an interview by a panel made up from Council, GLA and external tech hub advisers.

4.4 Following this tender process, Tech Leaders Club Ltd were chosen to enter the agreement to establish the hub. They have subsequently submitted a design package as to how the premises might be fitted out which is acceptable to the Council.

4.5 The necessary building conversion work is to be funded by provision of a £800,000 grant from the MRF, and a concessionary rental package will be offered by the Council to allow the hub the greatest chance of success. The funding has been secured on the basis of future targets which must be met by December 2018 by the provider or there is a risk that part or all of the grant may have to be repaid. The requirements are:

- 40 people per annum getting into employment.
- 14 people per annum becoming self-employed.
- 14 new businesses created each year.
- Actively supporting at least 15 businesses each year.
- At least five new TMT businesses relocating to Croydon.
- Two accelerator programmes run per annum.
- One social event/workshop per week for users of the TMT hub.
- Secure capital from venture investors to 7 businesses.
- At least one large scale event per annum inviting senior figures, exciting entrepreneurs and investors from around the world to Croydon.

These targets are written into the lease agreement with Tech Leaders Club Ltd.

4.6 The letting to Tech Leaders Club Ltd effectively represents a disposal at below best value due to the lease agreement being initially on a more concessionary basis than an open market letting. This is permitted under the terms of the General Disposal Consent (England) 2003 as the agreement will generate economic and social benefits to the Borough through the targets set out in 4.5 above.

4.7 It is therefore proposed that Croydon sign an agreement for lease with Tech Leaders Club Ltd. This agreement will:

- Demise the accommodation at 75/77 High Street and first floor Davis House to the Tech Leaders Club Ltd as the tenants. This will enable

refinement of the design and contract arrangement for the hub, all subject to Croydon Council approval.

- On approval of the design and contract, payment of the £800,000 will be made in tranches based on milestones (indicating the design work to be done) and certificates (confirming the contract work to be done)
- It is anticipated that this process will take at least until year end. On practical completion, the lease will be completed to enable Tech Leaders Club Ltd a new lease to operate the hub.

## **5 FINANCIAL & RISK ASSESSMENT CONSIDERATIONS**

### **1 The effect of the decision**

The grant of the agreement for lease will enable Tech Leaders Club Ltd to commit to the process of designing and building the hub reimbursed by Croydon who will in turn be reimbursed by the MRF. Once completed the grant of the lease will allow the operator to attract the high tech businesses to Croydon by offering the perfect business environment.

### **2 Risks**

#### **2.1 – Opportunities to break the lease in the event of default**

Due to the uncertainty of the various aspects of the agreement, there are a number of opportunities for the lease to be broken to manage the risk. For the tenant to break the agreement for lease, these are:-

- If the power supply proves insufficient or the floor loadings of the building are not adequate
- If Croydon are not able to resolve the odour issue from the fried Chicken shop at no 69 High Street

There are a number of opportunities for the landlord to break the lease – tied into deadlines

- Structural survey must be completed within 3 months
- Design work must be completed by 15 Aug 2015
- All necessary consents for work must be achieved by 30 Sep 2015
- Building contract to be in place by 30 Oct 2015
- Practical completion to take place by 31 Aug 2016

There are two other opportunities for the tenant to break the lease

- At the end of years 3 and 7(essentially if the business is not performing).

There are opportunities for the landlord to determine the lease

- Annually if the hub operator is not achieving pre-agreed business targets. These are listed at appendix A in the attached paper –‘ MRF- Innovation Centre / Tech Hub’.

## 2.2 Payment by Milestones/ Certificate

Due to the financial status of Tech Leaders Club Ltd and the desire to facilitate best progress payment is being made in advance against milestones/ certificates throughout the agreement for lease. These stages are set out in the Appendix 'Centre Planning Summary'. The maximum payable at one stage is £100,000, and in the event of failure, it is possible that this amount could be lost with no opportunity to recoup. It is thus important that the retrospective monitoring and signoff by the landlord's agent ensures that all aspect from the previous milestone / certificate are complete before the next at risk payment is made.

## 2.3- Potential clawback by GLA in the event of failure to achieve prescribed targets.

In the event of a termination occurring with Tech Leaders Club Ltd, Croydon have until Dec 2018 to achieve the targets by bringing in another partner. The likelihood of a clawback is therefore considered remote taking into account the partnership status of the GLA and Croydon.

2.4. Tech Leaders Club Ltd are a new business and have no financial standing, relying on the MRF funding for the scheme. Progress will be closely monitored at all stages to minimise risk.

## 3. Options

3.1 The opportunity cost of the scheme is the potential income that could be achieved from alternative lettings for the space. The estimated options comprise:

### 1) Letting of 75/77 High Street as shop / office.

- 9 months letting void
- 12 months rent free
- Rental £50,000 per annum

### 2) Letting of First floor offices

- Refurbishment cost c£600,000
- 12 months letting void
- 12 months rent free
- Rental £250,000 per annum

3.2 The lettings outlined above would deny the opportunity to create a potentially unique and catalytic business hub in Croydon.

#### **4 Savings/ future efficiencies**

The creation of the hub potentially creates new business growth and development in Croydon with the resultant business rate, employment and other economic benefits.

Approved by: Richard Simpson, Assistant Chief Executive (Corporate Resources and Section 151 officer)

#### **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 6.1 The Council Solicitor comments that in agreeing the lease arrangements, the Council must be satisfied that it is receiving a fair market value as set out in the best consideration test and requirements in section 123 of the Local Government Act and Circular 06/03: Local Government Act 1972 general disposal consent (England) 2003. The terms of the Consent mean that specific consent is not required for the disposal of any interest in land which the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area.

Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer.

#### **7. EQUALITIES IMPACT**

- 7.1 An initial equality impact assessment has been undertaken and determined that: No major change - the Equality Analysis demonstrates that the proposed disposal will not lead to potential for discrimination and that all opportunities to advance equality have been taken.

#### **8. ENVIRONMENTAL IMPACT**

- 8.1 The lease renewal will not lead to any material changes

#### **9. CRIME AND DISORDER REDUCTION IMPACT**

- 9.1 The development of the shop unit will encourage greater footfall in this area which will help reduce anti-social behaviour.

#### **10. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

The grant of the agreement for the lease will secure an income over time together with the other substantial social and economic benefits through the creation of the Tech Hub

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**BACKGROUND DOCUMENTS: MRF- Equalities Impact Paper**