

Committee:	Dated:
Community and Children's Services	05/03/2021
Subject: Community Centre (20 Little Somerset Street)	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	1,2,3,4,9
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	£
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	Y/N
Report of: Andrew Carter – Director of Community and Children's Services	For Decision
Report author: Simon Cribbens – Assistant Director, Commissioning and Partnerships	

Summary

This report seeks approval for the City of London Corporation (the Corporation) to enter into a 15-year lease for a new Community Centre at 20 Little Somerset Street. The new centre is being delivered as part of the Minories development as a requirement of the planning consent.

A rent, inclusive of agreed services, has been agreed at £25,050 per annum for the first five years. A reduction to £20,300 has been negotiated in Year 1 in respect of reduced services. The rent will be reviewed every five years by Consumer Price Index (CPI). This stepped rent is at a non-commercial rent (i.e. below current market value) as required by the Section 106 Agreement linked to the planning consent.

The operating environment in which the new community centre will open will be very challenging and may reduce use and revenue to support the centre's operation, resulting in unfunded cost burdens to the Department of Community and Children's Services (the Department). The Department will also face the costs associated with the removal of the existing community centre on the Mansell Street estate.

Recommendations

Members are asked to:

- i. Approve the proposal to enter into a lease with 4C Hotels for a duration of 15 years, with annual costs as summarised:
 - o Rent in Year 1: £20,300 rent (net of VAT) inclusive of agreed services
 - o Rent in Years 2 to 5: £25,050 rent per annum (net of VAT) inclusive of agreed services

- Inclusive rent to be reviewed every five years by CPI.
 - Insurances: Proportional recharge of rebuilding insurance costs currently estimated to be £1500 in Year 1.
 - Other costs: DCCS to be responsible for outgoings as consumed, or in proportion (power, water).
- ii. Note the financial issues that may arise from the challenging operating environment in which the centre will open, and the removal of the redundant existing facility.

Main Report

Background

1. A new community centre (the centre) is being delivered at 20 Little Somerset Street, as part of the development of 15–16 Minories and 62 Aldgate High Street, by 4C Hotels Limited. The development includes a refurbished hotel, new office building, residential block and a landscaped park. The planning permission for the development included Section 106 requirements for the delivery of a new community centre space.
2. The proposed facility will replace the existing Portsoken Health and Community Centre (also known as the 'Green Box') located within the Mansell Street Estate. It is scheduled for completion and handover in June 2021. The new centre is located within the Portsoken Ward.
3. The vision for the new centre is to establish a thriving and financially sustainable facility serving and driven by people living and working in the community. It aims to be accessible, and responsive to meeting a variety of interests, needs and wants from all sections of the community. It also aims to be accountable to the community, with residents involved in and making decisions relating to the new centre (with this role growing over time).
4. The Community and Children's Services Grand Committee approved a recommendation in June 2020 that the centre be run directly by the City Corporation for an initial period to provide stability through the risk and challenge of a post-lockdown period.
5. Under the terms of the Corporation's lease with Guinness, the Department of Community and Children's Services is required on termination to remove the structure of the Green Box and make good the area where it stands.

Current Position

6. The development of the site itself has been disrupted by COVID-19 restrictions and the developer is now working towards a June 2021 opening. Officers from the Department, and the departments of Built Environment and the City Surveyor are in close liaison with the developer to finalise the design and layout of the centre in keeping with its vision.

7. Plans for the fit-out of the centre were developed after consultation with the community, users of the Green Box, and other stakeholders.
8. Officers have negotiated with the developer the terms of the lease which the Corporation will commit to. An inclusive rent has been negotiated to include service elements, which have been individually scrutinised for value and practicality. This approach will provide stability and transparency for financial planning for the running of the centre.

Proposal – Terms of the Lease

9. The terms for a lease are being finalised. If agreed by Members, they will commit the Corporation to a 15-year term, with a break clause at any time after the one-year anniversary of the term on giving six months' prior written notice. The demise of the property is set out in Appendix 1.
10. A stepped inclusive rent has been agreed for the first five years:
 - Year 1: £20,300 rent (net of VAT) inclusive of agreed services
 - Years 2 to 5: £25,050 rent per annum (net of VAT) inclusive of agreed services
 - The inclusive rent is to be reviewed every five years by CPI.
11. The inclusive rent negotiated by City Surveyor's, in close consultation with the Department, has the benefit of ensuring maintenance of cost controls in Phase 1. It includes the rental element of £1,000 per annum and provision for servicing of essential equipment (lift, fire alarm, sprinklers), waste disposal, landscaping, CCTV and cleaning of windows and cladding. See Appendix 2 (Non-Public).
12. The stepped rent is at a non-commercial rent (i.e. below current market rental value) as required by the Section 106 Agreement linked to the planning consent.
13. The Corporation will also be liable for costs relating to insurance (public liability, contents and employers liability insurance) and outgoings for power and water.
14. The Corporation will be responsible for internal repairs and decorations and appropriate statutory compliance issues.
15. The existing lease in place at the Green Box located within the Mansell Street Estate has now expired. Plans are in place to scale down operations as the new provision is bedded in, thus ensuring no gap in provision to residents.

Corporate & Strategic Implications

Strategic implications

16. The delivery and operation of a new of community centre delivers to the aims of the Corporate Plan and the following outcomes:
 - Communities are cohesive and have the facilities they need.
 - People have equal opportunities to enrich their lives and reach their full potential.

- People enjoy good health and wellbeing.
- We inspire enterprise, excellence, creativity and collaboration.
- We are digitally and physically well-connected and responsive.

Financial implications

17. In December 2019, the City Corporation commissioned Locality – a specialist consultancy – to undertake a business planning exercise for the new community centre to inform options for the centre’s management and operation.
18. The work was informed by the City Corporation’s vision to establish a thriving and financially sustainable community centre serving and driven by people living and working in the community.
19. The report set out income and cost estimates based on Locality’s research and expertise in community centre operation. It suggested that likely revenues could cover the operational costs of the centre. It should be noted that these were developed before, and therefore without regard to, the impact of COVID-19.
20. The uncertainty resulting from COVID-19 will impact on the use of the community centre and its income potential. There is the potential for the Department to overspend if the additional costs cannot be contained within existing budgets.
21. The Locality projection of income and costs (Appendix 3) forecast Year 1 costs of £109,000 and potential income of £118,000. The costs will be subject to variance as Locality based some costs – such as staffing – on voluntary sector delivery, and estimates based on comparable centres.
22. The greater risk in the short term is a significant decline in projected income. Agreed budgets for 2021/22 do not include provision to underwrite any shortfall.
23. In addition, the terms of Corporation’s lease with Guinness for the site on which the current Green Box stands, requires the removal of that structure and remediation of the area. There is no agreed budget for this cost.
24. To mitigate the costs, the Department is looking at opportunities to realise efficiencies from shared services and staffing, to achieve savings from other departmental budgets and to consider any contingency to meet these cost burdens.
25. The Department will work with the centre’s Advisory Board to identify appropriate uses that can maximise income. The Department will also investigate any resale value or arrangements that may offset the cost of removing the Green Box.
26. It should be noted that there is a risk that the loss of income and costs associated with the Green Box are greater than sums identified through efficiencies, savings and contingency, and could result in a departmental overspend.

Resource implications

27. No further implications.

Legal implications

28. N/A

Risk implications

29. N/A

Equalities implications

30. The provision of a new community centre will enhance the Corporation's ability to foster good relationship and promote equality of opportunity between target equality groups. Its location is within the area of the City with the most diverse population. The Department is committed to a centre that is driven by the community to meet local needs and aspirations.

Climate implications

31. N/A

Security implications

32. N/A

Conclusion

33. It is a challenging period in which to enter into a new lease. However, the community centre offers a facility that will provide lasting benefit to the community in the east of the City. In the medium term, the department remains focused on delivering a thriving and financially sustainable facility serving and driven by people living and working in the community.

Appendices

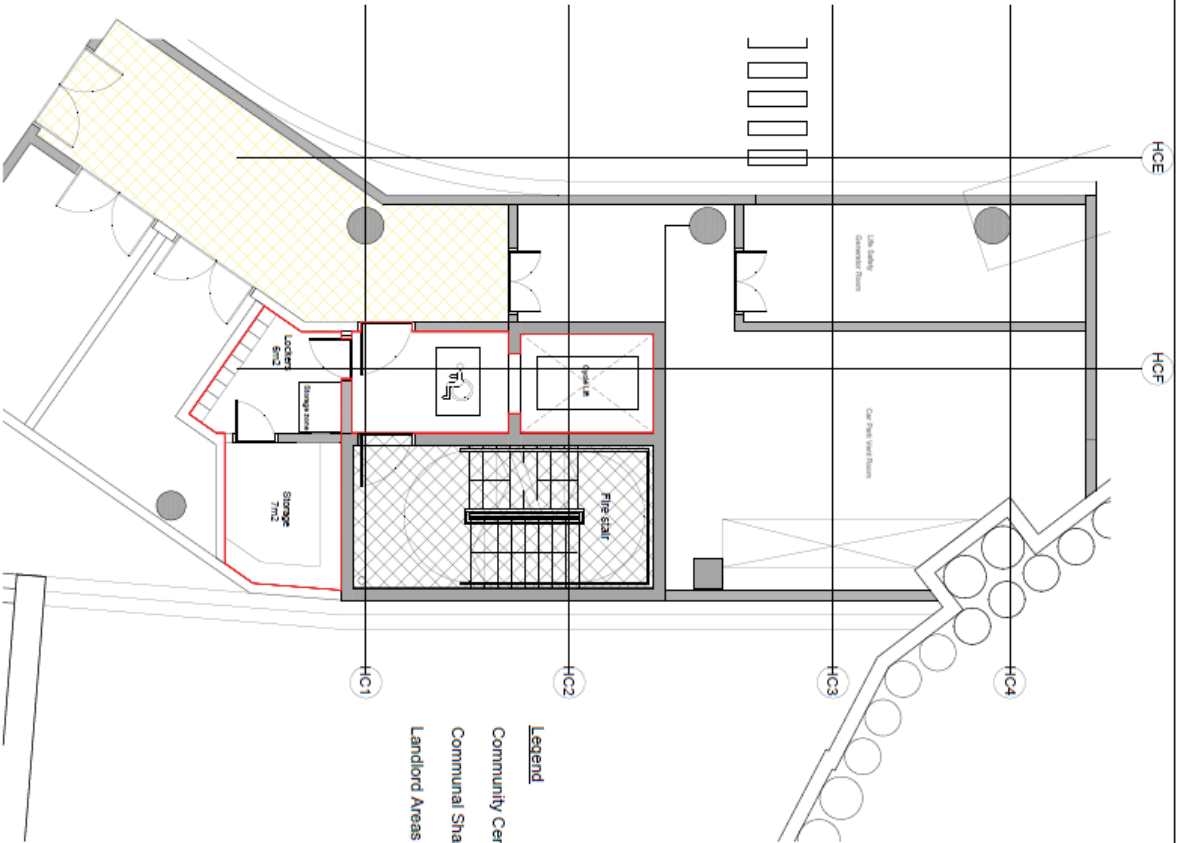
- Appendix 1 – Community Centre Plans
- Appendix 2 – Proposed Rent (Non-Public)
- Appendix 3 – Locality business plan estimates

Simon Cribbens

Assistant Director – Commissioning and Partnerships
Department of Community and Children's Services

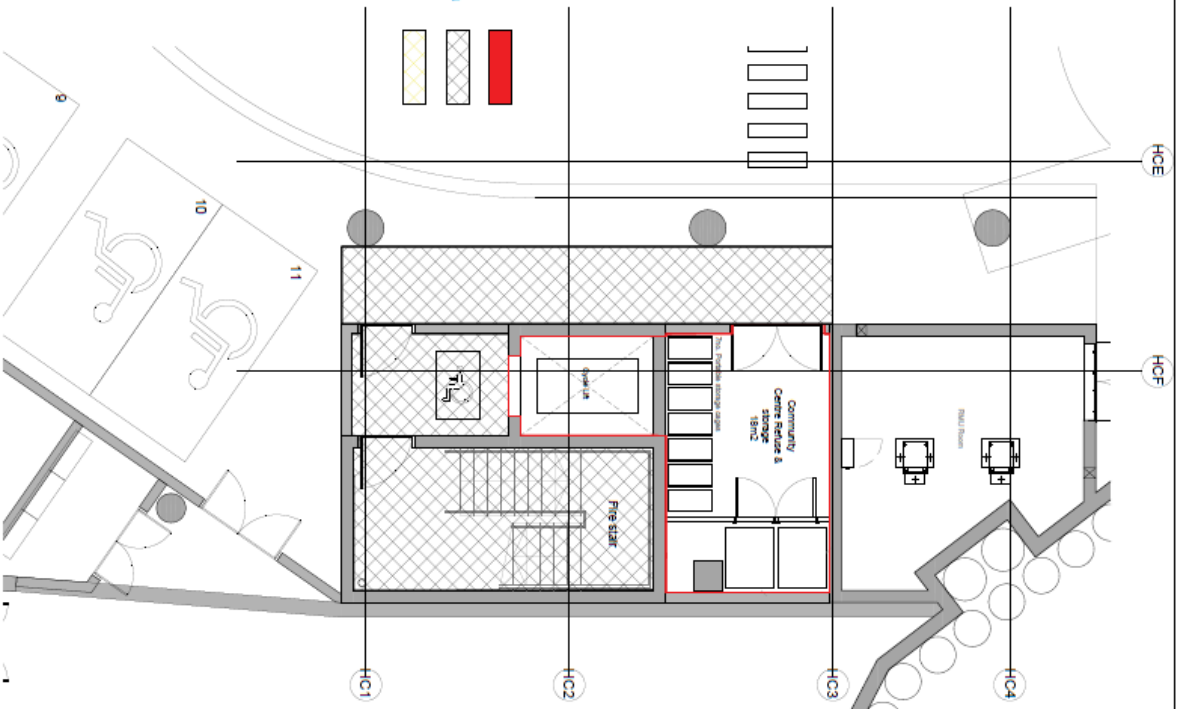
T: Microsoft Teams/Skype

E: simon.cribbens@cityoflondon.gov.uk



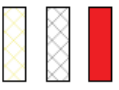
Proposed Basement 01 Level (GIA 20.5 sqm)

SCALE BAR
0 1 5m 10m



Proposed Basement 02 Level (GIA 24.7 sqm)

- Legend**
- Community Centre Demitted Area
 - Communal Shared Easement Area
 - Landlord Areas



DO NOT SCALE
GENERAL ARRANGEMENTS ON THIS DRAWING SUBJECT TO THE CONTRACT AND ANY REVISIONS THEREON. ALL DIMENSIONS SHALL BE AS SHOWN UNLESS OTHERWISE SPECIFIED.
ALL DIMENSIONS SHALL BE IN METERS UNLESS OTHERWISE SPECIFIED.

1. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL AUTHORITY AND OTHER RELEVANT AGENCIES.
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CONVEYANCING
4c Hotel Group
Portoken Community Centre
London

Basement Levels 01 & 02

DATE: 11/09/20
DRAWN BY: DW
CHECKED BY: DW
DATE: 11/09/20

7024-CON-003

Appendix 3 – Locality business plan estimates

Phase 2 Expenditure and Income	Year 1 20/21	Year 2 21/22	Year 3 22/23	Year 4 23/24	Year 5 24/25
Expenditure		3% inflationary increase	3% inflationary increase	3% inflationary increase	3% inflationary increase
Utilities	£23,000.00	£23,690.00	£24,874.50	£26,118.23	£27,424.13
Rates, Facilities, Maintenance	£23,300.00	£22,379.00	£23,497.95	£24,672.85	£25,906.49
Staff	£61,985.00	£63,844.55	£67,036.78	£70,388.61	£73,908.05
Accountancy services	£1,000.00	£1,030.00	£1,081.50	£1,135.58	£1,192.35
Total Expenditure	£109,285.00	£110,943.55	£116,490.73	£122,315.26	£128,431.03
Total Expenditure MINUS staffing	£47,300.00	£47,099.00	£49,453.95	£51,926.65	£54,522.98

Income					
Ground Floor Main Hall	£33,667.20	£39,715.20	£39,715.20	£40,320.00	£40,320.00
Event space	£37,497.60	£41,227.20	£41,227.20	£41,227.20	£62,596.80
Meeting room	£21,369.60	£21,369.60	£33,264.00	£33,264.00	£49,795.20
Digital lab workshop	£25,300.80	£25,300.80	£28,324.80	£28,324.80	£29,836.80
1-2-1 consultation rooms	£3,225.60	£3,628.80	£3,628.80	£3,628.80	£3,628.80
Total Income	£117,835.20	£127,612.80	£142,531.20	£143,136.00	£182,548.80

Annual Profit/ Loss Phase 2 onwards (including staffing)	£8,550.20	£16,669.25	£26,040.47	£20,820.74	£54,117.77
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