

CABINET MEMBER DELEGATED DECISION 12 MARCH 2020

Report title: Allocation of additional funding to complete the LJ Works affordable workspace project.

Wards: Coldharbour

Portfolio: Councillor Matthew Bennett, Cabinet Member for Planning, Investment & New Homes

Report authorised by: Sara Waller/Eleanor Purser, Strategic Director for Sustainable Growth and Opportunity

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Report summary

The LJ Works project in Loughborough Junction is delivering approximately 1,500m² of affordable workspace, primarily for local residents. It has successfully levered in over £1.8 million of external funds, including £1.64 million from the Greater London Authority's (GLA) London Regeneration Fund. Phase 1 (Shell and Core of both buildings) construction started in September 2018 and is now substantially complete. This report requests £1.2 million of additional funding, which includes a contingency, in order to complete Phase 1, Phase 2 (external works) and the increased specification to the rear building to facilitate the fit-out of the anchor tenant, Mission Kitchen. These works need to be urgently instructed to avoid the site being vacated by the contractor and the Council being liable for security, and in the interest of the operator and anchor tenant occupying as soon as possible.

Commercially sensitive information is disclosed in the accompanying part II report.

Finance summary

This report requests £1.2m of additional capital funding to complete the previously agreed scheme. It is proposed this is funded from available Community Infrastructure Levy monies. Further details of the reasons for the additional funding requirement are included within the body of the report.

Recommendations

1. To approve the investment of a maximum of £1.2 million additional capital from Community Infrastructure Levy to complete the LJ Works affordable workspace scheme and meet the Council's contractual requirements with the GLA.

2. To approve the variation of the LJ Works construction contract with H A Marks by up to £600,000 (with the actual value and breakdown stated in Part II) and until April 2021, which includes a 12 month defects period and a contingency, to complete Phases 1 and 2.
3. To allocate £9,417 of revenue funding from Brixton Creative Enterprise Zone funds to deliver a programme of business support aimed at Loughborough Estate, Angell Town Estate, and Milkwood Estate residents.

Reasons for Exemption from disclosure

The accompanying part II report is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:

Paragraph Three: Information relating to the financial or business affairs of a particular person (including the authority holding that information).

1. CONTEXT

1.1 In 2016 the Council secured £1.64 million grant funding from the GLA's London Regeneration Fund (LRF) to deliver affordable enterprise space in Loughborough Junction, known as LJ Works.

1.2 The project aims to:

- Help to tackle the loss of employment space in the borough;
- Combat the rising cost of workspace as a barrier to entrepreneurs starting a business, particularly for those from communities with high levels of deprivation, such as in Loughborough Junction;
- Provide space for approximately 58 businesses, with a focus on start-ups and small and medium enterprises (SMEs);
- Support approximately 123 new jobs;
- Provide additional employment and training opportunities through the construction stage (estimated to be equivalent to 30 jobs for the duration of the construction);
- increased participation in, and accessibility of, the Loughborough Farm food growing project (including associated health and well-being benefits);
- provide on-site business support in association with local partners, Tree Shepherd;
- Actively pursue a programme of training and business development support in the local community;
- Provide a 'community give back' scheme whereby all tenants are required to provide benefits (e.g. volunteering, training or skills sharing) to the local community;
- Provide capacity-building (by Meanwhile Space) for the community-led steering group in preparation for the creation of a community-based management company;
- Provide increased activity on the local high street to support existing businesses in Loughborough Junction;
- Raise Loughborough Junction's profile and kick-start regeneration in the area;
- Facilitate the provision of a new pedestrian route to Loughborough Junction Rail Station, between Styles Gardens and Rathgar Road (in line with the draft Loughborough Junction masterplan and the draft revised local plan); and,
- Improve community cohesion and relationships between community organisations through collaborative working.

1.3 Plans were developed with the appointed architects, community partners and community-led steering group, and planning permission was granted on 12 May 2017 (ref: 17/00527/RG3).

1.4 Following design development and the contractor procurement process in 2017, the Council allocated match funding of £727,000 and up to £200,000 New Homes Bonus (now confirmed as £177,919) in order to meet the obligations to the GLA and provide expanded scope and benefits, including:

- Phase 3: Provision of an additional 100 m² workspace to the front building, to better utilise the Council's land asset and improve viability of the scheme.
- Shell & Core Plus: Increased specification to the rear building to support the provision of a food business incubator on the site.
- Platform Café: Funding a feasibility study to support a point of sale for LJ Works businesses across the road from the main entrance (revenue funded through £8,000 capital reserve).

1.5 Phase 1 (Shell and Core of both buildings) construction started in September 2018 and is now substantially complete. Phase 2 (external works) has now been designed and costed. Before external works can commence, the site is being cleared of Japanese Knotweed. The Shell & Core Plus and kitchen fit-out are still under design development with the tenant, but provisional designs

and cost estimates are available. Phase 3 is on hold so that the tenants and local community can participate in the build process once the site has been opened.

- 1.6 Additional funding is required to cover the increased costs for the remaining works. The cost increases are primarily due to design development, site constraints, unexpected ground conditions, and cost inflation caused by delays. The Phase 2 (external works) works need to be urgently instructed to avoid the site being vacated by the contractor and the Council being liable for security, and in the interest of the operator and anchor tenant occupying as soon as possible. The Shell & Core Plus works will be separately procured, within the budget set out in part II, as soon as the design is finalised.
- 1.7 The operator, Meanwhile Space, and anchor tenant, Mission Kitchen, are preparing to launch the project. With the marketing and applications process soon to be launched, they currently have expressions of interest from over 300 businesses, many of which are local to Loughborough Junction. The LJ Works project has been developed by a community Steering Group made up of key local stakeholder organisations, and embedded within the project's operations plan is the commitment to deliver long-term social outcomes for the immediate local community.
- 1.8 Despite the cost increase, the project still represents good value for money. The Council will only be contributing half of the total capital cost but will retain ownership of the asset, which will be of considerable value. Furthermore, the wider economic impacts generated by the project (calculated using methodologies from the HM Treasury's Green Book and the Homes and Communities Agency's Valuing the Benefits of Regeneration guidance) will be significant. For example, every £1 invested is likely to return approximately 2.5 times that for the local economy. The project will lead to the creation of around 94 net additional full-time equivalent jobs and create a net present value (NPV) of around £18 million (GVA) over its lifespan.
- 1.9 The project will provide significant benefits for one of the most deprived communities in London. As well as providing employment and enterprise opportunities for local people and supporting the development of new businesses, it will secure the future of the Loughborough Farm community food growing project and make it accessible to the entire community. Other benefits include: temporary construction jobs; training opportunities and skills development; increased community cohesion; environmental improvements; and a catalyst for further neighbourhood renewal.
- 1.10 The delivery of LJ Works will directly support the aims of Future Lambeth: Our Borough Plan 2016-2021 in the following ways:
 - Inclusive Growth: LJ Works is a significant investment that will create employment and enterprise opportunities in one of the most deprived wards in the borough. The project will support local people to start their own businesses and nurture them through professional and peer-peer support. The injection of activity to the local economy will also help to support the existing town centre and catalyse investment and improvements in the local area.
 - Reducing Inequality: As well as supporting and prioritising local people, the Council is working closely with Marcus Lipton Youth Centre and Green Man Skills Zone to ensure that the project offers as many training and employment opportunities for young people as practically possible. The project will also create opportunities for people of all ages to get involved in food growing, supporting health and well-being.
 - Strong and Sustainable neighbourhoods: There will be opportunities for all to visit and benefit from LJ Works. As well as employment and enterprise opportunities, open days and events, anyone can become a member of Loughborough Farm. This will provide opportunities for social interaction, access to nature and health and wellbeing benefits.

2. PROPOSAL AND REASONS

- 2.1 Three options for completion of the scheme have been considered, set out below. The proposal is Option B, because it best supports the project's feasibility and social outcomes.

Option A: Complete Phase 1, 2 and 3 (but no pre-launch business support programme)

- 2.2 To invest a maximum of £1.2 million additional capital to complete the LJ Works affordable workspace scheme and meet the Council's contractual requirements with the GLA. The kitchen design and cost has not yet been finalised, so this figure includes a significant contingency. The external works need to be urgently completed in order to make the site useable and meet the planning conditions. Therefore, the proposal is to allocate a maximum funding amount to complete the project to enable the external works to be instructed and completed as soon as possible. In parallel, the design and costs for the Shell & Core Plus and kitchen fit-out will be finalised and the works instructed soon after, to enable the tenants to occupy. Any unspent capital funding will be returned.

Option B: Complete Phase 1, 2 and 3 and a pre-launch business support programme

- 2.3 To carry out Option A and also a programme of Start Your Own Enterprise business support in the lead-up to the LJ Works project opening. This option requires additional funding of £9,417 to enable a programme of business support and engagement, to be delivered by Tree Shepherd and targeted at the Loughborough Estate, Angell Town Estate, and Milkwood Estate. Tree Shepherd ran a similar 'Start Your Own Enterprise' course two years ago. Due to delays in the construction of the project, there is a need to re-engage with the immediate community to ensure local people are aware of the project and able to take up space once the application process is launched.

Option C: Complete Phase 1 and 2 only

- 2.4 To divert the current allocated budget for Phase 3 towards the completion of Phase 1 and 2, allowing the funding request to reduce by this amount (set out in part II). The planned provision of an additional 100 m² workspace to the front building would better utilise the council's land asset and improve viability of the scheme, but it is not necessary to meet the obligations to the GLA. Not delivering Phase 3 would mean a loss of income for the project overall and the project would not begin making a profit until after year 5. Not delivering Phase 3 means the project would fail to deliver the associated CNC wood-cutting and construction training scheme, an additional community benefit that was developed by the Community Steering Group and has received significant interest already.
- 2.5 The recommended option is Option B, in order to complete the entire LJ Works scheme and realise the site's full potential and social outcomes, as well as ensuring that the local community are prepared and supported to take up the affordable workspaces once the site is opened.
- 2.6 In addition to the funding allocation, this report recommends the variation of the LJ Works construction contract with H A Marks by up to £600,000 and until April 2021, which includes a 12 month defects period and a contingency, to complete Phases 1 and 2. The original contract with H A Marks included some landscaping works, and the recommendation is to expand the scope to reflect the revised external works design, which accounts for unexpected site and ground conditions, additional features required by planning conditions, and the earlier provision of a pedestrian route to Loughborough Junction Rail Station. The council's term contractor was considered as an alternative sourcing option for the external works, but this was discounted due to the programme, risk and cost benefits of the contractor already being mobilised on site and familiar with the site and scheme, and the ability to overlap completion and handover of Phases 1 and 2. The option of re-tendering the contract was discounted due to the time implications of an open tender process and associated costs and risks to the council of further delays, including the need to secure the site if the current contractor were to vacate, and the reputational risks of further delay

3. FINANCE

3.1 The existing funding available for this project is:

£1,644,388 – GLA London Regeneration Fund, allocated in December 2016;
£177,919 of New Homes Bonus (up to £200,000 was allocated in August 2017);
£726,573.90 – Council funding (Capital Receipts and CIL), allocated in August and October 2017;
Total funding available: £2,548,880.90.

3.2 The total projected cost of the Recommended Option, including contingency, is £3,748,880.90. Therefore, additional capital funding of £1.2 million is required. It is proposed that this is funded from the confirmed available Community Infrastructure Levy funds.

3.3 The project will also benefit from £9,417 of revenue funding to be allocated from the Brixton Creative Enterprise Zone (CEZ) to deliver capacity building and business training for local residents before the project opens.

3.4 All quotes and cost estimates have been interrogated by the council's appointed cost consultants to confirm value for money and reasonable budget assumptions. The costs for Phase 2 (external works) are based on a final design and firm quote, which has been negotiated to achieve savings. This has been reviewed by an engineer in the council's Highways team to confirm the specification and costs are reasonable. Due to the unresolved kitchen design, a contingency has been added to the budget for completion of the Shell & Core Plus works. The Shell & Core Plus works will be separately procured, within the budget set out in part II, when the design is finalised.

3.5 The current agreement would see 25% of profit from the project coming back to the Council, with 25% going to the operator and 50% being reinvested back in the project. The primary aim of the project is to provide affordable workspace, rather than generate a profit. That said, the latest business plan, shows a small return to the Council of £2,375/year after the first 5 years (where any surplus would be used to repay start-up costs). On this basis, the revenue to the Council would be £35,625 over the 20 year lifetime of the project.

4. LEGAL AND DEMOCRACY

4.1 The authority to approve the recommendations in this report is delegated to the Cabinet Member for Planning, Investment & New Homes.

4.2 Regulations made under s216 of the Planning Act 2008 impose a duty on a charging authority to apply the Community Infrastructure Levy to funding the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of its area.

4.3 The Localism Act 2011 provides the council with a general power of competence. This gives the Council the power to do anything an individual can do, as long as it is not specifically forbidden.

4.4 The works contract is below the threshold at which the procuring authority must publish a notice in the Official Journal and thereafter carry out a procurement process in accordance with the Public Contracts Regulations. For contracts below threshold the procuring authority should apply EU procurement law principles and in this regard it should be noted that the regulations make provision for contract modifications for unforeseen events.

4.5 This proposed key decision was entered in the Forward Plan on 8 July 2019 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be

published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days – the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. CONSULTATION AND CO-PRODUCTION

5.1 The project has been developed in close partnership with community organisations. Decisions about the project, including the above recommendations, are discussed with the project steering group at regular meetings, chaired by Councillor Emma Nye (Ward Councillor). In addition to ward councillors and council officers, the steering group includes representation from:

- The Loughborough Estate Management Board (LEMB);
- The Loughborough Junction Action Group (LJAG);
- The Loughborough Farm; and,
- Marcus Lipton Youth Centre.

5.2 The proposals have also been discussed with and have the support of the site operator (Meanwhile Space) and anchor tenant (Mission Kitchen, food business incubator), who are keen to occupy as soon as possible.

6. RISK MANAGEMENT

6.1 Overall, project risks remain similar and are being managed. A project group meets monthly to review these and other risks and issues as they emerge. Then following risks are relevant to and directly mitigated by the recommendations of this report:

Item	Risk	Probability	Impact	RAG	Mitigation
1	A rise in construction costs.	3	2	6	The revised budget includes allowances for inflation and a significant contingency. Firm quotes have been secured where possible.
2	Final kitchen design exceeds budget.	3	2	6	The budget includes a significant contingency and has been agreed with the council's cost consultants. The tenant has agreed to contribute a portion of the Shell & Core Plus costs, and a specialist kitchen contractor has been appointed to resolve the design effectively.
3	Further delays to external works.	3	2	6	Now that designs are final, planning approvals and Network Rail approvals are being expedited where possible. The recommendations contained in this report are designed to enable completion of works as soon as possible.
4	The operator pulls out.	1	8	8	The recommendations of this report are designed to enable completion of works and occupation by the operator as soon as possible. The operator is involved in site meetings and is regularly updated on progress.
5	Local benefits are not realised.	1	8	8	The recommendations of this report will ensure that the benefits of the scheme to the local community are maximised.

6	Brexit uncertainty or impacts create further delays and/ or cost overruns.	1	2	2	Due to the anticipated completion date (well before the end of 2020) and the nature of the external works (non-specialist, local materials and labour), the potential impacts of Brexit are considered low. A business continuity plan is in place.
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	Very Likely (4)	Likely (3)	Very Unlikely (1)
Minor (1)	4	3	1
Significant (2)	8	6	2
Serious (4)	16	12	4
Major (8)	32	24	8

6.2 Due diligence is up to date on the recommended provider, including insurances, Dun & Bradstreet, and relevant policies and processes such as Health & Safety. The council's Employers' Agent has confirmed that the required insurances are in place, including Contractor's All Risks Insurance, Public Liability, Professional Indemnity, and Employers Liability. In addition, the contractor has provided a Performance Bond and a Business Continuity Plan for the contract. A Principle Designer has been appointed for the contract to manage health & safety risks and facilitate compliance with relevant requirements.

7. EQUALITIES IMPACT ASSESSMENT

7.1 An EIA relating to the project has been prepared and published alongside the Cabinet Member Decision of 08/12/16. The EIA demonstrates that the impact on groups that may experience barriers in accessing employment, and particularly enterprise space, is either positive (BAME groups, woman, people with a disability or suffering from ill health, the young or elderly and people experiencing deprivation) or neutral (any group within the gender reassignment, sexuality, religion, pregnancy and maternity, marriage and civil partnership and language categories). As part of the EIA, an Equality Action Plan has been developed containing specific actions that the council and its partners will implement in order to maximise the benefits of the project to the protected groups. This includes identifying and addressing any unknown barriers to participation that may exist.

7.2 The EIA will be reviewed annually in order to review the impact of the equalities action plan and identify any new equality issues.

8. COMMUNITY SAFETY

8.1 As site security will remain the responsibility of the contractor and then the site operator there are no community safety concerns arising from this report.

9. ORGANISATIONAL IMPLICATIONS

Environmental

9.1 The Recommended Option will provide enhanced external landscaping on the LJ Works project which will include the following environmental benefits:

- a. new electric vehicle charging points;
- b. additional external lighting around the site;
- c. new paving and surfacing;
- d. Japanese Knotweed treatment across the site;

- e. the provision of a new pedestrian route to Loughborough Junction Rail Station, between Styles Gardens and Rathgar Road (in line with the draft Loughborough Junction masterplan and the draft revised local plan); and
- f. enabling works for the reopening of the Loughborough Farm growing project across the site.

Health

- 9.2 The Recommended Option will complete the works that enable the Loughborough Farm to reopen on site and continue their work within the community that links to local health and wellbeing, supporting healthy lifestyles through weekly activities and accessibility to fresh produce. The Farm's landscaped areas on site include a garden space which is envisaged to be a place where people can come to reflect, dwell and find peace in an urban environment.

Corporate Parenting

- 9.3 None.

Staffing and accommodation

- 9.4 None.

Responsible Procurement

- 9.5 The provider has confirmed that they are a London Living Wage employer. They are a small Lambeth-based business, and a high proportion of the labour force for the contract is local. Apprenticeship opportunities for local young people were explored, however due to incidences of violence in the area and subsequent safety concerns, interest fell away. The future procurement of Phase 3 of LJ Works will require training, apprenticeships and supported employment for priority groups. The scheme is targeting a BREEAM rating of minimum Very Good, so sustainability and carbon reduction criteria (including energy efficiency, resource use and recycling, and vehicle emissions) have been built into the contract. Recycling on site is monitored by the waste company, Powerday, who are also local. Accreditation to the London Healthy Workplace Charter was not a requirement at the time the original contract was awarded. However, a Principle Designer has been appointed for the contract to plan, manage and monitor health & safety on site. For this reason, and due to the limited scope and duration of the remaining works, it is not considered practical or necessary to re-negotiate the contract to require this at this stage.

10. TIMETABLE FOR IMPLEMENTATION

Recommendation	Milestone	Timescale
1. Decision date	Decision published online for 5 days (and 5-day call-in period) before formalising the variation.	12 March 2020
2. Phase 1 & 2: Deliver space required by GLA funding	Construction completion and project opening	Spring 2020
3. Phase 3: Deliver additional 100 m ² of workspace (back of the front building)	Construction and training scheme	Summer 2020
4: Deliver pre-launch programme of Start Your Own Enterprise business support	Programme of training over a few months leading up to the project opening	Late 2019 - February 2020

AUDIT TRAIL				
Consultation				
Name/Position	Lambeth directorate / department or partner	Date Sent	Date Received	Comments in paragraph:
Councillor Jack Hopkins	Leader of the Council	30/01/20	04/03/20	
Councillor Matthew Bennett	Cabinet Member for Planning, Investment & New Homes	05/12/19	09/12/19	
Councillor Wilson	Cabinet Member for Finance and Performance	16/12/19	16/12/19	
Sara Waller/Eleanor Purser – Strategic Director	Sustainable Growth and Opportunity	05/12/19	09/12/19	
Matthew Gaynor, Finance	Finance and Investment	02/12/19	06/12/19	Section 3, Summary
David Thomas, Legal Services	Legal and Governance	02/12/19	10/12/19	4
David Rose, Democratic Services	Legal and Governance	02/12/19	13/12/19	
Sandra Roebuck - Director	Development, Planning & Housing Growth	Informal discussion	Informal discussion	
Michael Munnely, Business Development & Investment Monitoring	Development, Planning & Housing Growth	02/12/19	02/12/19	
Saif Mahamroot, Procurement Category Manager	Finance and Investment	02/12/19	10/12/19	

REPORT HISTORY	
Original discussion with Cabinet Member	28/10/2019
Report deadline	05/12/2019
Date final report sent	09/12/2019
Part II Exempt from Disclosure/confidential accompanying report?	Yes
Key decision report	Yes
Date first appeared on forward plan	25/11/2019
Key decision reasons	Expenditure, income or savings in excess of £500,000
Background information	London Regeneration Fund Application and supplementary document Cabinet Member Decision of 08/12/16
Appendices	Appendix 1 – Equalities Impact Assessment

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board, and taken account of their advice and comments in completing the report for approval:

Signature: _____ **Date:** _____

Post: Will Steadman
Head of Area Regeneration

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature: _____ **Date:** _____

Post: Councillor Matthew Bennett,
Cabinet Member for Planning, Investment & New Homes

Any declarations of interest (or exemptions granted): Not applicable.

Any conflicts of interest: Not applicable.

Any dispensations: Not applicable.