



Mayor and Cabinet

Approval to Procure – Affordable Workspace Provider – Town Hall Chambers

Date: 24th January 2024

Key decision: Yes

Class: Part 1.

Ward(s) affected: Catford

Contributors: Joe Lee, Principal Business Development Officer; Spike van der Vliet-Firth, Interim Head of Economy, Jobs and Partnerships

Outline and recommendations

Mayor and Cabinet is recommended to approve the procurement of a provider for the provision of affordable workspace within the Town Hall Chambers. The value of the contract to the Provider will be estimated £168,000 per annum and a total of £1,008,000.00 for the whole contract period. The contract will be for a period of 5 years with an option for a further year of delivery.

Extend contract of Bow Arts to deliver workspace in the 4th Floor Old Town Hall until the 31st December 2024 or until the termination of the lease by the Council.

Approve the award of contract and entry into a lease with the preferred service provider for the provision of affordable workspace.

Delegate authority to the Executive Director for Place (in consultation with Director of Law and Corporate Governance and the Cabinet Member for Business, Jobs and Skills to select the preferred service provider in accordance with the selection and award criteria published in the tender documentation and agree final form of contract and lease.

Timeline of engagement and decision-making

Lewisham Council delivered a Creative and Digital Industry Study in 2017. This highlighted how availability and affordability of premises has constrained new businesses setting up across the borough. It also highlighted how workspace has reduced over time across the borough.

Lewisham Council previously procured Bow Arts Trust to provide affordable workspace within the 4th Floor Old Town Hall in 2016. The current lease is due to expire on the 31st December 2023 however this is due to be extended by one year to 31st December 2024.

In July 2023 the Council adopted the Affordable Workspace Strategy, delivered as part of the Creative Enterprise Zone action plan. Alongside the strategy, Mayor and Cabinet also approved the use of UK Shared Prosperity Fund to facilitate the creation of affordable workspace including within the Council's own stock.

Summary

The purpose of this report is to seek agreement from the Mayor and Cabinet to approve the Economy, Jobs and Partnerships team to undertake the procurement of a provider to deliver Affordable Workspace within the Town Hall Chambers for a minimum period of five years with the option for a further year of delivery, this will be a concessions contract with an estimated income to the provider of £168,000 per annum.

Recommendations

Mayor and Cabinet is recommended to approve the procurement of a provider for the provision of affordable workspace within the Town Hall Chambers. The value of the contract to the Provider will be estimated £168,000 per annum and a total of £1,008,000.00 for the whole contract period. The contract will be for a period of 5 years with an option for a further year of delivery.

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Policy Context

This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy \(2022-2026\)](#):

- A Strong Local Economy

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In particular, this report is closely aligned to the priority of ‘attracting jobs and businesses to Lewisham’, because it will help to create more workspace allowing new businesses to either start up or grow in Lewisham.

This report also aligns with the newly adopted Affordable Workspace Strategy which adopted in July 2023 set out for the Council to better use its assets to create truly affordable workspace.

This report also aligns to the new Cultural Strategy that has a priority to promote and create creative workspace in public sector buildings through our Creative Lewisham Enterprise Workspace project (UK Shared Prosperity Fund).

Background

Workspace demand is on the rise across London, with workspaces closing across the capital including within the London Borough of Lewisham due to a number of issues including rising costs, leases not being renewed and permitted development rights allowing landlords to convert commercial space into residential without needing planning permission.

The Council’s Creative and Digital Industry (CDI) baseline study and CDI strategy (July 2018), highlight that Lewisham is an emerging growth borough for the CDI sector. Statistics showed that the CDI sector was growing at a rapid rate with +71% employment growth over the five years leading up to 2018, faster than the capital as a whole at 34%.

The demand for affordable and creative workspace in the borough has continued to rise since the pandemic due to the displacement of creative businesses, the rise of working from home and the growth in new businesses looking for move on (from home to commercial space). This demand is seen across a number of sectors including commercial kitchen space, hot-desking, artist studios and small office space

Lewisham Council appointed Bow Arts in 2016 to deliver affordable workspace from the 4th Floor of the Old Town Hall. After two contract extensions the current lease is due to expire on 31st December 2024

Bow Arts delivery on the 4th Floor has been very successful and has delivered since 2016:

- Number of businesses supported: 92
- Number of jobs created: 100
- Numbers of Lewisham residents operating from The Old Town Hall: 78 (85%)
- Number of school sessions delivered: 700
- Number of Lewisham school children supported: 2,315
- Additional GVA since opening: £3,371,664

Lewisham Council recently finalised the first Affordable Workspace Strategy for the borough. One recommendation is for the Council to better use their assets to deliver affordable workspace which will also deliver additional socio-economic outputs in line with the Council’s Social Value Policy.

The Affordable Workspace Strategy highlighted the different types of spaces needed across the borough. The most pressing need for space was affordable workspace supporting the Creative sector. This is due to both high growth of new businesses (120% increase since 2016) and a loss of workspace across the borough. On average, affordable workspace providers are oversubscribed to their available spaces at a rate of 4:1. The strategy also highlights the lack of affordable workspace within the south of the borough.

The provider will be expected to offer the space to a variety of users within the creative sector, we would be welcoming proposals that offer a mixed model of rates for example a lower rate

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for fine artists but a higher rate for those within the Creative and Digital Industry. We would also welcome any multi-use or business space that can provide other uses for example podcasting booths. Across the Catford estate, introduction of creative workspace in Town Hall Chambers complements activity in the Catford Broadway, with the opportunity for creative start-ups and small businesses to compliment and benefit from collaboration with the local cultural offer. Complimentary affordable creative workspace adjacent to the Broadway provides the chance for local growing creative businesses to work with the Broadway and their programme of performance.

The Economy, Jobs and Partnerships team received approval from the Greater London Authority to use a portion of Lewisham's UK Shared Prosperity Funding (UKSPF) allocation to support the delivery of this workspace by undertaking repairs to the roof. Utilising UKSPF provides an opportunity for the Council to deliver necessary renovations to the Old Town Hall while also supporting the creative workspace aims underpinning the Council's grant agreement with the GLA. UKSPF allocations must be spent in full by March 2025.

The most recent condition survey for the Town Hall Chambers was undertaken in in 2019. It was graded satisfactory and identified the main issues as being damp / water ingress, window and rainwater issues. No repair works have been undertaken since the survey so the condition is likely to have deteriorated since 2019. By delivering affordable workspace from the Town Hall Chambers we will be able to access UK Shared Prosperity Fund which will allow the Council to undertake necessary roof repairs alongside creating more high-demand workspace. The Town Hall Chambers were previously occupied by various council teams until 2020 when staff were transitioned to Laurence House. Since 2020, it has been used for temporary storage supporting the Catford Broadway refurbishment and archives transferred from Eros House

As part of the theatre refurbishment, the Council separated the rehearsal space and adjoining offices on the 1st floor. This space is now part of the theatre and lies within its domain for access and fire escape. There is no access between this space and town hall chambers (the door has been locked). The utilities (heating, lighting, water etc) for this rehearsal space is still part of the town hall chambers.

Proposed Approach and Rationale

The Mayor of Lewisham has set a target of 4,000 new jobs for Lewisham. Affordable workspace is an important tool for safeguarding existing jobs in Catford as well as bringing new jobs to the borough by creating conditions for enterprise to grow.

Lewisham Council seeks to procure a provider to deliver affordable workspace as Economy, Jobs and Partnerships do not hold the necessary expertise to deliver the desired workspace model. We are aware of a healthy market of suitable providers operating locally through our Affordable Workspace Forum. An open procurement process will be followed as it is a specialised market, and we will need a provider that has extensive experience in working with creative sector businesses.

We will be holding sessions, which will be bookable in advance, for interested parties to review the space. This will enable us to make sure that we are providing interested parties with a clear understanding of the space and what the Council is wanting to achieve from letting the space.

Currently the affordable workspace operating from the Old Town Hall is in receipt of an inclusive rent/service charge lease capped at £93,000.00 per annum.

Once the new provider has been appointed to deliver within the Town Hall Chambers the 4th

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Floor of the Old Town Hall will be listed on the market at a commercial rate that will be expected to return £200,000.00 per annum in line with other Old Town Hall tenants.

Significant regeneration is planned in and around Catford Town Centre over the next twenty years. The council adopted the Catford Town Centre Framework in 2021 to set out the council's aspirations for regeneration. This includes aspirations to become the greenest town centre and have a vibrant economy. The delivery of affordable workspace within the Town Hall Chambers aligns with these aspirations as it will deliver jobs, social value and increase footfall to the town centre. The delivery of the workspace on a five-year contract aligns with internal timescales of need for office space for Council staff.

The Town Hall Chambers could achieve an estimated commercial income of £200,000.00 per annum. The UK Shared Prosperity Fund can only be used for the repair of the Town Hall Chambers by delivery of affordable workspace. If the space was to be let on the open market, then an incoming tenant would need to undertake this repair work themselves which would lead to a sizeable rental free period. When combining the capital works needed and the short lease it would most likely not be a viable option for most office spaces.

The Council has received interest for further space within the Old Town Hall from commercial tenants and we are aware of a continued interest from affordable workspace providers for space so expect the interest in the Town Hall Chambers to be high.

This approach to retaining a strong affordable creative workspace footprint helps further shape Catford as a Cultural & Creative hub and aligns with the legacy of the Borough of Culture.

This approach will retain and protect the provision of affordable workspace in Catford, while also allowing the Council to find a tenant for the Old Town Hall which unlocks additional rental income for the Council.

This approach also aligns with three of the four objectives of the Affordable Workspace Strategy adopted in July 2023:

- Create and safeguard affordable workspace: where possible working through the planning system to safeguard existing spaces and secure new ones to help maintain a baseline of supply
- Affordable from the bottom up: For workspace and its benefits to be accessible to everyone
- An affordable workspace in every neighbourhood: expanding affordable workspace through the borough, providing more start-up and networking opportunities for more residents

This approach also aligns with recommendations made by the Overview and Scrutiny Committee's Task and Finish Group on affordable workspace in Lewisham

Proposed Lease & Contract Terms

Lewisham Council will look to offer a six-year lease which will include a break option at five years. The Council will be the only party able to trigger the extension and this will be done in response to the potential future demand for office space from for Council staff.

The provider will occupy the following space within the Town Hall Chambers:

Ground Floor Reception: 104.7sqm

1st Floor: 197sqm

2nd Floor: 389.35 sqm

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3rd Floor: 361.65sqm

The chosen provider will pay rent to the Council on a quarterly basis. All other costs related to workspace operations will be paid direct by the workspace provider to their chosen supplier. The provider will receive income from tenants from the sub-leasing of smaller units within the Town Hall Chambers.

The contract will be a concessions contract as we expect the workspace provider to generate income from the site of around £168,000 per annum based on a similar provision to the Old Town Hall of 35 studios charging an inclusive rent of £400 per calendar month. This rate aligns with the Affordable Workspace Strategy's definition of affordability.

The provider will not be paid by the Council to deliver this workspace, however in response to receiving a below market rate rental income, the Council will expect the provider to deliver wider social value outcomes including job creation, apprenticeships, business support, working with local schools and community engagement. The proposed contract will cover the same time period as the lease.

The chosen provider will be required to offer an allocation within the building to the current tenants of the Old Town Hall workspace to help alleviate displacement from Bow Arts facilities in the Old Town Hall. Council definitions of affordability in relation to workspace will also be applied to the contract, ensuring it achieves the objective of supporting growth in emerging and expanding local businesses.

Financial implications

The purpose of this report is to seek agreement from Mayor & Cabinet to undertake the procurement of a Provider to deliver Affordable Workspaces within the Town Hall Chambers (THC). Lewisham will look to offer a six-year lease with a break option at five years.

The current workspaces will relocate from the 4th Floor Town Hall (TH) to the THC. The annual income currently received from the Bow Arts in the Town Hall (4th Floor) is £83k, the Provider generates approx. £168k per annum from 35 let studios.

Under the new Town Hall Chambers lease, the minimum income for the Council is estimated at £465k over 5 years and £558k over six years, i.e., £93k per annum. All operational and internal maintenance costs will be the responsibility of the Provider.

Remedial work is required on the roof of THC before it is rentable. The Economy, Jobs, and Partnership team has received approval from the GLA to use a portion of Lewisham's UK shared Prosperity Funding allocation to support the delivery of this workspace by undertaking repairs to the roof at an estimated cost of £100k.

The move to the THC, will allow the 4th floor Town Hall to become available to let at an estimated rent of £200k per annum.

Legal implications

The report seeks approval to procure an external service provider to deliver Affordable Workspaces within the Town Hall Chambers. This is a concession contract, which means that the Council do not pay for the service. The provider receives payment from a third party. The

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value of the contract falls below the financial threshold for the application of the Concession Contracts Regulations 2016 and therefore they do not apply.

A concession contract is a contract for the supply of services to the Council where the consideration for the contract consists of the provider's right to exploit an asset (that is the Council makes no payment) and where there is transfer of the operating risk to the provider.

Concession contracts are covered by different legal requirements than those applicable to other contracts, including regarding the estimated expenditure threshold.

Concession contracts are still subject to competition in accordance with the Contract Procedure Rules. To determine the procurement route under the Contract Procedure Rules the value of the contract needs to be calculated. This is done by calculating the total turnover of the concessionaire generated over the duration of the contract, net of value added tax, as estimated by the contracting, in consideration for the services which are the object of the concession contract and for the supplies incidental to such works and services.

Given the potential value of this contract (at a length of 6 years) it would be categorised by Contract Procedure Rules as a "Category A" contract. The procurement route proposed meets the requirements of the Contract Procedure Rules.

Approval to Award

This report proposes that Mayor and Cabinet approve the award of the contract and entry into lease for the provision of Affordable Workspaces within the Town Hall Chambers. This report further proposes that Mayor and Cabinet instruct the Executive Director for Place in consultation with Cabinet Member for Business, Jobs and Skills and the Director of Law and Corporate Governance to give effect to this decision by applying the selection and award criteria to determine and enter into contract with the preferred provider.

The entry into lease on the terms proposed is compliant with the Council's power to dispose of assets contained in s123 Local Government Act 1972.

The decision to award the contract and enter into lease contained in this report is not a Key Decision under Article 16.2 of the Constitution.

For audit purposes a written record should be kept setting out how the selection process has been applied and the preferred contractor selected, and officers from Legal Services should be consulted as necessary throughout the selection and award process.

Extension of Contract with Bow Arts

The recommendation in the report is to extend the contract with Bow Arts for a further year without carrying out a competitive process. Some variations to existing contracts may trigger a requirement to undertake a new competitive tender process. The Council's Contract Procedure Rules set out which variations can be made without a new competitive process (Constitution Part IV I, paragraph 17 of Contract Procedure Rules). This report explains why this extension to the contract for a further year is proposed.

Contract Procedure Rules say that where a contract variation is 'not substantial', the variation can be made (paragraph 17.5). The definition of 'substantial' takes into account matters including the nature and size of the proposed change relative to the original contract, and the likely market effect of the change (including the change to the scope and economic balance of the contract). There is a reasonable argument that the proposed extension is not substantial. As such, the variation does not trigger a

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requirement to undertake a new procurement. On that basis, therefore, the proposed changes are allowable under the Council's Contract Procedure Rules paragraph 17.]

Equalities implications

The procurement will recognise the under-representation of Black and Ethnic Minority as well as disabled residents in the culture and creative sector, providing a model suited to Lewisham's local community and the desire to see emergence of new creative business which reflect the breadth of our community.

In the procurement process, any bidding providers would be assessed on their proposed approach to considering the implications of protected characteristics. We would expect a provider to undertake an Equalities Impact Assessment as part of their selection, and provide a similar framework to their marketing and securing of new tenants. This will ensure the provider creates a workspace environment which feels inclusive to all needs and backgrounds.

The Affordable Workspace Strategy also highlighted that the delivery of affordable workspace provides opportunities to run or grow a business for residents and organisations that struggle to secure premises on full market terms.

Climate change and environmental implications

The environmental and climate implications of this report are limited. However, any bidding providers would be assessed on their proposed approach to limiting the climate impact of the programme.

Crime and disorder implications

There are no direct crime and disorder implications associated with the recommendations of this report.

Health and wellbeing implications

There are no immediate health and wellbeing implications associated with the recommendations of this report

Background papers

[Lewisham Affordable Workspace Strategy and Action Plan](#)

[Lewisham Creative and Digital Strategy](#)

Glossary

[Link to Oxford English Dictionary here.](#)

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Report author(s) and contact

Joe Lee, Joe.Lee@lewisham.gov.uk

Spike van der Vliet-Firth, Spike.vanderVliet-Firth@lewisham.gov.uk

Comments for and on behalf of the Executive Director for Corporate Resources

Shola Ojo, Strategic Finance Business Partner HRPR, Finance.

Comments for and on behalf of the Director of Law and Corporate Governance

Mia Agnew, mia.agnew@lewisham.gov.uk

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