

Corporate & Resources Committee

13 July 2021

Kingston Riverside Workspace

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Cllr Kirsch, Portfolio Holder for Finance and Commissioning

Purpose of Report

The Council has successfully obtained £2.2m of public grant funding from the Government to support the delivery of Kingston Town Centre recovery programme. The majority of this is to support the Kingston riverside regeneration and enterprise projects which will see the refurbishment and new occupation of 3 vacant units at the John Lewis Partnership (JLP) building in Kingston Town Centre to provide affordable workspace on the ground floor units (former restaurant and nightclub) and a community/ arts/ performance space in the basement (Undercroft) area for Creative Youth charity, together with improvements to the public space along the adjacent section of the Thames riverside.

This external grant funding is time limited, with all related services and works to be completed by 31st March 2022. The purpose of this report is to minimise the financial risk to the Council by setting out the commissioning intentions for the main construction works and seek approval for the project grant allocation to be added to the Council's Capital Programme 2022-24. The report seeks approval for the council to enter into a 10 year (with landlord breaks on or after 3 years) lease agreement with JLP to enable the occupation of affordable workspace enterprise at ground floor level and the provision of creative and cultural performance arts activity in the basement undercroft spaces. The report also seeks approval to the grant of subleases to the Council's preferred workspace operator and to Creative Youth for the Undercroft project.

Recommendation(s)

The Committee is asked to RESOLVE that:

1. The proposed procurement strategy as set out in paragraphs 8-13 of this report be noted and that, subject to the successful outcome of the procurement of the main contractor for the Kingston Riverside refurbishment works, a further report will be brought back to Committee in due course to award the contract.
2. The combined external public grant allocation of £2.2M be approved, to be added to the Council's Capital Programme 2022-24 under the Kingston Riverside Workspace project.
3. Approval be given to enter into Head Leases with John Lewis Partnership across the three areas; the workspace use (in two parts) and the creative performance space (Undercroft) under the terms set out in paragraph 7 of the report.

4. Approval be given to permit the grant of a sub-lease of the Workspace areas based on criteria set out in paragraph 8 of the report and to delegate authority to the Assistant Director for Property, Development and Investment to negotiate and conclude the detailed terms of the Lease.
5. Approval be given to permit the grant of a sub-lease of the Undercroft area to Creative Youth on terms set out in paragraph 9 of the report and to delegate authority to the Assistant Director for Property, Development and Investment to negotiate and conclude the detailed terms of the Lease.

Benefits to the Community:

At a time of an ongoing global pandemic and the associated adverse effect on the local economy, the Kingston Riverside Workspace project will be central to the council's economic recovery efforts by boosting employment, skills and enterprise opportunities. The regeneration of this neglected area of the riverside north of Kingston Bridge, as identified within the council's recently adopted Reimagined Kingston Town Centre Street and Spaces Strategy (2019), is a timely opportunity with Government grant funding available to achieve this important objective in mitigating the adverse impacts of the pandemic. Across the 3 spaces, the regeneration project will be the catalyst that will provide over 1600 sqm of new commercial and cultural occupied floorspace, supporting over 80 new jobs for residents and provide an invaluable business support hub to the creative business community in Kingston and directly support a minimum of 50 local businesses.

The repurposed use of the vacant basement undercroft space will provide a new creative, cultural and performance space, to be occupied by the Creative Youth charity as part of a planned community sublease issued by the council with social value outcomes that will see performing arts activity for young people including new learned skills for Kingston residents estimated to impact 12,000 people participating annually.

Key Points

- A. This project delivers on the Council's Corporate Plan priority activity, under Strategic Outcome 2 Vibrant Communities, by delivering flexible and affordable workspace for small business. It will also form a key element in the delivery of the economic recovery and investment and will be a major catalyst for regeneration activity in the North Kingston Riverside area.
- B. The project forms part of a wider South London Partnership initiative developed under the Business, Innovation & Growth (BIG) programme, to develop a network of workspace and knowledge exchange hubs across the five boroughs of the south London sub-region. It offers the opportunity to provide, in addition to the physical workspace, a new programme of support which brings together the world-class knowledge, expertise and facilities of six universities for the benefit and economic recovery of South London based businesses and communities. The management, monitoring and evaluation of this programme is subject to separate grant funding agreement.
- C. The project development and delivery has been severely impacted by the Covid 19 pandemic which has: restricted access to the units to carry out preliminary technical surveys, which has delayed the production of the refurbishment tender

packages; delayed the drafting of the lease agreements; and the procurement of the workspace operator. This has all had a significant impact on the delivery programme for the workspace and associated creative performance space. These delays carry significant financial risk to the Council given the nature of the project funding. The majority of the funding for Kingston Riverside Workspace scheme comes from external grant funding sources, with the majority of the grant agreement deadlines falling on 31st March 2022. The Council has secured £2,141,776 in external grants for the specific delivery of the Kingston Riverside Workspace and Creative Performance space.

- D. Committee approval is sought to take the head leases from the John Lewis Partnership in order to progress the refurbishment works and to approve entering into the sub-leases with the selected workspace operator and Creative Youth for the creative performance space (Undercroft). The early selection of the preferred workspace operator will allow them the opportunity to be involved in the finalisation of the final fit out specification prior to the appointment of the main contractor.
- E. The retail units have remained vacant in some instances for over 16 years and will require significant remedial landlord works just to bring them back to a shell and core finish and before any refurbishment works can be carried out by any sub-lessees. Committee is to note the proposed procurement strategy, which proposes to commission the appointed Contractor via the Construction Line Framework. However, the procurement programme is challenging and any significant delay could impact on the main works being completed and the refurbishment of the units available before the end of March 2022 funding deadline. This risk has been included in the risk register and appropriate mitigation measures identified. It is proposed that subject to the successful outcome of the procurement process a further report is brought back to the Corporate & Resources Committee seeking confirmation of the contract award.
- F. This is a complex funded project with many funding agreements in place. It is proposed that there are a number of funding options to balance the project budget, including the use of income generated from the prospective workspace operator, S106 Agreements and additional external grants and other capital sources.

Context

1. The JLP Riverside Workspace project is a strategic opportunity for the Borough's economic recovery and regeneration of Kingston Town Centre through the refurbishment of 1,600 sqm of vacant retail space, creating new jobs and skills for residents, local economic spend, SME start up and cultural activity. The Riverside affordable workspace is planned to be housed in two vacant riverside units of the John Lewis Partnership (JLP) store; these spaces are known as the former Restaurant and the Nightclub spaces. The Undercroft Space is located in the basement on the riverside and it is intended to be leased and occupied by the charity Creative Youth who will operate this space independently as a creative, cultural and community performance space. See Appendix A for indicative lease plans.
2. The overriding ethos of the project is to regenerate the riverside by supporting businesses and cultural activity/community (particularly design, digital and creative arts & fashion, scientific & tech enterprise, creative and performance and growth sectors), and entrepreneurs of the borough with space and knowledge as well as increasing economic activity by maximising the use of external grant funding.

3. Funding for the delivery of the project comes from a range of external sources Including: New Homes Bonus allocation; Strategic Investment Pot Round 2; Get Britain Building Grant; S106 Obligations and Income generated from the workspace operator. The SIP2 funding was secured as part of a South London Partnership bid designed to develop a network of workspace and knowledge exchange hubs across the five boroughs of the south London sub-region, of which this will be the Kingston representative. It offers the opportunity to provide, in addition to the physical workspace, a package of innovation support consisting of collaboration, support and advice from Higher Education providers - in our case Kingston University. Kingston University is a prolific generator of business start-ups in their own right and has a number of world-class programmes with the potential to give local businesses a competitive edge.
4. The further grant of £700,000 from the MHCLG Get Britain Building Fund in January 2021 has allowed the scope of the project to be extended to include the Undercroft internal area and some £200,000 for complimentary public realm improvements. It is proposed that this area is leased to Creative Youth who will undertake the fit out and operate the space as a creative performance and community space.

Proposal and Options

5. Council Officers from Regeneration and Property Services have explored a number of options to deliver the objectives of this project.

Table 1 below sets out an overview of the options considered:

Option Type	Description	Potential Outcome
Option 1: Do Nothing	Does not meet corporate plan objectives	No new workspace or employment and training options. Loss of public grant funding
Option 2: RBK directly deliver the works and manage the spaces	Council does not have the internal expertise or capability and experience of operating a managed workspace.	Costs of procuring these options are outside of the budget envelope.
Option3: Commission Workspace Operator and Creative Youth to complete works and manage the spaces	The poor state of the vacant units and the interdependencies of the service equipment with the current JLP operation make this an impractical option	Given the practical difficulties this option has been discounted.
Option 4: RBK to carry out enabling landlord works and lease the units to Workspace Operator and Creative Youth (PREFERRED OPTION)	By taking the head lease from JLP, it makes practical sense for the Council to commission and manage the structural remediation works and fit works as part of the same works package.	This option is the only delivery option that will allow the project to be delivered to meet the funding deadlines.

6. Option 4 is the preferred option as it is the most cost effective; offers the ability to enable the build programme to be expedited to meet the grant timescales; and would limit the Councils overall risk and partners.

Head Lease Arrangements

7. The combined value of the Head Leases are outside of the Council's Scheme of Delegation and therefore approval is sought to enter into a Head Leases with John Lewis Partnership across three spaces; two for workspace and the creative performance space. This will allow the Council to progress with the tendering for the main contractor to carry out the necessary landlord refurbishment works, to include essential infrastructure, which is required to take place across all three areas and enter into sub lease agreements with both the prospective workspace operator and Creative Youth for the Undercroft space for fit out. Details of the proposed terms for the Head Leases are contained at Exempt Appendix B.

Selection of Workspace Operator and Workspace Lease

8. The Council appointed commercial agents Lambert Smith Hampton in May 2021 to openly market the workspace lease opportunity at the two ground floor vacant spaces (former restaurant and nightclub). The offer, for flexible co-working space sought appropriate operators who had experience in running commercially viable affordable workspaces which would deliver the required funding and social value outputs in terms of including but not exclusive to new jobs, training, and new affordable enterprise space for occupying SME businesses. Out of a list of 28 companies who expressed an interest, 6 made compliant offers. Compliant submissions were evaluated against the following criteria with the attached weightings.

Evaluation Criteria and Weighting
Pricing 30%
Social values - 30%
Experience - 30%
Quality and presentation 10%

The recommendation is set out in Exempt Appendix C and that Committee approves the preferred workspace operator for the Kingston Riverside workspace, once commercial negotiations have concluded from the shortlisted Sub-tenants. Approval is required because the value in terms of the Lease grant over the term is outside of the Council's Scheme of Delegation. Following final commercial negotiations authority is requested to be delegated to the Assistant Director of Property, Development and Investment to finalise the terms and conditions of the lease, which will mirror the main terms of the Head Lease (save for rent) and otherwise in compliance with s123 and the related general consent pursuant to

s128 of the Local Government Act 1972. Full details of the workspace marketing exercise and evaluation are contained with Exempt Appendix C.

9. Section 123 of the Local Government Act 1972 provides that a council may not dispose of land for a consideration that is less than the best that can reasonably be obtained and where the disposal does not meet the requirement the Secretary of State's general consent pursuant to section 128 of the Local Government Act 1972 which provides consent to the disposal at an undervalue of any interest in land that the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area and within the required financial limits. The improvements to the economic, social and environmental well-being of the area by reason of the proposed sublease grant to Creative Youth are set out in the benefits to the community section of this report and are an output condition of the GLA grant funding. As the disposal being at an undervalue would be outside of the Council's Scheme of Delegation, the recommendation is to authorise the grant of the sublease at an undervalue and authority be delegated to the Assistant Director of Property, Development and Investment to finalise the terms and conditions of the lease, which will mirror the main terms of the Head Lease and otherwise in compliance with s123 and the related general consent pursuant to s128 of the Local government Act 1972. Details of the proposed sublease terms are contained at Exempt Appendix D.

Procurement Strategy to deliver the project

10. The Council has appointed Chawton Hill Associates Chartered Surveyors ('Consultant'), to develop a cost plan as well as a strategic programme for the project. They have worked with the internal Council team to develop pre-construction detailed design; coordinate subconsultants; cost plan development and main works tender packages. During the construction stage, there is a requirement for them to undertake the contract administrator role to oversee the delivery of the project.
11. The Council is seeking to procure a main works construction contractor to carry out the refurbishment works in accordance with the Council's requirements. The proposed strategy is to invite selected contractors (including local SMEs) who are registered with Construction Line to submit a proposal to support the delivery of identified refurbishment works (Landlord enabling works and addendum fit out works). Leading to the appointment of construction contractor, which will ensure that works on site commences from 6 December 2021 and completes by 31 March 2022 with additional 12 months latent defect period.
12. The value of the project is below the £4,733,252 PCR threshold for works. As this procurement is estimated at £1.8m over a period of 12 months, Construction Line offers the Council a competitive and compliant route.
13. It is anticipated to apply JCT Intermediate Contract with contractor's design 2016 or Minor Works Contractor Design Minor Works Contractor Design with collateral warranty and this will be included within the publication of ITT. Further details if the procurement strategy can be found at Appendix E to this report.
14. This external grant funding is time limited, with all works to be completed, including design development, compilation of the main works related specification and tender

documents, the competitive procurement exercise and delivery of works on site. The funding criteria stipulates that there is a requirement to complete the required works and all project related expenditure by 31st March 2022, therefore it is imperative to seek a contractor who can deliver the refurbishments works at the John Lewis Building in Kingston. The indicative timescales for the procurement of the contractor are set out below.

Milestone	Target Completion Date
GW1 Procurement strategy (Corporate Governance Board approval)	01/07/21
Works ITT issued (No later than)	14/07/21
Tender Returns (No later than)	11/08/21
Selection and Appointment of Contractor	25/08/21
Mobilisation Contractor (allow 4 weeks - industry reporting materials delays)	22 September 21
Works on site Landlord Shell Scheme (allow up to 12 weeks - subject to scope and specification)	Target Completion 23/12/21

15. To meet the funding deadlines the procurement programme is very challenging and any significant delay could impact negatively on this programme. The need to expedite the early appointment of the main contractor will allow the selected main contractor to liaise with the workspace operator to refine any fit out specifications and ensure that materials and equipment are pre-ordered before the programmed start on site. Early indications are that there is an ongoing rise in price for building materials and lead in times for their delivery within the construction industry which presents a current risk to project programme. Close and regular liaison with the project sponsors and funders will be undertaken to help mitigate any foreseeable delays.

Resource Implications

16. Stage 2 cost plan has been produced for the Council by the appointed Chartered Surveyors (Chawton Hill Associates) following detailed surveys and design work. The cost estimate for all enabling works as of June 2021 and all fit out works to both the Kingston Riverside Workspace and Creative Performance space is £2,603,692. Please note that full costs will not be understood until soft market testing is undertaken and engagement with the contractor supply chain.
17. The majority of this cost will be funded from grants totalling £2.141m as shown below. The additional funding required to complete the project will be made up from a combination of S106 contributions and projected income for the Workspace operator.

18. Scheme capital works (all, enabling and fit out) to be funded from the following sources:

Funding Source	Amount (£ 000's)
Strategic Investment Pot Round 2 (SIP2)	£786,500
GLA New Homes Bonus (NHB)	£655,276
MHCLG Get Britain Building grant (GBB) via GLA	£700,000
S106 agreements/ Workspace operator income/ other capital sources	£461,916
Total	£2,603,692

Legal Implications

18. The Council is seeking approval to commission works and services (as set out in this report). Constructionline is a compliant industry specific platform, frequently used by local authorities with regards to this type of procurement. This proposed procurement strategy is permissible under the Council's Contract Regulations. Therefore, the Council will follow a compliant procurement process. The Council must keep a clear audit trail at every stage of the procurement ensuring in particular that decisions taken and reasons for such decisions are clearly recorded.
19. The Council is empowered by s120 of the Local Government Act 1972 to acquire land for the purposes of any of their functions under that act or any other enactment or for the benefit, improvement or development of their area. The aspirations set out in this paper highlight the betterments to the Borough intended by completion of this project. The terms of acquisition represents best value and the lease costs are not considered onerous to the Council. The works will be documented by the necessary legal agreements in the usual way. The proposed disposal by way of subleases will adhere to the provisions of s123 Local Government Act 1972 which requires the Council not to dispose of land for a consideration that is less than the best that can reasonably be obtained and the associated general consent if there is an undervalue. Where there is any element of open land within the Head lease demises that may be used for the purposes of public recreation any dealings will need to take all legislative provisions into account and dealt with pursuant to the usual delegations.

Risk Assessment

20. The strategic risks assessed for this project are as follows:

Strategic Risk to RBK	Impact (H/M/L)	Likelihood (H/M/L)	Mitigating action
SR1. Insufficient capital funding for refurbishment of JPL units	L	L	<p>Approved grant funding secured for the project, including refurbishment (£2.2m). Working through Stage 0 to schedule work. Costs at Strategic Business Case (£2.6m). Balance of funding will be sourced from dedicated S106 Workspace obligations, other capital sources, operator income secured from the letting of the workspace lease to a workspace operator.</p>
SR2. Construction programme delays following BREXIT, Covid and high demand for materials and labour	H	M	<p>Procurement of suitably qualified consultancy, including role of Principal Designer and contract administrator sought as part of this commission. Use of Chawton Hill, who have developed the Stage 0 feasibility will ensure consistency and continuation of knowledge of the scheme. New project governance and Effect contract management of the appointed Consultant will ensure the delivery of the overall scheme is delivered within the agreed timescales. Progress and issues (if any) will be communicated via regular highlight reports to the relevant Project Board in accordance with the Council's project/programme office procedures.</p> <p>Continuous engagement with markets and suppliers to mitigate macro factors</p>
SR3. The programme estimates are insufficient to meet the requirements	H	M	<p>Spend on construction to be managed effectively by technical Project Manager and the proposed appointment of Chawton Hill Associates. Stage 2 initial has been undertaken to inform the revised costs however, following completion of detailed cost plan based on final design will inform the final estimated costs. The Council's Project Manager will manage the performance of Chawton Hill Associates to ensure they are delivering in accordance with their respective contract. Agreement with regards to the frequency of meetings, site visits and progress reports will be agreed.</p>

			If the construction costs are in excess of budget, the scheme will be revisited to identify value engineering opportunities alongside partnering organisations
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Equalities Analysis

21. An Equalities Impact Assessment (EqIA) has been carried out for the Riverside programme and can be found [here](#). An updated EqIA will need to be completed once the building works are complete and the units are occupied.

The findings of the EQIA notes that the provision of affordable workspace and arts and community space would deliver specifically the following:

- Diversity of town centre offer, including evening and night time activities
- Vitality of KTC through economic opportunity (number of jobs or businesses located within the town centre)
- Amount of community/social infrastructure within the town centre (to provide space for people for come together and 'do things')
- Number of events which celebrate culture and diversity; and
- Number of opportunities to rest within the town centre (formal and informal).

As proposed by Kingston Town Centre Vision 2035.

The Affordable workspace would provide employment opportunities for local people and start up space for local businesses.

It is also proposed that an update to EqIA is carried out post the occupation of the spaces (6 months). Which would aim to meet the following social value measures:

[SV targets and monitoring and reporting processes with Workspace Operator](#)
[SV monitoring with Creative Youth](#)

Health Implications

22. Both the Workspace Operator and Creative Youth proposals contain well- being initiatives for the users of the space. They form part of their social value measures and are required as a condition for grants. The appointment of consultant and main construction work will deliver the project in accordance with CDM Regulations 2015, and ensure compliance with Health and Safety at Work Act and building control regulations.

Road Network Implications

23. No car parking spaces have been provided as part of the refurbishment of the spaces for the workspace and Creative Youth.

Sustainability Implications

24. Workspace Operator selection has included questions on social value measures, including air quality, potential sourcing of local materials and supply chain partners, community sustainability and the engagement of local people. The detailed design work will provide the environmental impact of the scheme and ensure compliance with Building Control regulations and Environmental regulations.

Background papers

Author/s of Report

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List of Appendices

Appendix A - Lease Floor Plans

Appendix B – Exempt Head Lease Heads of terms /details John Lewis/RBK

Appendix C - Exempt Sub lease Workspace Operator selection Details/terms

Appendix D - Exempt -Sub Lease Community Space Details/terms

Appendix E - Exempt Procurement of Works Contractor