



Report

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LB Haringey – Hornsey Town Hall Options Appraisal Final Report for Publication

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Executive Summary

Background

The London Borough of Haringey (LBH or the Council) owns the freehold to Hornsey Town Hall (HTH), a Grade II* listed building which currently sits on English Heritage's "Buildings at Risk" register. In 2003 HTH was declared surplus to the Council's requirements, a decision which prompted both the Council and the Hornsey Town Hall Creative Trust (HTHCT), an independent body established in 2007 to oversee the regeneration of HTH, to seek a suitable and sustainable future use for the building. Following an options appraisal exercise in 2010, undertaken jointly with HTHCT, the Council approved the disposal of part of the Town Hall complex to Mountview Academy of Theatre Arts (Mountview), with the remainder of the site to be disposed of for redevelopment. The Council also committed to provide £5m for the refurbishment of the Town Hall building, although £400k of this amount has already been spent.

Mountview presented its RIBA Stage C report to the Council and other key stakeholders in December 2013, indicating a significant funding gap for the proposed scheme. A gateway review, also conducted in December 2013, highlighted a number of other critical areas that were required to be urgently addressed. Consequently, GVA was commissioned to undertake a review of the existing and potential options for HTH, building on the findings of the 2010 review where relevant; to appraise each of those options; and to recommend and develop a preferred solution.

The findings of this review are a key element of the Council's decision making process regarding the future of HTH and will be considered in conjunction with other pertinent information and representation in that process.

Context for the review – LBH's objectives for Hornsey Town Hall

The GVA review was grounded in the detailed Council objectives for the site, which are described in section 2 of the report. These objectives form the basis of the specifically developed criteria against which each option, despite their differences in nature and maturity, was assessed. The criteria, which included the degree of community engagement and access offered by each option and whether or not the option guarantees that Mountview remains within Haringey were weighted according to the importance to the Council. Mindful that alternative approaches with different emphasis are possible, the Council deemed that affordability and hence deliverability within the current identified funding package was the most important consideration at this juncture.

GVA's Approach

A 14 step approach was taken for this review, full detail of which is given in section 2 of the report. The 14 steps taken were as follows:

1. Site tour and detailed briefing.
2. Desktop analysis of pertinent information such as the Stage C Scheme design; Gateway review documentation; and site appraisals.
3. A series of stakeholder workshops with different stakeholder groups to develop understanding and commence the check and challenge process and share emerging findings.
4. Open book analysis and appraisal of the Stage C Mountview scheme to understand the architecture of the scheme, its costs and funding position and provide appropriate and constructive challenge.
5. Existing HTH site appraisals, and associated land parcels were reviewed to ascertain a potential land receipt for the Council. Further, an independent market assessment of the assumptions underpinning the appraisals was completed. Resulting in major changes to cost and value assumptions and subsequently on the valuations.
6. Development of interactive financial appraisal mode to map all costs and value for the site, for both land sale and operating rental.
7. Mountview Business Plan was reviewed to check and challenge the predicted outcomes and underlying assumptions.
8. The funding already established for the Mountview scheme was reviewed and other potential funding sources considered and appraised.
9. A series of alternative options were developed and iteratively refined in partnership with the key stakeholders and tested through workshops.
10. A weighted options appraisal was completed. This included the assessment of community use/engagement and economic impact. The outcomes of which were presented to, debated with and refined by the working group.
11. An action plan was developed for each option to improve its ability to meet the objectives for the site.
12. A soft market testing exercise tested the deliverability of each solution.
13. The Options Appraisal was re-performed.
14. The next steps and implementation plans for the preferred options were developed in partnership with the working group.

Site options including financial viability

The site options are included in detail in section 4 and are summarised below:

Option 1 – Mountview Stage C Scheme: The baseline scheme that refurbishes HTH to occupational standard and adapts it to Mountview / community use; builds new Mountview accommodation alongside the development of 86 residential units including 8 units in the Broadway Annex East Wing; and co-locates Mountview's library with HTH's library.

Mountview provide public access to and interaction with the historic aspects of HTH and a variety of commercial and community activities throughout the building, including bespoke theatre and dance accommodation, and via their outreach and wider education programmes. Access to most areas of the building will be limited to evenings and weekends during term-time but open all day at weekends and during holiday periods. The option also includes a publically accessible café/bar.

Option 2 – Alternative Mountview scheme: Aims to reduce the funding gap and increase the Council's potential residential receipts by providing some of Mountview's facilities in Hornsey Library. HTH is refurbished to occupational standard and adapted for Mountview and some residential use. 93 residential units are developed under this option including the use of some of the East Wing. 8 of the units are located in the Broadway Annex East Wing.

Some new build Mountview facilities are provided alongside more residential development. Mountview provide public access to and interaction with the historic aspects of HTH and will provide for a variety of commercial and community activities throughout the building, including bespoke theatre and dance accommodation, and via their outreach and wider education programmes. Access to most areas of the building will be limited to evenings and weekends during term-time but open all day at weekends and during holiday periods. The option also includes a publically accessible café/bar.

Option 3 – Maximising residential development for sale: Implements current planning consent for 123 units as well as 8 additional units in the Broadway Annex East Wing which are sold. The residential development incorporates the East Wing and Link Block of the Town Hall. The remaining areas of HTH, including all historic elements, are refurbished to operational standard and operated for community use and for external lettings on a commercial basis. If necessary, funding of the ongoing operation can be supplemented by a dowry from the receipt. Public access to the Town is expected to be all day every day, although some areas may not be accessible depending upon the requirements of an anchor tenant. This option is likely to include a public café/restaurant.

Option 4 – Maximise residential development for private rented units: Implements current planning consent for 123 units as well as 8 additional units in the Broadway Annex East Wing which are rented privately. The residential development

incorporates the East Wing and Link Block of the Town Hall. The remaining areas of HTH, including all historic elements, are refurbished to operational standard and operated for community use and for external lettings on a commercial basis. If necessary, additional funding can be ring-fenced from the surplus from the ongoing operation of the private rented units. Public access to the Town is expected to be all day every day, although some areas may not be accessible depending upon the requirements of an anchor tenant. This option is likely to include a public café/restaurant.

Option 5 – Dispose of the entire site either by freehold or long leasehold: Dispose of the entire site to the market in line with the detailed planning consent and consistent with the April 2011 Cabinet decision to dispose of the Town Hall site to Mountview. This includes residential development in the East Wing and Link Block of the Town Hall. The requirement to refurbish HTH and operate it for community use and commercial letting activity rests with the developer through a development obligation. The obligation is likely to include some degree of daily public access to the Town Hall perhaps via a café or restaurant etc. Some areas may not be accessible depending upon the requirements of an anchor tenant.

Financial Viability

The financial viability position and the resultant capital and revenue implications for the Council were calculated for each scheme. These demonstrated viability challenges for the Mountview scheme and a need to develop an integrated funding strategy for the alternative options. The cost and value details of these calculations are commercially confidential. Throughout the options appraisal a variety of potential funding sources were identified and investigated, these included: additional Council contribution; additional HLF funding for a Mountview option; greater levels of Mountview fundraising; and Mountview contributing its capital reserves to the scheme. Whilst some good progress has been made, particularly with regards to Mountview establishing a base for its fundraising activity, and an indication that the Council might increase its funding to c£10m, none of this potential funding has yet been secured or in the case of the additional Council funding, been approved by Cabinet. Even assuming this additional Council funding both options 1 and 2 continue to have significant funding gaps of many millions of pounds.

Net capital position

It is estimated that Option 3 will produce the best net capital position for the Council, in which the net capital position represents the total capital receipt generated by the option less the Council's assumed capital contribution to that option. Option 5 is second best, followed by in order Option 2, Option 1 and Option 4.

Net revenue position

Option 4 is the only option expected to produce an ongoing annual net revenue stream for the Council. This will increase year on year such that after 30 years the

annual receipt will reach a significant level, albeit representing only a small proportion of the Council's overall revenue budget.

Risk and opportunity

There is risk and opportunity associated with all five of the options considered. These are described in detail in section 4 of the main report.

Risk and opportunity can occur across a spectrum of areas e.g. political, planning, financial, delivery and operational, and should be considered fully in the decision making process. The following are some of the most important risks identified across the options:

- Options 2, 3, 4 & 5 are in their infancy in terms of development. As such there is a risk that the time required to implement any of these options will increase the cost of the scheme beyond affordability;
- There is a risk that options 1 & 2, which are currently unfunded, cannot secure sufficient funding to proceed adding further to the delay in returning HTH to the community. However, there is also the opportunity that Mountview can secure sufficient additional funding to reduce the financial demands on the Council; and
- There is both risk and opportunity with regards the operation of the Town Hall under options 3 and 4. There is a risk that the future operator does not meet the demands for community engagement/access required by the Council but also the opportunity that this can be achieved whilst making a surplus at the same time.

Soft Market Testing

A soft market testing exercise was conducted to test the potential delivery of each of the options with the market. This exercise suggested that all options were potentially viable and attractive to the market, although it did highlight a number of issues or themes that should be addressed before the market is approached. These are detailed in section 5.

Updated Options Appraisal

Following the soft market testing the options appraisal was repeated. The results of which are detailed in section 6 and summarised below:

Options Appraisal Scoring			Option 1	Option 2	Option 3	Option 4	Option 5
Criteria	Maxscore	Weighting	MV Stage	MV Stage	Max. Resi.	Max. Resi.	Site
			C	C & HL	sales	rent / sales	disposal
A LB Haringey's on-going HTH Liability addressed	3	16%	3	3	3	3	3
B Secured use for the operation of HTH	3	16%	3	3	3	3	3
C Expected level of community use / engagement	4	21%	4	4	3	3	2
D Mountview guaranteed to remain within LB Haringey boundaries	4	21%	4	4	0	0	0
E Level of financial return generated for the Council	3	16%	2	3	3	3	1
F Economic impact	2	11%	2	2	1	1	1
	19		18	19	13	13	10
LBH financial return - Most significant one-off net capital receipt			4th	3rd	1st	5th	2nd
LBH financial return - Most significant ongoing net revenue returns			n/a	n/a	n/a	1st	n/a
Funding gap exists with LBH funding of £5m			Yes	Yes	Yes	Yes	No
Funding gap exists with LBH funding of c£10m*			Yes	Yes	No	No	No
G Scheme is deliverable within the existing funding package			No	No	Yes	Yes	Yes
Option recommended for further LBH consideration							

Conclusion and next steps

The two options that include Mountview leasing HTH score highest across the broad range of criteria. Whilst this is predominantly because only these options guarantee Mountview remaining in the borough it is also due to the wide ranging community engagement programme promised and the enhanced economic benefits compared to the minimum requirements stipulated by the Council that are delivered in the non-Mountview schemes. However, at this stage neither of them is affordable, and hence deliverable, as per the Council's criteria and the demands from the soft market testing. As such these options cannot be recommended by this review for further consideration.

Of those which are deliverable, options 3 and 4 score highest and are therefore the recommended options for the Council to consider further, although Option 5 should also be further considered as the Council reviews its attitude to risk and reward. The key next steps and potential timeframe for both recommended options are detailed in section 7 of the report. Mountview have indicated that they understand and accept the financial challenge faced by the two options which see them take occupancy of HTH. However, they have made strong representation that the Council should consider either "investing" more Council funds into one of their options because of the greater social and economic benefit Mountview promises it will deliver, (a large proportion of this investment would have to be "grant" as Mountview's forecast operating performance is insufficiently strong to support the repayment of a loan/lease that would close the entire funding gap); or alternatively to give Mountview more time to secure funding from one or more of the alternative sources they are currently investigating. This is of course a Council decision and beyond the scope of this exercise.

Key considerations for the Council

The following are the key considerations for the Council with regards to the recommendations of this review:

1. There is a possibility that Mountview will leave the borough should an alternative site and affordable scheme not be found. As a consequence the existing social, educational and economic benefits brought by Mountview will be lost to Haringey.
2. As a consequence of a step change in focus, particularly with respect to fundraising, Mountview believes that it is well placed to secure alternative funding to bridge the gap that exists on its options, but that it requires more time in order to do so. This possibility needs to be considered in the context of rising development costs, the community and political consequences of further delay and the risk that a funding gap remains even after the delay.
3. Mountview may look to the Council for additional funding for its options. This additional funding would in essence represent the Council investing in the social, economic and academic future of the borough; the community value promised by these options. As such, this potential investment and the benefits that would potentially accrue need to be considered in the context of the Council's other investment priorities and desired outcomes.
4. Should the Council proceed with one of the two recommended options, there is a need to assess the desired balance between revenue and capital receipts. Option 3 offers a larger capital receipt; option 4 offers the opportunity to convert some or all of the capital receipt into a longer term revenue stream.
5. The Council must also assess the level of risk it is prepared to expose itself to with regards to the development and operation of the residential units. In general terms the higher the risk, the higher the return.
6. The Council must consider how quickly it requires the liability associated with the Town Hall to be addressed, as well as its maximum timeframe acceptable for option delivery.
7. When considering the expected level of community use and access Option 5 scored lower than the other options. This is largely because of the expectation that neither the Council nor HTHCT will have day-to-day influence over future activities within HTH. This score would be increased should the Council ensure that stringent legal covenants or developer obligations regarding community access are built into the contract documentation, albeit at a potential financial cost to the Council. The Council must consider its priorities for the Town Hall site and reflect these in its decision making process.

1. Introduction

- 1.1 The London Borough of Haringey (LBH or the Council) owns the freehold to Hornsey Town Hall (HTH), a Grade II* listed building which currently sits on English Heritage's "Buildings at Risk" register. HTH is situated in Crouch End, a desirable and affluent part of the borough.
- 1.2 In 2003 HTH was identified as surplus to the Council's needs and since then much has been done to try to find a suitable and sustainable future use for the building. An important part of this process was the creation of the Hornsey Town Hall Creative Trust (HTHCT). HTHCT was established in 2007 as an independent body to oversee the regeneration of HTH. Originally HTHCT proposed that the Town Hall should be run as a community arts and cultural venture. However, following rigorous business modelling it was determined that such a vision was not financially viable, particularly in the prevailing economic climate at the time.
- 1.3 Subsequently HTHCT, together with the Council, conducted an extensive consultation process with the community, local businesses, residents and other key stakeholders in the area to gather views, thoughts and opinions on the future of the building. Following this process, planning consent to refurbish HTH and to develop residential units both within the Town Hall itself and on adjoining sites was sought and granted to the Council in 2010. The consent was implemented by the Council in 2013.
- 1.4 Also in 2010 a series of options for the site were appraised by a joint working group comprising representatives of HTHCT and LBH officers. The outcomes of this appraisal were subsequently approved by the Council's Cabinet in its report dated 26th April 2011.
- 1.5 In short it was agreed that the Council would dispose of part of the Town Hall complex to Mountview Academy of Theatre Arts (Mountview), which would take a 125 year lease over the main Town Hall building for the payment of a peppercorn rent.
- 1.6 The Town Hall would, in the main, be used for Mountview's educational activities, but it was also agreed that public access would be provided to the historic areas of the Town Hall and that Mountview would further develop their already extensive programme of community engagement to enhance the cultural, social and educational offering across the borough. The remainder of the site would be disposed of on the open market for redevelopment.
- 1.7 Following the initial outline agreement, Mountview secured a Stage 1 Heritage Lottery Funding (HLF) grant of £480k. This facilitated the commissioning of a RIBA Stage C report. The report together with refurbishment options, costing and business model was presented to the Council for consideration shortly

before Christmas 2013. This report suggested a full cost of the scheme of approximately £28m, significantly more than the initial submission of c£15m. At the same time the Council was informed that the original fundraising target for Mountview, £9m, was, following scrutiny from fundraising consultants, deemed to be far in excess of what was achievable. Instead a much reduced, though more realistic, target of £2m was included in the submission.

- 1.8 The combined impact of near doubling costs, together with a significant reduction in available funding, has resulted in a Mountview Stage C scheme that is currently underfunded by approximately £18m inclusive of VAT. The scale of this shortfall only became apparent to Mountview itself, the Council and other key stakeholders shortly before Christmas 2013 when the Stage C plans had been completed and fully costed. Shortly afterwards a gateway review undertaken by Local Partnerships was conducted. This review highlighted a number of other critical areas that were required to be urgently addressed.
- 1.9 Following these events the Council commissioned GVA to undertake this review.

GVA's commission

- 1.10 GVA were commissioned by LBH, in consultation with Mountview, to undertake a review of the existing and potential options for the development of HTH; to appraise each of those options; and to develop a preferred solution to take forward. This report forms the output of this process.

2. LBH's Objectives for the Hornsey Town Hall Site

2.1 As part of this review it is critical to understand what the Council wishes to achieve with HTH and the surrounding site. Working with Council officers and other stakeholders including Mountview and HTHCT; with reference to the previous options appraisal process completed in 2010; and in the context of a much changed financial climate within which the Council now operates, the following objectives / criteria against which each scheme can be measured have been developed.

The capital and operational liability of HTH are removed from the Council

2.2 The current net cost to the Council for running HTH, even with very limited public access, is estimated to be between £100-200k per annum. The scale of the liability depends upon the extent to which external hire offsets the running costs.

2.3 As owner of the building, LBH is required to maintain HTH to the standards set by English Heritage. It was estimated in the April 2011 Cabinet report that approximately £2m of capital investment was necessary for the Council to meet these obligations. Further it has been estimated through this exercise, that another c£8m (inclusive of fees etc.) would be required to bring the Town Hall up to operational condition. Whichever scheme is selected will be required to take ownership of these one off and ongoing liabilities.

Use of the Town Hall is secured for the foreseeable future

2.4 The Council, HTHCT and the community are determined that future use of the Town Hall should be secured as part of this process. This ambition is articulated in one of HTHCT's objective:

"(to) restore the Town Hall in a way that respects its Grade II listed building status and safeguards its future by providing financially sustainable spaces fit for purpose"*

Future community use and engagement is guaranteed

2.5 It is important to the Council, and other stakeholders, that the scheme to redevelop the site makes the Town Hall both accessible to, and useable by, the local community, and is preferably central to engagement with local businesses and residents and across Haringey more widely. Again this is articulated by an HTHCT objective:

"(to) facilitate cultural, community and other activities in the Town Hall, provide public access to the building and make a positive contribution to the local economy"

Retain Mountview within the borough of Haringey

- 2.6 Mountview has existed within Haringey for many years, and until 2007 was based just around the corner from HTH in Crouch End. As the only Higher Education Institution in the borough it makes an important contribution to the educational, economic and social fabric of Haringey and accordingly the Council is keen to retain it within its boundaries. Unfortunately Mountview faces an unsustainable financial future at its current location and is therefore seeking an alternative option to ensure its continuing operation.
- 2.7 The Academy is currently situated on four sites in close proximity to each other in Wood Green, although the nature of its operations does require it to rent other space such as the Bernie Grant Art Centre in Tottenham. The current accommodation is entirely rented and whilst it is functional, it is considered far from ideal for an internationally renowned performing arts school.
- 2.8 Further the rent payable on each site is due for review in the coming years and if, as expected, rates increase in-line with the market there are serious concerns as to the continuing operational viability of the college. As such, Mountview is actively seeking a new home, preferably in Haringey, although its search does extend to other parts of London. Key stakeholders within the Council have stated their strong desire to keep Mountview in the borough as a result of the cultural, social and educational benefits the Academy already brings to Haringey.

There is an appropriate financial return for the Council

- 2.9 The economic and financial circumstances faced by the local government sector and LBH specifically have dramatically worsened in recent years and certainly since the original decision was taken to make the Mountview scheme the preferred option. By way of example LBH has had to make cuts to its general fund services of circa £80m over the last 3 years and is planning to make a further £63m of savings in the three financial years commencing 1 April 2015¹.
- 2.10 With regards to General Fund capital expenditure, the total planned capital programme for the next three financial years is £116.6m. The programme is limited by the decision to only fund projects that are funded by specific grants or from capital receipts generated by the Council's asset disposal programme. The Council wishes to minimise any prudential borrowing in its capital programme because of the direct impact it has on its already pressurised revenue account.
- 2.11 Further, the Council is obligated to ensure that it has received the best consideration that can reasonably be obtained for every asset it disposes of. The alternative is to seek the consent of the Secretary of State before any

¹ LBH Cabinet Report – 17 December 2013

disposal is made. It is therefore appropriate that the financial benefits brought to the Council by each scheme are prominent in their consideration.

Economic impact

2.12 As referenced in the HTHCT quote in 2.5, there is an aspiration for the development of the Town Hall and surrounding spaces to bring significant economic benefit to the local area and the borough more widely. Maximising this benefit is of course desirable.

The scheme is deliverable within the current funding package

2.13 The option selected to proceed must be deliverable. For this purpose it has been assumed that deliverable means the full cost of the option can be met by the existing funding package and the market is receptive to the approach. Any option that is not affordable within its existing funding package cannot be recommended by this process. This is reflected in the Option Appraisal in Section 6.

2.14 The funding package for each option will clearly be different but the main components are:

- LBH grant – In addition to the costs it has already borne, estimated to be £2.5m, the Council has committed £5m to bring the Town Hall back into use. However, this total is being eroded by ongoing preparatory work for the Mountview scheme and is now assumed to be £4.6m.
- Additional Council contribution – Mountview and its advisors have developed an estimated cost for the elements of the scheme necessary to bring HTH up to an occupancy standard. It is assumed through this exercise that the Council would need to incur these costs were Mountview a part of the project or not. As such there may be the potential for the Council to fund all of these costs from its capital programme for all five options. This has yet to be agreed by the Council, further work is necessary to ensure this figure is correct and full Cabinet approval would be required to add this further investment to the Council's capital programme. Notwithstanding this additional work and approval, c£5m of further LBH grant has been included as a potential funding source.
- Mountview fundraising – In addition to the costs already borne by Mountview, estimated to be £0.5m, Mountview have committed to raise an additional £2m towards the cost of the scheme.
- HLF – subject to meeting the HLF's requirements on the proportion of project funding that must be secured in advance, Mountview have obtained HLF grant funding of £3.75m for refurbishment of the heritage aspects of the Town Hall. £3.3m of these funds are remaining to be committed to the capital cost of the scheme. Whilst it is entirely possible that LBH might also secure HLF funding for options not involving Mountview, none has been assumed.

3. Our Approach

3.1 Section 3 details GVA's approach to the HTH Site review and highlights the key tasks that have been undertaken in order to complete the review.

3.2 The brief for the work required the team to undertake significant background research into the site; the development of the current, and previous options; and to understand the Council's aspirations for HTH. This work was to enable, at this stage in the review, the development of a variety of potential options that could be taken forward for further consideration. These options were then appraised and tested with the market in order to develop a preferred solution. This section details the key stages in the work that have enabled this review to be completed.

Stage 1 - Site Tour

3.3 The Council, in partnership with Mountview and its advisors, have undertaken the briefing process for the project team. This kicked off with a guided tour of the site, which included visiting all key aspects of the Town Hall building, the Library and the adjoining vacant sites where Block A, Block B and the Mews would be sited, as well as Broadway Annex and the town square.

3.4 This tour was conducted alongside a thorough briefing of the site using key site maps and development plans.

Stage 2 – Desktop Analysis

3.5 Following the site tour a thorough desk top analysis was undertaken of historic and current information relating to the site. This information included:

- Site maps;
- Title and ownership plans;
- Planning documentation including the latest planning consent;
- Council background documentation including Cabinet reports, draft agreements and background papers;
- Stage C Scheme design;
- Gateway review documentation;
- Heritage Lottery Fund bidding documentation;
- Site appraisals;
- Mountview business plans and background documents; and

- Current Council operational data.

3.6 These documents were reviewed by the team and informed a set of questions that were addressed through a series of workshops with the stakeholders in the scheme.

Stage 3 – Stakeholder Workshops

3.7 A series of workshops were held with different stakeholder groups for the project to develop understanding and commence the check and challenge process for the development of the long list of potential options for the site. These workshops included:

- A presentation and workshop with the Stage C Architects, Purcell;
- A series of workshops with Mountview, its advisors, Pulse Associates (Cost Consultants), Focus (Project Managers) and partners Hornsey Town Hall Creative Trust; and
- A series of workshops with the appropriate Council officers.

3.8 These workshops have continued throughout the process on a two weekly basis and have been used to present and review elements as various milestones have been reached, acting as a mechanisms to check and challenge both the process and the emerging findings.

Stage 4 - Open book analysis and appraisal of the Stage C Mountview scheme

3.9 The GVA team undertook an open book analysis of the Stage C scheme in partnership with Mountview and its advisors. This enabled a clear understanding of the architecture of the scheme, its costs and funding position to be developed, and provided an opportunity to offer appropriate, constructive challenge.

3.10 This was achieved through detailed desktop analysis; briefings with the advisory team and Mountview; and via the workshop forum and facilitated the development of an independent financial model for the costs and funding position. The outcomes of this process are included in section 4.

Stage 5 - Market appraisal of assumptions

3.11 The desktop analysis included the review of a series of site appraisals for Hornsey Town Hall itself, along with the associated land parcels that make up the red line of the scheme. The output of each of these land residual appraisals is to ascertain a potential land receipt that the Council might expect to receive for that element of the site.

- 3.12 As well as reviewing each of these appraisals, GVA undertook an independent market assessment of the assumptions that underpinned them to ascertain the potential market value of the sites. This led to a number of changes to the cost and value assumptions, which subsequently impacted on the valuations.

Change in Capital Values

- 3.13 The capital values within the report for the residential elements of the scheme have increased significantly from the previous work performed by the Council's advisors on valuation.
- 3.14 This increase is as a result of undertaking a market analysis against the key assumptions around cost and value within these appraisals. As highlighted in the report formal valuations should be undertaken to validate this increase.

Costs

- 3.15 Build costs for the Hornsey Town Hall site were calculated on the basis of recent QS reports for other London Borough projects using an average build cost based on a variety of recent projects in London. These were validated against the costs included in a previous Knight Frank valuation, uplifted for build cost inflation. The two costs were broadly similar. To maintain conservative appraisal assumptions the GVA average costs were used which were slightly higher than the inflated Knight Frank costs.

Values

- 3.16 For values the GVA development team researched new build sales values near the Hornsey Town Hall site and received quotes from a variety of estate agents and local experts. Again, this figure was validated against the inflation-adjusted 2009 Knight Frank value figure. The two values were within 0.5% of each other.

Stage 6 – Development of Interactive Financial Appraisal Model

- 3.17 The desktop review coupled with the open book analysis and market assessment, provided all necessary background assumptions to develop an interactive financial model for the site. This model maps all costs and value for the site on an elemental basis and enables these elements to be varied as alternative options are developed.
- 3.18 The appraisal was separated into two models for land sale and operating rental:
- The Land sale model utilised a standard residual appraisal which cash flows inputted costs and revenues and applies 100% debt financing on a rolling basis. An inputted target profit was set and a goal seek function was used to determine the exact residual value of the land in order to achieve the

developer profit (appraisal surplus). The land residual is assumed to come in as a day 1 cost to the developer and thus results in the majority of the financing costs associated with the appraisal. Typically, developers would apply some equity into the funding aspect of the appraisal, however, to maintain prudent assumptions 100% debt was used.

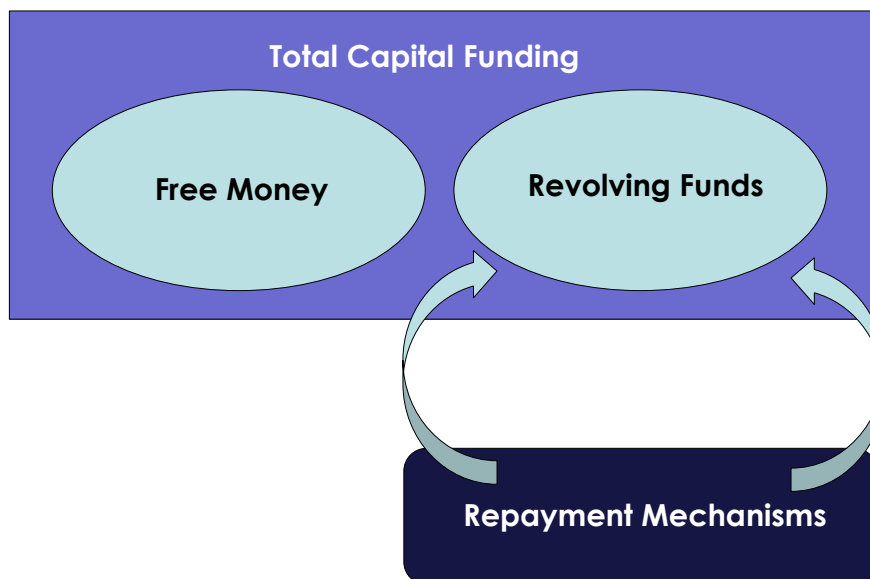
- The operating rental unit model was utilised to appraise building and renting out either some or all of the residential units. The model is essentially split into a development period and operating period. The inputted development costs were drawn down and financed over a two year period based on similar assumptions to the land sale model. At practical completion in year 2 the accrued development costs are transformed into investment debt and amortised over a 30 year period. Beyond practical completion the units are operated out with the equity return being the difference between the annual rental values and the operating and loan repayment costs. After the 30 year investment loan is repaid, the equity return becomes the annual rental values less the operating costs.

Stage 7 – Business Plan Review

- 3.19 As part of the initial agreement for the Mountview scheme, the Academy is required to take on the management and maintenance of the newly refurbished building for the life of the lease (125 years). In order to offer assurance that it has the capacity to meet this obligation Mountview developed a business plan for its planned operation of the new building. This plan was reviewed and followed up by a workshop with Mountview to check and challenge the predicted outcomes and underlying assumptions. This workshop was also used to ascertain as to whether any headroom could be created within the plan to offer assurance to LBH that this obligation could be met, as well as discussing ways in which funding for the scheme could be maximised. This business plan was reviewed regularly through the process particularly following the interim report and soft market testing stages to ensure the assumptions were valid. The outcomes of this process are included within section 4.

Stage 8 – Funding Source Appraisal

- 3.20 The desktop analysis and workshop process identified a number of funding sources that have been “secured” for the Mountview project. These comprise investment from the Council and potential grant funding for the Heritage Lottery Fund (HLF). However, the scale of this funding is insufficient to meet the costs of the Stage C scheme and new, significant funding sources need to be found to ensure project viability. An appraisal of potential funding sources was completed alongside a series of workshops with the Council and Mountview.
- 3.21 This process examined a variety of potential grant and investment sources as per the following model:



- “Free Money” – Funds that would not require repayment:
 - Donations – either larger lump sums or smaller amounts;
 - Grant Funding – HLF / Higher Education Funding Council for England (HEFCE) / Other Education Schemes / European funds / Local Enterprise Partnership (LEP) Funds / Business Improvement Districts (BID); and
 - Sponsorship Money.
- “Revolving Funds” – Investment Funds that would require repayment:
 - Commercial Loans;
 - Council Loan / Lease Agreement mechanisms;
 - Public Sector Funding Sources – Central Government / European Funding / Local Enterprise Partnership (LEP) funding;
 - New Homes Bonus / Business Rates Mechanisms; and
 - Joint Venture Solutions
- “Repayment Mechanisms” – that could repay these revolving funds:
 - Operational surplus from lettings / community activities;
 - Commercial Café arrangements;
 - Annual Fundraising;
 - Student fees; and

- BIDs.

3.22 This process identified a number of alternative sources of funding that could be utilised for the funding of the scheme through a number of alternative options. Subsequently in May 2014 Mountview commissioned expert funding consultants to work with them on developing and implementing their fundraising strategy.

Stage 9 – Development of Options

3.23 At this stage all of the work completed to date was used to generate a series of options for the site. These options were developed in line with the Council's objectives / criteria, as detailed in section 2.

3.24 The options were developed in partnership with the key stakeholders and tested through a series of check and challenge workshops. Each option was refined in an iterative manner as the operational and financial impact of each was modelled.

3.25 There was no target or arbitrary cut off in terms of number of options that were developed. It was made clear throughout the process that all potential avenues should be examined, such that a manageable list of options was presented that were practical, pragmatic and deliverable.

3.26 Section 4 presents these options in detail, explains how they fit on to the site, the key considerations of each and summarises their financial implications.

Stage 10 – Options Appraisal

3.27 A weighted options appraisal was completed as stage 10. Drawing on the Council's objectives/criteria described in Section 2, seven criteria were developed. The last of which (criteria G) is a consideration as to whether the option is affordable within its current package. If it is not affordable the option cannot proceed. The other six criteria are:

- A - LB Haringey's ongoing HTH Liability addressed;
- B – There is secured use for the operation of HTH;
- C – Expected level of community use / engagement;
- D - Mountview guaranteed to remain within LB Haringey boundaries;
- E - Level of financial return generated for the Council; and
- F – Economic impact assessment (EIA).

3.28 Each option was then scored individually and then ranked in comparison to the other four in terms of its ability to meet these criteria. These findings were

then presented and debated with the working group and refined throughout the process of the review. A preferred option was indicated but not decided at the interim stage. Instead an action planning stage was developed to attempt to address the weaknesses of each option.

Assessing the level of community use / engagement

- 3.29 As previously stated, one of the key aims for the renovation of Hornsey Town Hall is to enable the local community to once again engage with, and have access to the building and its heritage. Initially, the Council had not defined the minimum level of community access and engagement it wished to achieve from its significant investment into a renovated HTH. As a consequence the initial options appraisal considered the relative expected contribution to community use and engagement promised by each of the options. Subsequent to the initial appraisal, a separate exercise, HTH Community Use Review, was undertaken in which the Council in association with HTHCT defined their minimum requirement for HTH:

“A financially sustainable and appropriately renovated Town Hall that is visibly in use and provides regular access to the historic elements of the building. A Town Hall with an open front door that provides the local community with affordable access to performance and event space and supports both the arts and business communities of Crouch End and wider Haringey”

- 3.30 Further discussion with regards specific access concluded that the heritage aspects of HTH would not need to be accessible to the public all day every day, nor that the whole building needed to be accessible. Instead, regular access to the key heritage areas and access for key events/occasions would be required. The two most important aspects/areas for community use/access are the Council Chamber and Assembly Hall. This would need to be considered by the preferred option.

- 3.31 The minimum requirement for these areas is as follows:

- Regular tours of / interactive tools for, the historic spaces, with specific guided events at least once a month (minimum);
- The building must be open and accessible to the public for key dates such as for example St George's Day and Armistice Day ceremonies;
- The building must be open and accessible for London Open House;
- Special “one-off” community requests should be accommodated wherever possible; and

- HTH and its facilities should be accessible to all, and accordingly a differentiated price list for facility hire should reflect commercial and community needs and affordability.

3.32 The Council is committed to ensuring that this minimum access and use is provided regardless of the preferred option and it is against this definition and these requirements that the five options have been appraised.

Assessing the Economic Impact

3.33 The economic impact for each option has been calculated using a standard EIA methodology based on published economic data. This data is primarily drawn from three reports: the Council's most recent Strategic Housing Market Assessment, and Retail Study; and the 2012 Annual Population Study. Assumptions provided by Mountview about the additional student places and associated staff members they expect to be generated by the move to HTH and the proportion of those new students and staff members that will reside in Haringey have also been used in the calculation.

3.34 The EIA methodology employed calculates two economic values based on the additional residents brought into the borough by each scheme, either those that will live in the new residential units on the HTH site or the additional staff and students from an expanded Mountview provision. The first of these values is an employment value (EV), calculated using an estimate of the additional residents of a working age. The second value is a consumer value (CV). This value is calculated using estimates of the increase in the economically active population.

3.35 The CV is made up of two elements. The first, "local convenience" refers to everyday purchases such as groceries, newspapers etc. The second, "local comparison", is the amount that each new member of the economically active population will spend on other consumables, which are normally consumed over a longer timeframe, such as clothes and electronics. These two combine to give a total CV for each option.

3.36 The two values, EV and CV, are scored independently of each other. The option that is deemed to perform best is awarded the highest mark available and the other options are scored relative to it. An overall EAI score is then derived from the two elements for each option. This approach has been shared and agreed with Mountview.

Stage 11 – Action Planning

3.37 An action plan for each option was developed to improve the options ability to meet the objectives for the site. This series of actions for the stakeholders ranged from sourcing additional funding, through to developing cost and value analyses for alternative elements of the option. Throughout the development and appraisal of the options these action plans have been

worked on by all of the parties on the working group, and any progress taken into account the updated options appraisal as detailed below.

Stage 12 – Soft Market testing

3.38 Following the generation of the options and initial appraisal exercise a soft market testing process was launched in order to test the potential delivery of each of the potential solutions.

3.39 In order to test the full range of potential market options a cross section of organisation types were selected to consult with, including:

- Developer / Contractors;
- Private Rented Sector specialists;
- Housebuilders; and
- Development / Operational specialists.

3.40 The process that was followed for this exercise was as follows:

- Develop list – A list of potential consultees was developed by GVA in partnership with the council to ensure an appropriate cross section was included;
- Initial Approach – Each organisation was approached in person with a short explanation of the scheme and were asked to indicate whether they would wish to be involved;
- Confidentiality Agreement – Each organisation were asked to sign a confidentiality agreement and return it to GVA;
- Briefing Pack – Upon receipt of this information a briefing pack was issued to each party. They were then given time to consider the development before coming to meet with GVA and the Council;
- Interview – An hour long interview was held with each party to ascertain their views on the scheme; and
- Written Response – Each party then returned a written response to a number of questions and to provide their overall views.

Stage 13 – Updated Options Appraisal

3.41 Following the conclusion of each of these workstreams the Options Appraisal was recalculated and the preferred option(s) developed

Stage 14 – Preferred Option Development

- 3.42 The outcomes of the option appraisal led to a short list of preferred options. The potential next steps and implementation plans for these options were then developed in partnership with the working group.

4. Site Options

Introduction

4.1 This section summarises the options that have been developed for the HTH site and details the following key elements for each option:

- The potential different uses for elements of the site;
- The rationale for these uses and potential delivery approach;
- The financial implications for the scheme; and
- The key considerations for the option.

4.2 The options that have been developed are summarised in the table below:

Option	Description
Option 1 – Mountview Stage C Scheme.	<p>Mountview Stage C Scheme: The baseline scheme that refurbishes HTH to occupational standard and adapts it to Mountview / community use; builds new Mountview accommodation alongside the development of 86 residential units including 8 units in the Broadway Annex East Wing; and co-locates Mountview's library with HTH's library.</p> <p>Mountview provide public access to and interaction with the historic aspects of HTH and a variety of commercial and community activities throughout the building, including bespoke theatre and dance accommodation, and via their outreach and wider education programmes. Access to most areas of the building will be limited to evenings and weekends during term-time but open all day at weekends and during holiday periods. The option also includes a publically accessible café/bar.</p>
Option 2 – Mountview alternative scheme utilising Library.	<p>Alternative Mountview scheme: Aims to reduce the funding gap and increase the Council's potential residential receipts by providing some of Mountview's facilities in Hornsey Library. HTH is refurbished to occupational standard and adapted for Mountview and some residential use. 93 residential units are developed under this option including the use of some of the East Wing. 8 of the units are located in the Broadway Annex East Wing.</p> <p>Some new build Mountview facilities are provided alongside more residential development. Mountview provide public access to and interaction with the historic aspects of HTH and</p>

Option	Description
	will provide for a variety of commercial and community activities throughout the building, including bespoke theatre and dance accommodation, and via their outreach and wider education programmes. Access to most areas of the building will be limited to evenings and weekends during term-time but open all day at weekends and during holiday periods. The option also includes a publically accessible café/bar.
Option 3 – Maximising residential development for sale.	Maximising residential development for sale: Implements current planning consent for 123 units as well as 8 additional units in the Broadway Annex East Wing which are sold. The residential development incorporates the East Wing and Link Block of the Town Hall. The remaining areas of HTH, including all historic elements, are refurbished to operational standard and operated for community use and external lettings on a commercial basis. If necessary, funding of the ongoing operation can be supplemented by a dowry from the receipt. Public access to the Town is expected to be all day every day, although some areas may not be accessible depending upon the requirements of an anchor tenant. This option is likely to include a public café/restaurant.
Option 4 – Maximise residential development utilising private rented units to meet costs of the Town Hall.	Maximise residential development for private rented units: Implements current planning consent for 123 units as well as 8 additional units in the Broadway Annex East Wing which are rented privately. The residential development incorporates the East Wing and Link Block of the Town Hall. The remaining areas of HTH, including all historic elements, are refurbished to operational standard and operated for community use and external lettings on a commercial basis. If necessary, additional funding can be ring-fenced from the surplus from the ongoing operation of the private rented units. Public access to the Town is expected to be all day every day, although some areas may not be accessible depending upon the requirements of an anchor tenant. This option is likely to include a public café/restaurant.
Option 5 – Dispose of the entire site to the market.	Dispose of the entire site: The entire site is disposed to the market either for the entire freehold or by long leasehold in line with the detailed planning consent. This includes residential development in the East Wing and Link Block of the Town Hall. The requirement to refurbish HTH and operate it for community / letting activity rests with the developer through a development obligation. The obligation is likely to include public access to the Town Hall all day every day, although some areas may not be accessible depending upon the requirements of an anchor tenant. This option is likely to include a public café/restaurant.

Site Elements

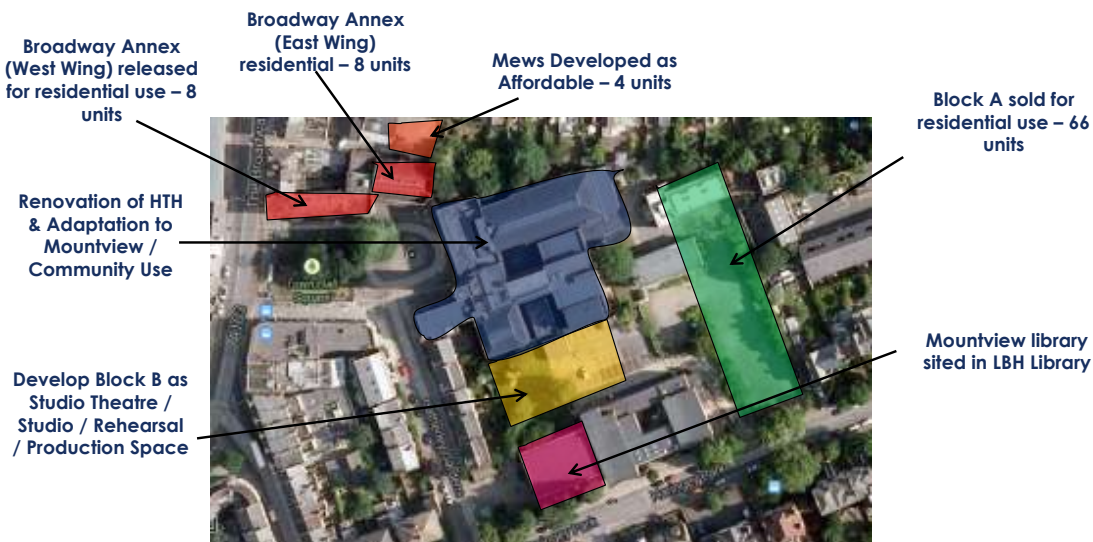
4.3 Throughout this section the options developed provide different uses and development / refurbishment options for some of the different elements of the site. The standard elements that are addressed through these options are detailed in the diagram below:



4.4 As can be seen from the diagram above, the Town Square sits alongside but outside of the site considered in each of the proposed options. There is little doubt that the Town Square itself requires investment, and as such additional funding would need to be secured for this to happen, regardless of whichever option is preferred.

Option 1 – Mountview Stage C Scheme

4.5 The diagram below summarises the various elements of the Mountview Stage C scheme:



4.6 The key elements of this scheme are as follows:

- Refurbishment / Development of Hornsey Town Hall and associated land to incorporate:
 - All required studio, workshop and performance space for Mountview, including:
 - New Studio Theatre – seating 180;
 - TV Studio;
 - Rehearsal Spaces; and
 - Studio / workshop spaces.
 - Renovation of heritage spaces;
 - Provision of café in South West block;
- No delivery of consented residential development in the Town Hall (19 units foregone) or Block B (26 units foregone);
- Broadway Annex (West Wing) used for residential / retail development – 8 units;
- Broadway Annex (East Wing) used for residential development. No detailed scheme has been developed, therefore standard unit sizes used for the available space – 8 units;
- Block A used for residential development – 66 units;
- Limited use of Hornsey Library (Mountview library located within existing facility);
- Delivery of Mews housing as affordable units – 4 units; and
- Mountview maintain and operate HTH building for community use / letting activity over the 125 year lease period.

4.7 This scheme delivers all operational requirements for Mountview in line with their scope of works and re-sites the entire Mountview facility onto the HTH site.

4.8 During the Options Appraisal exercise the costs of the scheme were re-appraised and had increased by approximately £3m. The Mountview consultancy team then undertook a value engineering exercise to attempt to reduce these costs down to the original position. This was achieved at the loss of various design elements; however, these changes did not compromise the site's ability to house Mountview in its entirety.

- 4.9 The assumed delivery model for this option is to sell parcels of land for residential development (Block A / Broadway Annex) to the market in line with the planning consent, and for the remainder of the site to be renovated / built by a contractor to the Council / Mountview for their usage.
- 4.10 In practice, the delivery of this scheme will be heavily dependent on a strong partnership approach between the stakeholders of the scheme:
- **Mountview**, the ultimate occupant of the building, is taking on the liability for HTH's long term up keep and has a strong interest in the design and delivery of the ultimate development;
 - **The developer / contractor** for the works to HTH and residential elements might well be one organisation. However, were it two, there will need to be a close relationship due to the linkages in physical and planning terms; and
 - **The Council**, as current and long term freeholder to the site and potential delivery body for elements of the scheme.
- 4.11 It is only by these parties working together that a strong deliverable solution could be developed that efficiently and effectively enables the delivery of the educational and residential elements of the scheme, and ensures these elements operate effectively on the site over the long term.

Annual Revenue Costs

- 4.12 This option is predicated on an assumption that Mountview's operational business plan derives sufficient resources to manage and maintain the Town Hall building over the life of the lease.
- 4.13 As part of Stage C, Mountview have developed a business plan to model the costs of operating the building, the potential costs and income from community / letting activities and the resultant net position. This builds on the existing Mountview operational costs by modelling, based on assumptions developed with the Council, the potential management and maintenance costs of the newly refurbished facility.
- 4.14 This Business Plan shows a surplus in year 1 of operation in the new building of £120-150k which is then predicted to increase over subsequent years. A high level review of this business plan has been undertaken for this work which confirms a sound mathematical model built on agreed, and apparently prudent and conservative assumptions, thus giving some comfort that the building could be maintained. However, like any business plan there are risks relating to unproven income generation from letting and retail activities.
- 4.15 Concerns were raised by Mountview during the early part of the review about the level of community activities the Council has suggested Mountview should

deliver within the Town Hall, and that these would be unsustainable in the long term. Work has been undertaken since this stage to articulate the level of community activities Mountview feel would be appropriate and the business plan has been developed to deliver this level of activity.

- 4.16 The cost and value details of the viability calculations are commercially confidential, however in summary a very significant funding gap exists for option 1 when only secured funding is considered.
- 4.17 There are three additional potential funding sources that have been highlighted that can be applied to this funding requirement. A **£2m** fundraising target for Mountview based on an expert informed fundraising strategy, an additional grant of **c£5m** from LBH (subject to Cabinet approval) and **£3.3m** of approved HLF grant. It should be noted that this grant can only be drawn down once a full funding strategy has been developed and underwritten by appropriate parties; as such this funding is only potential at this stage.
- 4.18 Were all of these elements to be achieved there would still be a significant residual funding requirement for this option.

Other potential funding sources

- 4.19 Throughout the options appraisal exercise further funding sources have been investigated by Mountview, its advisors and the Council. The following potential sources have been identified, however, it should be noted that none of these have yet to be secured.
- The HLF grant into the scheme is assumed to be £3.3m. This reflects Mountview's existing agreement with HLF. However, discussions with HLF have shown that the maximum grant for a scheme of this type is £5m and very early discussions have been held to explore the possibility of Mountview being awarded a higher amount. These discussions are ongoing but could provide an additional £1.7m to the scheme.
 - Mountview has employed a new set of fundraising advisors to develop the fundraising strategy for the scheme. Preliminary work has suggested that the fundraising target of £2m is a conservative target and may be exceeded. However, the Mountview Board are unable to commit to a higher amount at this stage as they cannot underwrite any additional sum. This does not however, preclude further work being undertaken to quantify the potential fundraising receipts that may be achieved.
 - Mountview is committed to investing their reserves into the project, currently it holds earmarked capital reserves of approximately £1m, but until fundraising targets are met these will be needed to underwrite Mountview's commitment.

-
- 4.20 This scheme enables the sale of three key elements of the site by the Council for residential development in the form of Block A, Broadway Annex West Wing and Broadway Annex East Wing. As Block B and the East Wing and Link block within the Town Hall building are being renovated and developed for Mountview use, as opposed to the residential use identified in the planning consent, the potential receipt for these elements of the site will be foregone by the Council.
- 4.21 An indicative high level list of actions required to implement this option and an indicative timeframe are included at Appendix B.

Key risks and opportunities for the scheme

Planning

- 4.22 Option 1 does not yet have planning consent. The time takes to obtain this consent may impact on the costs of the scheme and the values that can be generated. This could be an upside or down side risk to the scheme but also the Council's capital receipts.
- 4.23 The necessary "re-opening" of the planning process may lead to a demand for additional affordable housing; a Community Infrastructure Levy being applied to the scheme; a reduction in the massing for the site and the need for a new Listed Buildings consent. These are all considered to be predominantly downside risks.
- 4.24 There is the expectation that the existing planning condition linking the restoration of the Town Hall building with occupation of new residential units will remain in some form, there is a risk to the Council that potential developer organisations will be discouraged from bidding for this work or that developers accepting this associated risk will deflate the capital receipt values obtainable from the site to a point where the viability of the scheme is impacted.
- 4.25 It has been assumed in the financial appraisal that planning consent will be given for eight residential units in Broadway Annex East Wing. There is a risk that this will not be granted or will be for less (or more) units.

Funding

- 4.26 That option 1 is not fully funded is a significant downside risk to this scheme. If it remains unfunded, it is undeliverable.
- 4.27 With reference to the current funding gap for this scheme, there is upside risk with regards to a number of different funding sources. There is the possibility that additional Heritage Lottery Funding, to a maximum of £5m, can be obtained. This would represent an increase of £1.7m from the current position. Notwithstanding the risks associated with further delay, over time there is also scope for Mountview to apply for and secure capital funding from both the Arts Council and HEFCE. In addition, should Mountview formally associate itself with the University of East Anglia (UEA), the University may be willing to issue a

bond on its behalf. Finally there is the possibility that LBH will invest a higher amount than has been assumed at this stage.

- 4.28 Should LBH look to invest further into this scheme the additional investment would need to comply with State Aid legal requirements. The Council could be subject to challenge were it perceived to be providing financial or other benefits to private bodies in preference of others in the market. The risks in this area will need to be carefully managed in partnership with the Council's legal advisors.

Political

- 4.29 Further, there is political risk for the Council should it chose to invest greater sums into the scheme. On the upside, investing significant funding into the regeneration of a "much loved" building and bringing it back to the community of Crouch End is likely to be deemed positive. However, there is also the risk that the Council is accused of giving significant amounts of its scarce resource to a private organisation in one of the more wealthy areas of the borough, and to a scheme that the private sector is seemingly keen to deliver.

Scheme costs

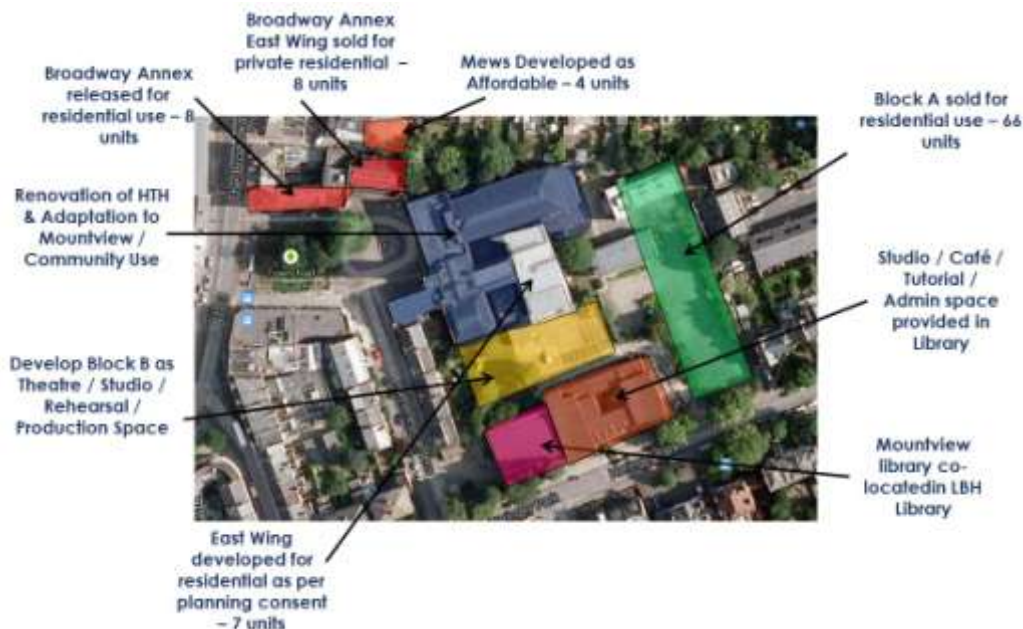
- 4.30 In general the risk associated with costs is considered to be downside. This is the case both for the actual cost of the scheme requirements itself and that current expectations are that construction inflation will continue to increase. Likewise the risk associated with values generated by the residential development is generally considered to be upside risk, although there is the possibility of changes to the housing market that would depress the level of receipts. Values used in the financial appraisal of each option are deemed to be conservative.
- 4.31 No VAT has been included in the cost of the scheme. By discounting VAT it is assumed that the Council is willing and able to commission the entire development on behalf of Mountview without impacting on its VAT status as a local authority. Should this not be possible, or should the Council not want to take on the associated risk with commissioning the entire development up to 20% could be added to the cost of the scheme.

Community use and engagement

- 4.32 Option 1 promises a great deal of community use and engagement over and above the Council's minimum requirements. There is a risk that once operational Mountview is unable to meet the demands or expectations of the Council and local community either due to a lack of time and space or because it is unable to afford to do so.

Option 2 – Mountview Alternative Scheme Utilising Library

4.33 The diagram below summarises the various elements of the Mountview alternative scheme:



4.34 The key elements of this scheme are as follows:

- Development of Hornsey Town Hall, Library and associated land to incorporate:
 - All required studio, workshop and performance space for Mountview, including:
 - New Studio Theatre – seating 180 – in new build Block B;
 - TV Studio – In new Build Block B;
 - Rehearsal Spaces – In new Build Block B; and
 - Studio / workshop spaces – In HTH / Library.
 - Renovation of heritage spaces; and
 - Provision of café in the Library.
- Delivery of consented residential development on the upper two floors of the Town Hall East Wing – 7 units;
- Broadway Annex (West Wing) used for residential / retail development – 8 units;

- Broadway Annex (East Wing) used for residential development. No detailed scheme has been developed, therefore standard unit sizes used for the available space – 8 units;
- Delivery of Mews housing as affordable units – 4 units;
- Block A used for residential development – 66 units;
- Total residential units on site – 93;
- The East Wing of Hornsey Library used for Mountview operational purposes, as well as sharing the library space to the West; and
- Mountview maintain and operate HTH building for community use / letting activity over the 125 year lease period and Hornsey Library.

4.35 This scheme delivers all operational requirements for Mountview in line with their scope of works and re-sites the entire Mountview facility onto one site incorporating the Library.

Scheme Costs

4.36 Mountview's advisors have undertaken a high level appraisal of the potential usage of the Library building and the resultant development costs of the revised scheme.

4.37 The key changes include:

- By utilising the Library building Mountview are able to free up the upper two floors of the East Wing of the Town Hall which can be used for residential development;
- There is a slight increase in costs for the fit out of the Library for Mountview's operational use compared with the cost of the renovation / new build elements of the areas utilised in the Stage C design; and
- The management and maintenance costs are assumed to be the same in Option 2 to Option 1.

4.38 The delivery model for this option has been assumed to be sale of the parcels of land for residential development (Block A / Broadway Annex / upper two floors of the Town Hall East Wing) to the market in line with the planning consent and for the remainder of the site to be renovated / built by a contractor to the Council / Mountview for their usage.

4.39 In practice, the delivery of this scheme will be heavily dependent on a strong partnership approach between the stakeholders of the scheme:

- **Mountview**, the ultimate occupant of the building, is taking on the liability for HTH's long term up keep and has a strong interest in the design and delivery of the ultimate development;
- **The developer / contractor** for the works to HTH and residential elements might well be one organisation. However, were it two, there will need to be a close relationship due to the linkages in physical and planning terms; and
- **The Council**, as current and long term freeholder to the site and potential delivery body for elements of the scheme.

4.40 It is only by these parties working together that a strong deliverable solution could be developed that efficiently and effectively enables the delivery of the educational and residential elements of the scheme, and ensures these elements operate effectively on the site over the long term.

4.41 It should be noted that at this stage this option has been generated for the high level options appraisal. There is a need for detailed consultation with the Library service to ascertain the viability of this proposal from an operational perspective for the Council's library service including definition of the Library space required by the Council and the potential costs of any changes to the service in terms of further adaptations to the building or any other location.

Annual Revenue Costs

4.42 This option is predicated on an assumption that Mountview's operational business plan derives sufficient resources to manage and maintain the Town Hall building over the life of the lease, as well as the Library building.

4.43 As with the previous option Mountview's business plan has been relied on to demonstrate that this is achievable. Similarly there is a need to focus on updating these costs for the changes in operation between a new build facility and the Library building, and to address the potential expectation gap between the Council and Mountview's position on community activities.

4.44 The Council and Mountview should investigate the different levels of expectations of the two parties in relation to the community activities required in Hornsey Town Hall in short order to ascertain whether the scheme is delivering a sustainable level of community activities that meet the expectations of both parties.

4.45 The cost and value details of the viability calculations are commercially confidential, however in summary a very significant funding gap exists for option 2 when only secured funding is considered.

4.46 There are three additional potential funding sources that have been highlighted that can be applied to this funding requirement. A **£2m**

fundraising target for Mountview based on an expert informed fundraising strategy, an additional grant of **c£5m** from LBH (subject to Cabinet approval) and **£3.3m** of approved Heritage Lottery Fund grant. It should be noted that this grant can only be drawn down once a full funding strategy has been developed and underwritten by appropriate parties, as such this funding is only potential at this stage.

- 4.47 Were all of these elements to be achieved there would still be a significant residual funding requirement for this option.

Other potential funding sources

- 4.48 Throughout the options appraisal exercise further funding sources have been investigated by Mountview, its advisors and the Council. The following potential sources have been identified, however, it should be noted that none of these have yet to be secured.

- The HLF grant into the scheme is assumed to be £3.3m. This reflects Mountview's existing agreement with HLF. However, discussions with HLF have shown that the maximum grant for a scheme of this type is £5m and very early discussions have been held to explore the possibility of Mountview being awarded a higher amount. These discussions are ongoing but could provide an additional £1.7m to the scheme.
- Mountview has employed a new set of fundraising advisors to develop the fundraising strategy for the scheme. Preliminary work has suggested that the fundraising target of £2m is a conservative target and may be exceeded. However, the Mountview Board are unable to commit to a higher amount at this stage as they cannot underwrite any additional sum. This does not however, preclude further work being undertaken to quantify the potential fundraising receipts that may be achieved.
- Mountview is committed to investing their reserves into the project, currently it holds earmarked capital reserves of approximately £1m, but until fundraising targets are met these will be needed to underwrite Mountview's commitment.

- 4.49 This scheme enables the sale of two further key elements of the site by the Council than Option 1, resulting in the sale of Block A, two floors of Hornsey Town Hall East Wing and Broadway Annex East and West Wings. As Block B, the lower ground and ground floors of the East Wing, and the Link block within the Town Hall building are being renovated and developed for Mountview use, as opposed to the residential use identified in the planning consent, the potential receipt for these elements of the site will be foregone by the Council.

- 4.50 There is one further benefit of this scheme in relation to Hornsey Library. A recent assessment of the library building suggested that investment of in excess of £1.2m was required over the next 10 years to bring it up to

operational standard. There is potential an economy of scale by addressing these works in partnership with the Mountview works to the building that could help reduce this total liability.

- 4.51 An indicative high level list of actions required to implement this option and an indicative timeframe are included at Appendix B.

Key risks and opportunities for the scheme

- 4.52 Overall Option 2 is an immature option as it has been developed for this exercise; as a result there are a number of risks pertaining to timeliness and delivery.

Planning

- 4.53 Option 2 does not yet have planning consent. The time takes to obtain this consent may impact on the costs of the scheme and the values that can be generated. This could be an upside or down side risk to the scheme but also the Council's capital receipts.
- 4.54 The necessary "re-opening" of the planning process may lead to a demand for additional affordable housing; a Community Infrastructure Levy being applied to the scheme; a reduction in the massing for the site and the need for a new Listed Buildings Consent. These are all considered to be predominantly downside risks.
- 4.55 There is an expectation that the existing planning condition linking the restoration of the Town Hall building with occupation of new residential units will remain in some form. As such there is a risk to the Council that potential developer organisations will be discouraged from bidding for this work or that developers accepting this associated risk will deflate the capital receipt values obtainable from the site to a point where the viability of the scheme is impacted.
- 4.56 It has been assumed in the financial appraisal that planning consent will be given for eight residential units in Broadway Annex East Wing. There is a risk that this will not be granted or will be for less (or more) residential units. Along similar lines, there is a risk that consent will not be granted for changing the use of Hornsey Library.
- 4.57 There is further risk associated with the use of space within the library. To date only high level plans for that space have been drawn up. There is the possibility that more of Mountview's space requirements could be accommodated within the library which in turn might release more space for residential development and increase the capital receipt for the Council. Alternatively the reverse could be true resulting in Mountview requiring more of the Town Hall than is currently assumed and ultimately in a reduced capital receipt for the Council.

Funding

- 4.58 That option 2 is not fully funded is a significant downside risk to this scheme. If it remains unfunded, it is undeliverable.
- 4.59 With reference to the current funding gap for this scheme, there is upside risk with regards to a number of different funding sources. There is the possibility that additional Heritage Lottery Funding, to a maximum of £5m, can be obtained. This would represent an increase of £1.7m on the current position. Notwithstanding the risks associated with further delay, over time there is also scope for Mountview to apply for and secure capital funding from both the Arts Council and HEFCE. In addition, should Mountview formally associate itself with the University of East Anglia (UEA), the University may be willing to issue a bond on its behalf. Finally there is the possibility that LBH will invest a higher amount than has been assumed at this stage.
- 4.60 Should LBH look to invest further into this scheme the additional investment would need to comply with State Aid legal requirements. The Council could be subject to challenge were it perceived to be providing financial or other benefits to private bodies in preference of others in the market. The risks in this area will need to be carefully managed in partnership with the Council's legal advisors.

Political

- 4.61 Further, there is political risk for the Council should it chose to invest greater sums into the scheme. On the upside, investing significant funding into the regeneration of a "much loved" building and bringing it back to the community of Crouch End is likely to be deemed positive. However, there is also the risk that the Council is accused of giving significant amounts of its scarce resource to a private organisation in one of the more wealthy areas of the borough, and to a scheme that the private sector is seemingly keen to deliver.
- 4.62 There has been no engagement with the community or the Council more generally with regards to Mountview utilising a significant portion of Hornsey Library. Using it in this manner could be seen both positively and negatively by the community and elected officials.

Scheme costs

- 4.63 The elements of the scheme within the library have only been costed at a high level. There is upside and downside risk associated with obtaining greater clarity over these costs.
- 4.64 In general the risk associated with costs is considered to be downside. This is the case both for the actual cost of the scheme requirements itself and that current expectations are that construction inflation will continue to increase. Likewise the risk associated with values generated by the residential development is generally considered to be upside risk, although there is the

possibility of changes to the housing market that would depress the level of receipts. Values used in the financial appraisal of each option are deemed to be conservative.

- 4.65 No VAT has been included in the cost of the scheme. By discounting VAT it is assumed that the Council is willing and able to commission the entire development on behalf of Mountview without impacting on its VAT status as a local authority. Should this not be possible, or should the Council not want to take on the associated risk with commissioning the entire development up to 20% could be added to the cost of the scheme.

Community use and engagement

- 4.66 Option 2 promises a great deal of community use and engagement over and above the Council's minimum requirements. There is a risk that once operational Mountview is unable to meet the demands or expectations of the Council and local community either due to a lack of time and space or because it is unable to afford to do so.

Option 3 – Maximising residential development for sale

- 4.67 The diagram below summarises the various elements of this option where residential development is maximised, in line with the planning consent. The remaining areas of HTH, including all historic elements, are refurbished to operational standard and operated for community use and external lettings on a commercial basis:



- 4.68 The key elements of this scheme are as follows:

- Development of Hornsey Town Hall and associated land to incorporate:
 - All consented residential development – 123 homes;
 - Renovation of heritage spaces; and

- Provision of café alongside development.
 - Broadway annex (West Wing) used for residential / retail development – 8 units;
 - Broadway Annex (East Wing) used for residential development. No detailed scheme has been developed, therefore standard unit sizes used for the available space – 8 units;
 - Hornsey Library maintained in current use;
 - Delivery of Mews housing as affordable – 4 units;
 - Total residential units developed – 131; and
 - Council maintain and operate Hornsey Town Hall building for community use / letting activity in perpetuity.
- 4.69 This scheme maximises the potential residential development on the site, thus delivering the highest potential capital receipt to the Council.
- 4.70 The delivery model for this option has been assumed to be sale of the parcels of land for residential development (Block A / Block B / Broadway Annex / Town Hall East Wing & Link Block) to the market in line with the planning consent and for the remainder of the site to be renovated / built by a contractor to the Council for their usage.
- 4.71 Any revenue deficit from operating the building for community use and commercial activity is funded through a Dowry being set up by the developer that will fund the predicted liability for a period of 30 years. A period of 30 years has been used as this is standard practice for an obligation of this type. There is the potential for this sinking fund to last longer than this period as the size of the liability it covers is dictated by the business plan for the operation of HTH. Currently this has been constructed on conservative assumptions.
- 4.72 The potential size of this liability is difficult to ascertain, however, a high level cost has been derived as follows.

Annual Revenue Costs

- 4.73 As explained above, in developing the Mountview Stage C scheme a full business plan has been developed to model the costs of operating the building, the potential costs and income from community / letting activities and the resultant net position. Mountview consider this to be a conservative year 1 business plan.
- 4.74 This business plan has been reviewed as part of the desktop exercise and comments on it are included within the options above. In order to develop an operational cost and income assessment for the options without Mountview

and to ensure consistency and direct comparison, the assumptions within the Mountview business plan have been used and adapted where appropriate for the Council led scheme. In line with the Mountview business plan, these assumptions are considered cautious. The key changes are:

- A decrease of 50% in the scale of the estate that would require management and maintenance to be met from lettings / community activity as the remainder of the estate will be maintained by service charges from residential use;
- An increase in rates costs as a result of the alternative uses;
- A reduction in utilities / refuse bills payable by the operator due to the proportional increase in external lettings activity;
- An increase in staffing costs as a result of a reduction in volunteer labour;
- An increase in letting activity for three factors;
 - The lettable areas of the building would be available for significantly more time, as Mountview used these areas during teaching time for their operational activity – 20% increase assumed;
 - A provision of SME incubator space within the new facility; and
 - The café is operated as a canteen and public facility as modelled by Mountview.

4.75 The cost and value details of the viability calculations are commercially confidential, however in summary a residual funding requirement exists with this option. It is assumed that this shortfall will be funded directly from the Council's capital programme although this would require full Cabinet approval.

4.76 This scheme enables the sale of all residential elements of the planning consent and generates a significant capital receipt even after a major contribution to a sinking fund established to meet any ongoing deficit from Town Hall operations.

4.77 An indicative high level list of actions required to implement this option and an indicative timeframe are included at Appendix B.

Key risks and opportunities for the scheme

4.78 Overall Option 3 is an immature option as it has been developed for this exercise, as a result there are a number of risks pertaining to timeliness and delivery.

Planning

4.79 There is expectation that the existing planning condition linking the restoration of the Town Hall building with occupation of new residential units will remain in some form. As such there is a risk to the Council that potential developer organisations will be discouraged from bidding for this work or that developers accepting this associated risk will deflate the capital receipt values obtainable from the site to a point where the viability of the scheme is impacted.

4.80 Further, as a result of the Town Hall being used in this scheme in a slightly different way than the initial consent was granted, there is the potential that a new Listed Buildings Consent will be required. This might increase or decrease costs as well as potentially impacting on the delivery timeframe.

Funding

4.81 No HLF funding has been assumed in the financial appraisal for this option. There is a chance that the Council would be successful in bidding for this funding, which would reduce the capital contribution it would be required to make.

Political

4.82 There has already been a degree of publicity suggesting that Mountview would be the likely future occupier of the Town Hall. Should this scheme be selected instead, there is a risk of negative public and media reaction to the Council, elected Members, Mountview itself and HTHCT. Further, in this instance there is a risk that Mountview would leave Haringey and the benefits Mountview brings would be lost to the borough altogether. On the upside, should it be possible to find an alternative site for Mountview within Haringey, then retaining Mountview within the borough, renovating Hornsey Town Hall and returning it to community use, whilst also producing a significant financial return for the Council might well be viewed and reported positively.

Scheme costs

4.83 In general the risk associated with costs is considered to be downside. This is the case both for the actual cost of the scheme requirements itself and that current expectations are that construction inflation will continue to increase. Likewise the risk associated with values generated by the residential development is generally considered to be upside risk, although there is the possibility of changes to the housing market that would depress the level of receipts. Values used in the financial appraisal of each option are deemed to be conservative.

Community use and engagement

4.84 Within this option it is assumed that the Council, or a third party on behalf of the Council, will operate Hornsey Town Hall both as a commercial operator and to ensure that minimum levels of community engagement and access are provided. There is a risk that these minimum levels are not met or maintained in

the future which, should this be the case, may impact negatively on the Council and the community.

Town Hall operations

- 4.85 Estimates suggest that operating the Town Hall in this manner will result in an annual loss to the operator. It is assumed that a sinking fund will be established to meet this liability for 30 years. There is a risk that the sinking fund will prove insufficient to meet the ongoing liabilities for this length of time or alternatively that it is an over provision and not required. In which case provision can be made for alternative use of these funds.

Option 4 – Maximise residential development utilising private rented units to meet costs of the Town Hall

- 4.86 The diagram below summarises the various elements of this Option where residential development is maximised, in line with the planning consent and then either sold or operated as a mix of private rental units. The remaining areas of HTH, including all historic elements, are refurbished to operational standard and operated for community use and external lettings on a commercial basis:



- 4.87 The key elements of this scheme are as follows:

- Development of Hornsey Town Hall and associated land to incorporate:
 - All consented residential development – 123 homes;
 - Renovation of heritage spaces; and
 - Provision of café alongside development.

- Broadway annex (West Wing) used for residential / retail development – 8 units;
- Broadway Annex (East Wing) used for residential development. No detailed scheme has been developed, therefore standard unit sizes used for the available space – 8 units;
- Hornsey Library maintained in current use;
- Delivery of Mews housing as affordable – 4 units;
- The residential units are developed as a mix of private sale (57 units) and private rented units (74 units) operated by the Council;
- Total residential units developed 131; and
- Council maintain and operate Hornsey Town Hall building for community use / letting activity in perpetuity.

4.88 This scheme maximises the potential residential development on the site. These units are then either sold to the market or operated as private rented units by the Council thus generating a revenue stream over their 50 year life.

4.89 The delivery model for this option has been assumed to be for the Council to deliver the renovation works to HTH and the development of all private rented units with the private sale units being developed by the market. The Council developed residential units are likely to be delivered through a fixed price construction contract in order to limit the construction risk taken by the Council, and then operated through a management agreement through the Council's housing management service or an alternative external service.

Housing Management

4.90 The Council's housing management service is run through "Homes for Haringey" the Council's Arm's Length Management Organisation (ALMO), which was set up in April 2006. This service currently manages in excess of 16,000 tenanted and 4,500 leasehold properties.

4.91 Many councils have begun to use their housing management service to manage private rented properties as part of their portfolio alongside tenanted and leasehold premises as many of the systems are already in place. Separate contracts are therefore developed for this segment of the stock based on similar service levels. A number of other Councils have chosen to let this contract to an external body that has experience of letting private rented stock.

4.92 The Council needs to ascertain which approach is desirable for this stock in Haringey.

Costs

- 4.93 Assumed management and maintenance costs for operating the private rental units were based off typical rates used in related projects throughout London. These figures are found in the table below:

Operating Costs		
Repairs and Maintenance	% EGI	15.0%
Management	% EGI	17.5%
Sinking Fund	% NOI	2.5%

*EGI – Effective Gross Income

*NOI – Net Operating Income

- 4.94 These costs account for all of the operating costs of the units going forward and the necessary upkeep and fees associated with unit operation. Additionally, an assumption of a 3.5% void rate in unit occupancy was assumed throughout operation.
- 4.95 The ongoing revenue costs of operating the building are assumed to be the same as in Option 3 and are funded through the revenue receipts from the private rented units. In order to achieve this it has been assumed that the Council develop and operate enough private rented units to meet this liability, with the remaining units being sold for private development. In practice the Council could decide to operate all units for private rent, thus generating significant revenue receipts at the expense of the capital receipt for this land. This balance depends on the Council's aspirations around capital vs. revenue returns.
- 4.96 The cost and value details of the viability calculations are commercially confidential, however in summary with the secured funding taken into account a residual funding requirement exists with this option. It is assumed that this shortfall will be funded directly from the Council's capital programme although this would require full Cabinet approval.
- 4.97 By self-developing the units and operating them for private rent, an income stream can be developed to offset the revenue liability for the operational costs of the HTH facility.
- 4.98 The other additional benefit of this option is that over time the operational surplus grows significantly due to the inflation in rental receipts. These receipts could be used to support the ongoing management and upkeep of the Town Square or flow back to the Council. This is a significant benefit of this option over the other potential solutions identified.
- 4.99 An indicative high level list of actions required to implement this option and an indicative timeframe are included at Appendix B.

Key risks and opportunities for the scheme

- 4.100 Overall Option 4 is an immature option as it has been developed for this exercise, as a result there are a number of risks pertaining to timeliness and delivery.

Planning

- 4.101 There is an expectation that the existing planning condition linking the restoration of the Town Hall building with occupation of new residential units will remain in some form. As such there is a risk to the Council that potential developer organisations will be discouraged from bidding for this work or that developers accepting this associated risk will deflate the capital receipt values obtainable from the site to a point where the viability of the scheme is impacted.
- 4.102 Further, as a result of the Town Hall being used in this scheme in a slightly different way than the initial consent was granted, it is likely that a new Listed Buildings Consent will be required. This might increase or decrease costs as well as potentially impacting on the delivery timeframe.

Funding

- 4.103 No HLF funding has been assumed in the financial appraisal for this option. There is a chance that the Council would be successful in bidding for this funding, which would reduce the capital contribution it would be required to make.

Political

- 4.104 There has already been a degree of publicity suggesting that Mountview would be the likely future occupier of the Town Hall. Should this scheme be selected instead, there is a risk of negative public and media reaction to the Council, elected Members, Mountview itself and HTHCT. Further, in this instance there is a risk that Mountview would leave Haringey and the benefits Mountview brings would be lost to the borough altogether. On the upside, should it be possible to find an alternative site for Mountview within Haringey, then retaining Mountview within the borough, renovating Hornsey Town Hall and returning it to community use, whilst also producing a significant financial return for the Council might well be viewed and reported positively.

Scheme costs

- 4.105 In general the risk associated with costs is considered to be downside. This is the case both for the actual cost of the scheme requirements itself and that current expectations are that construction inflation will continue to increase. Likewise the risk associated with values generated by the residential development is generally considered to be upside risk, although there is the possibility of changes to the housing market that would depress the level of receipts. Values used in the financial appraisal of each option are deemed to be conservative.

- 4.106 This option is fundamentally different from the others presented, however, as the Council are themselves taking significant scheme risks in terms of the development costs and potential demand for private rented stock. As shown by the financial appraisal the Council are potentially receiving significant reward for this risk in the form of the revenue stream generated from the assets in perpetuity but whether this approach is attractive to the Council will depend on its attitude to risk.

Community use and engagement

- 4.107 Within this option it is assumed that the Council, or a third party on behalf of the Council, will operate Hornsey Town Hall both as a commercial operator and to ensure that minimum levels of community engagement and access are provided. There is a risk that these minimum levels are not met or maintained in the future which, should this be the case, may impact negatively on the Council and community.

Financial return – PRS

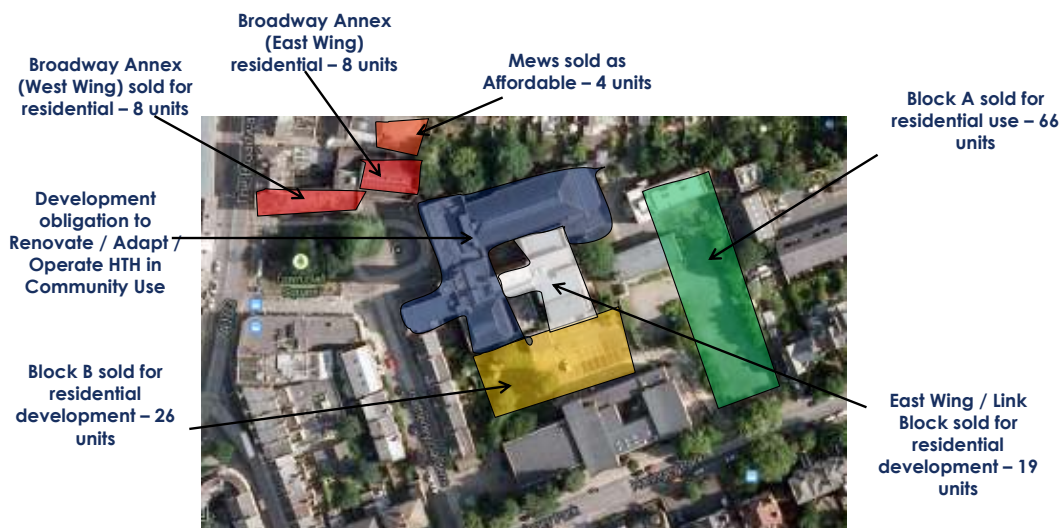
- 4.108 It has been assumed that over time the Council will receive a significant annual revenue stream from the PRS element of this scheme. Whilst conservative estimates have been made with regards to the operational cost and the rental values that can be achieved, it is possible that actual revenues will fall short of those assumed in the financial appraisal. However, given the conservative nature of the assumption in the appraisal it is also entirely possible that actual revenues will exceed those assumed.

Town Hall operations

- 4.109 Estimates suggest that operating the Town Hall in this manner will result in an annual loss to the operator. It is assumed that this ongoing deficit will be met by a ringfenced element of the surplus generated by the PRS offered by this option. As discussed above there is a risk that the PRS does not produce the surpluses expected and that insufficient funds are available to offset the ongoing liability from operating the Town Hall.

Option 5 – Dispose of the entire site to the market

- 4.110 The diagram below summarises the various elements of this option where the entire site is disposed of to the market through freehold or long leasehold sale, in line with the planning consent. A development obligation is placed on the developer to renovate the Town Hall building and provide the minimum required community use and engagement:



Likely to be a portfolio sale of all elements to one developer

4.111 The key elements of this scheme are as follows:

- The Hornsey Town Hall site and associated land is disposed of to the market in line with the existing planning consent;
- A development obligation is placed on the developer to bring the Town Hall building back into operational use and to operate the facility for community and commercial use;
- Broadway Annex (East Wing) used for residential development. No detailed scheme has been developed, therefore standard unit sizes used for the available space – 8 units;
- Total residential units developed 131;
- Hornsey Library maintained in current use; and
- Developer ensures the maintenance and operation of the Hornsey Town Hall building for community and commercial activity.

4.112 This scheme removes any ongoing obligation from the Council for the site and achieves a capital receipt for the facility. By placing a clear development obligation on the Town Hall building the facility is retained for community use, however, the liability for this provision will be taken into account in the receipt realised.

4.113 This option is fully funded. The Council's capital receipt will be reduced by the existing capital investment requirements and the liability for the ongoing operation of the Town Hall.

4.114 An indicative high level list of actions required to implement this option and an indicative timeframe are included at Appendix B.

Key risks and opportunities for the scheme

- 4.115 Overall Option 5 is an immature option as it has been developed for this exercise, as a result there are a number of risks pertaining to timeliness and delivery.

Planning

- 4.116 There is an expectation that the existing planning condition linking the restoration of the Town Hall building with occupation of new residential units will remain in some form. As such there is a risk to the Council that potential developer organisations will be discouraged from bidding for this work or that developers accepting this associated risk will deflate the capital receipt values obtainable from the site to a point where the viability of the scheme is impacted.
- 4.117 Further, as a result of the Town Hall being used in this scheme in a slightly different way than the initial consent was granted, it is likely that a new Listed Buildings Consent will be required. This might increase or decrease costs as well as potentially impacting on the delivery timeframe.

Political

- 4.118 There has already been a degree of publicity suggesting that Mountview would be the likely future occupier of the Town Hall. Should this scheme be selected instead, there is a risk of negative public and media reaction to the Council, elected Members, Mountview itself and HTHCT. Further, in this instance there is a risk that Mountview would leave Haringey and the benefits Mountview brings would be lost to the borough altogether. On the upside, should it be possible to find an alternative site for Mountview within Haringey, then retaining Mountview within the borough, renovating Hornsey Town Hall and returning it to community use, whilst also producing a significant financial return for the Council might well be viewed and reported positively.

Town Hall operations

- 4.119 There is a stated requirement for a minimum level of community engagement with and access to the Town Hall. Under this option it is assumed that these requirements will be obligated within the developer agreement. Whilst this provision will be a legal requirement on the developer there is a risk that this obligation is not delivered to the required level. This could result in a negative impact on the Council and elected Members and impact upon the community. Further, there is further potential political and future risk should it be necessary for the Council to pursue this obligation through the legal system.

Changing the Planning Permission

- 4.120 In undertaking the options appraisal exercise consideration was given to the potential to change the existing planning consent for the site. Options 1 and 2 would require a new application in order to accommodate the Mountview

schemes, however, Options 3-5 would not, instead being based on the existing consent for residential / community use, with the minor amendment of utilising Broadway Annex East Wing for residential development. This approach could potentially have a number of advantages and disadvantages, as detailed in the table below:

Advantages	Disadvantages
If a new consent succeeded in increasing the potential density on the site this could enable an increased capital receipt.	A new planning consent will be subject to the requirement of the Community Infrastructure Levy. As such the viability of the scheme will be affected, potentially driving down the potential land receipt to the Council.
A new planning process could re-examine the obligations placed on the site regarding community use to ensure they best meet the Council's objectives.	If a new consent were sought it could potentially change the mix of affordable to private units on the site. This would potentially affect the capital receipt that could be achieved. Within the existing consent if further affordable were desired by the Council they could implement this.
A new planning consent will be subject to the requirement of the Community Infrastructure Levy, as such a contribution would be made from the site towards the Council's strategic infrastructure priorities.	The view of the Council is that any new consent granted would not be likely to increase density on the site.
	If a new planning consent were sought it would be likely to take 12-18 months to secure.

4.121 On the balance of this analysis there appears to be little merit in changing the existing consent as it would be unlikely to result in additional residential development, and therefore would be unlikely to increase any receipt from the site. The obligations within the existing consent are largely in line with the Council's aspirations for the HTH site and impact of CIL would have advantages and disadvantages, however, the length of time to secure the consent would result in an ongoing liability for the maintenance of the building for this period.

4.122 As a result no change in consent was considered for these options.

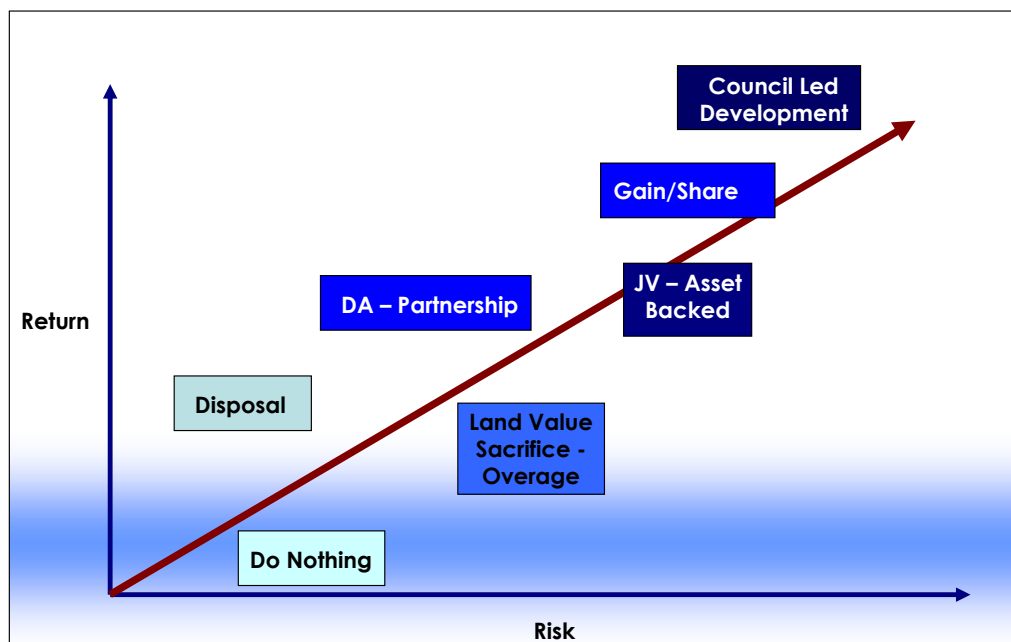
Alternative Uses

4.123 The schemes developed above are dominated by residential, educational and community use. The table below details the other potential alternative uses for the site and the reasoning behind the exclusion of these uses.

Use	Explanation
Retail	Retail use has not been defined by the Authority as a priority in this location. The site is situated along Crouch End Hill, an active retail thoroughfare with strong retail performance, low void rates and strong representation from appropriate providers. In addition HTH does not lend itself well to retail conversion.
Hotel	<p>There is no obvious demand for a hotel in this location. The absence of major rail infrastructure, any large employment hubs or institutional basis to support hotel use result in low market demand in this location.</p> <p>The Soft Market testing process did provide one response from a consulted party for the potential in examining the potential for a hotel at this location, however, there was no detailed analysis behind this suggestion. This potential use should be examined by the Council going forward.</p>
Office	Hornsey has not been defined as an office location by the Authority. There are significant small spaces for office usage in the locality such as above retail units and in smaller purpose built historic office spaces.

Delivery Approach

4.124 Each of these approaches has been developed utilising a preferred delivery approach, however, there is a spectrum of approaches that could be taken ranging from the more low risk, low reward option of straight disposal, through partnership approaches to the high risk potentially high return approach of self-development. The graph below highlights this spectrum:



4.125 The most appropriate approach can only be developed as each option is further examined and the detailed risks and potential rewards are understood and mapped with the Council and its potential partners to ascertain the levels of risk that are appropriate.

4.126 In developing this approach there are a number of considerations for the partners ranging from the risk vs. reward for each party to the potential tax treatment of the activities. One such consideration is the potential VAT position for the activities.

Summary

Financial Viability

4.127 The financial viability position and the resultant capital and revenue implications for the Council were calculated for each scheme. These demonstrated viability challenges for the Mountview scheme and a need to develop an integrated funding strategy for the alternative options. The cost and value details of these calculations are commercially confidential. Throughout the options appraisal other potential funding sources were identified and investigated, these included: additional Council contribution; additional HLF funding for a Mountview option; greater levels of Mountview fundraising; and Mountview contributing its capital reserves to the scheme. Whilst some good progress has been made, particularly with regards to Mountview establishing a base for its fundraising activity, and an indication that the Council might increase its funding to c£10m in recognition of the increased costs of occupancy, none of this potential funding has yet been secured or in the case of the additional Council funding, been approved by Cabinet. Even assuming this additional Council funding both options 1 and 2 continue to have significant funding gaps of many millions of pounds.

Net capital position

- 4.128 It is estimated that Option 3 will produce the best net capital position for the Council, in which the net capital position represents the total capital receipt generated by the option less the Council's assumed capital contribution to that option. Option 5 is second best, followed by in order Option 2, Option 1 and Option 4.

Net revenue position

- 4.129 Option 4 is the only option expected to produce an ongoing annual net revenue stream for the Council. This will increase year on year such that after 30 years the annual receipt will reach a significant level, albeit representing only a small proportion of the Council's overall revenue budget.
- 4.130 This section has detailed the options identified, the key components within them and the development outputs delivered. It has also identified the financial viability position for the scheme and the resultant capital and revenue implications for the Council.

5. Soft Market Testing

- 5.1 Following option generation and the initial appraisal exercise, a soft market testing exercise was conducted to test the potential delivery of each of the options with the market.
- 5.2 In order to test the full range of potential market options a cross section of organisation types were selected to take part in the exercise, including:
- Developer / Contractors;
 - Private Rented Sector specialists;
 - Housebuilders; and
 - Development / Operational specialists.
- 5.3 The methodology for the soft market testing process is included in detail in section 3 – Stage 12. As detailed, each of the invited parties received a soft market testing briefing pack, prior to being interviewed by LBH and GVA staff. Following interview, each participant organisation submitted a written response to express their views on a number of key points, as detailed below:
- Any comments the consultee had on the various options being considered, based on the information provided in the briefing pack and during the interview?
 - The consultees view on the critical elements of the scheme and their perception on what the key risks and opportunities are;
 - Would there be any adjustments / factors the consultee would like to see addressed that would either make it more attractive to them or, in their opinion, would improve the overall scheme?
 - What are their views on this site as a location for a PRS product?
 - How would they like to see this proposition brought to market?
 - What would be the best model to engage with LB Haringey in delivering a scheme on this site? and
 - Any additional comments that the consultee would like to make on the scheme.

5.4 The table below summarises the key themes that emerged from this consultation:

Theme	Explanation
Any scheme brought to the market must be deliverable.	<p>Each of the consultees stressed the importance of demonstrable scheme deliverability before it is brought to market. In particular they emphasised that the following factors must be addressed:</p> <ul style="list-style-type: none"> • The scheme is brought forward with a clear and pragmatic funding strategy that has been developed to the point where all funding is in place or de-risked; and • The planning position for the scheme is clear / obligations understood.
More clarity is required as to what the Council desire from the scheme.	<p>The current options for the scheme deliver a number of potential benefits to the Council ranging from capital receipts to revenue returns, and different potential levels of community benefit.</p> <p>Before the scheme is brought to the market the Council needs to develop its thinking and be very clear about the importance of each of these aspects, the balance between them and its expectations for each.</p>
What are the Council's expectations around community use and access?	<p>The current options for the HTH scheme deliver potentially varying levels of community benefit. It is therefore imperative that the Council develop a clear manifesto for community use / access. This needs to include the potential uses, how these should / would be enabled / operated and the expectation on any external parties.</p>
The HTH location is highly desirable.	<p>All parties consulted were very keen to stress their interest in the very "desirable" HTH site. Its desirability is due to the high potential residential sales values, high potential private sector rents and the existing planning consent for the site limiting the amount of affordable housing to be delivered. As such, all expressed an interest in bidding on the eventual opportunities that are brought forward on the site.</p>

Theme	Explanation
<p>Mountview's potential inclusion in the scheme.</p>	<p>It was felt generally although not exclusively that the inclusion of Mountview in the scheme would be beneficial as anything that makes the site a "destination" would only support market presence. It was also felt by a majority of consultees that a significant location for the arts would support the offer on the site.</p> <p>There was some feedback that challenged this notion, in particular raising the following issues:</p> <ul style="list-style-type: none"> • Two parties raised a question over the merit in pushing a scheme of this type in a high value location when they could be sited elsewhere in the borough, in particular stressing the contribution such a scheme could make to the regeneration of an area such as Tottenham; and • One party raised concerns that the inclusion of Mountview could complicate the procurement of the scheme.
<p>A "Packaged Option" might be more attractive.</p>	<p>A number of parties raised a significant concern over the existing condition in the planning consent that required extensive works to be completed on HTH before any residential development could be occupied. Indeed many suggested that they would challenge this provision directly with English Heritage and if it could not be resolved to their satisfaction the significant risk it brings would have to be priced into their offer.</p> <p>A general view formed that a scheme that tied these two elements of the development together, thus enabling one party to manage them would be potentially more attractive.</p>
<p>Residential Development alone.</p>	<p>A number of the consultees, particularly the pure housebuilders, expressed an interest in just taking on the residential development and leaving the remainder of the site to the Council / Mountview. It should be noted that they explained that under this approach they would price in the risk of the HTH works being completed before occupancy was enabled.</p>

Theme	Explanation
The potential for Private Rented Sector (PRS) housing.	<p>The consultees who had significant PRS experience were of the view that HTH would be a desirable location for private rented stock. The development / management of such stock by an external party would be of most interest where a significant number of PRS units could be developed (in excess of 100). However, should this purely be a management requirement a smaller number of units would be acceptable to this provider.</p> <p>General housebuilders were less keen on PRS as an option as they felt the best profit could be made from private sale units as it would be priced as a discount to capital value.</p> <p>The PRS specialists also suggested an alternative approach whereby the Council act as investor to the PRS developer and receive an income stream over time for the units. This would enable the private sector to undertake all development and management but enable an ongoing revenue contribution from the development.</p>
Ongoing management of HTH.	<p>Most parties consulted expressed a preference for the Council to take on the ownership and operation of HTH as it would be the simplest solution.</p> <p>Most also however had experience of, and were will to take responsibility for, setting up a Trust to manage and operate the premises and provide a dowry into such an operation for these purposes. They explained that this would be priced into the viability equation that would drive their financial position.</p>
The existing planning consent.	<p>All consultees suggested that they would examine the existing planning consent closely to see if additional benefit could be sought by reopening it. However, they each acknowledged that the consent looked strong, particularly due to the low affordable housing requirement and the consent preceding the introduction of CIL.</p>

Theme	Explanation
Clarity of Procurement route.	<p>All consultees expressed a preference for the simplest / quickest form of procurement approach possible, advocating land sales, existing procurement frameworks and very targeted but simple approaches.</p> <p>Most expressed a desire to avoid OJEU procedures but accepted that this may not be possible. In such an event they again stressed the importance of clarity over the roles of the Council, developer and ongoing operation of the facility as well as the objectives from the exercise.</p>

- 5.5 The soft market testing exercise clearly demonstrated that all options were potentially viable and attractive to the market. Although it also highlighted a number of themes that must be addressed before the recommended option is taken to the market, regardless of which option is preferred.

6. Options Appraisal

- 6.1 The following section considers each of the five options with reference to the Council objectives or criteria described in Section 2 above and the various methods for appraisal described in Section 3. These criteria have been weighted, in partnership with the Council, based on the importance the Council attaches to each. As with the criteria themselves the weightings are of course subjective and open to challenge. However, it is the belief of the project team that both criteria and weightings faithfully reflect the opinions and considerations that have been shared with them.
- 6.2 As stated in Section 2 all options must be affordable within their existing funding package. Any option that is not affordable cannot be recommended.
- 6.3 A table summarising the assessment of all five options is provided at the end of this section.

Option 1 – Mountview Stage C Scheme

Options Appraisal Scoring			Option 1
Criteria	Max score	Weighting	MV Stage C
A LB Haringey's on-going HTH Liability addressed	3	16%	3
B Secured use for the operation of HTH	3	16%	3
C Expected level of community use / engagement	4	21%	4
D Mountview guaranteed to remain within LB Haringey boundaries	4	21%	4
E Level of financial return generated for the Council	3	16%	2
F Economic impact	2	11%	2
	19		18
Funding gap exists with LBH funding of £5m			Yes
Funding gap exists with LBH funding of c£10m*			Yes
* subject to Cabinet approval			

A - LB Haringey's ongoing HTH liability addressed

- 6.4 The proposed scheme addresses the capital liability as part of the overall development. Mountview will assume responsibility for the ongoing operational and repairs and maintenance liability for 125 years, (score 3/3).

B – There is secured use for the operation of HTH

- 6.5 The Town Hall will be fully utilised during the week by Mountview. When Mountview is not using the building it is expected to be open for some public access and private hire, (3/3).

C – Expected level of community use / engagement

- 6.6 Mountview has an extensive existing community and outreach programme. As part of its initial submission it agreed to consolidate and expand this work. This is to include: the establishment of a Youth Theatre, open days, mini-festivals and other special projects for children and young people; working closely with Music Services and other arts and education providers, such as Haringey Shed to further enhance this provision; and put on appropriate productions and related activities directly aimed at local young people and the community both as audience and participants. It is particularly keen to scout, nurture and present local talent. Mountview envisages the display and access of archive material in the building and opportunities for locals to volunteer. The cost of this community use and engagement will be met by Mountview. The Town Hall will however be used by Mountview throughout the day during term time and partially during weekends and college holidays. Public access will be limited by Mountview's use. It is clear that this option promises to deliver significantly more than the minimum requirements as defined by the Council (4/4).

D - Mountview guaranteed to remain within LB Haringey boundaries

- 6.7 Mountview would sign a 125 year lease for HTH and are therefore guaranteed to stay in Haringey, (4/4).

E - Level of financial return generated for the Council

- 6.8 It is estimated that Option 3 will produce the best net capital position for the Council. For comparative purposes, the estimated net capital position for the other options are expressed as a percentage of the option 3 position:
- 6.9 Mountview's space requirements mean that 86 of the 131 potential residential units can be built on the site. This equates to an estimated capital receipt for LBH of approximately 55% of the total estimated for option 3. The potential capital receipt associated with the 45 units not built under this option is forgone by the Council, (2/3).

F – Economic impact assessment

- 6.10 The EIA pertaining to both consumer value (CV) was awarded the full 3 points and for employment value (EV) 2 from 3 points. Lower values generated as a result of fewer new residents in comparison to the other options were at least partially offset in both measures by the value created by the additional students and staff members. The values were calculated based on 204 additional students of which 184 are Haringey residents, 69 additional staff members (23 residents) and 189 new residents from the 86 new residential units, (2/2).

G – Scheme is deliverable within the current funding package

- 6.11 This option is not affordable and therefore not deliverable based on the existing funding package associated with it, and as such this option cannot be recommended from this exercise.

Option 2 – Mountview alternative scheme utilising an element of Hornsey Library

Options Appraisal Scoring			Option 2
Criteria	Max score	Weighting	MV Stage
			C & HL
A LB Haringey's on-going HTH Liability addressed	3	16%	3
B Secured use for the operation of HTH	3	16%	3
C Expected level of community use / engagement	4	21%	4
D Mountview guaranteed to remains within LB Haringey boundaries	4	21%	4
E Level of financial return generated for the Council	3	16%	3
F Economic impact	2	11%	2
	19		19
Funding gap exists with LBH funding of £5m			Yes
Funding gap exists with LBH funding of c£10m*			Yes
* subject to Cabinet approval			

A - LB Haringey's ongoing HTH Liability addressed

- 6.12 The proposed scheme includes addressing the capital liability as part of the overall development. Mountview will assume responsibility for the ongoing operational and repairs and maintenance liability for the length of the lease, (3/3).

B – There is secured use for the operation of HTH

- 6.13 The Town Hall will be fully utilised during the week by Mountview. When Mountview is not using the building it is expected to be open for some public access and private hire, (3/3).

C – Expected level of community use / engagement

- 6.14 Mountview has an extensive existing community and outreach programme. As part of its initial submission it agreed to consolidate and expand this work. This is to include: the establishment of a Youth Theatre, open days, mini-festivals and other special projects for children and young people; working closely with Music Services and other arts and education providers, such as Haringey Shed to further enhance this provision; and put on appropriate productions and related activities directly aimed at local young people and the community both as audience and participants. It is particularly keen to scout, nurture and present local talent. Mountview envisages the display and access of archive material in the building and opportunities for locals to volunteer. The cost of this community use and engagement will be met by Mountview. The Town Hall will however be used by Mountview throughout the day during term time and partially during weekends and college holidays. Public access will be limited by Mountview's use. It is clear that this option promises to deliver significantly more than the minimum requirements as defined by the Council (4/4).

D - Mountview guaranteed to remain within LB Haringey boundaries

- 6.15 Mountview would sign a 125 year lease for HTH and are therefore guaranteed to stay in Haringey, (4/4).

E - Level of financial return generated for the Council

- 6.16 It is estimated that Option 3 will produce the best net capital position for the Council. For comparative purposes, the estimated net capital position for the other options are expressed as a percentage of the option 3 position:
- 6.17 Mountview's space requirements mean that 93 of the 131 potential residential units can be built on the site. This equates to an estimated capital receipt for LBH of approximately 70% of the total estimated for option 3. The potential capital receipt associated with the 36 units not built under this option is forgone by the Council, (3/3).

F - Economic impact assessment

- 6.18 The EIA pertaining to both consumer value (CV) and employment value (EV) were awarded 3 from 3 points – this was then highest scoring option. Slightly lower values generated as a result of fewer new residents in comparison to the non-Mountview options were offset in both measures by the value created by the additional students and staff members. The values were calculated based on 204 additional students of which 184 are Haringey residents, 69 additional staff members (23 residents) and 218 new residents from the 99 new residential units, (2/2).

G – Scheme is deliverable within the current funding package

- 6.19 This option is not affordable and therefore not deliverable based on the existing funding package associated with it, and as such this option cannot be recommended from this exercise.

Option 3 – Maximising residential development for sale

Options Appraisal Scoring			Option 3
Criteria	Max score	Weighting	Max. Resi sales
A LB Haringey's on-going HTH Liability addressed	3	16%	3
B Secured use for the operation of HTH	3	16%	3
C Expected level of community use / engagement	4	21%	3
D Mountview guaranteed to remain within LB Haringey boundaries	4	21%	0
E Level of financial return generated for the Council	3	16%	3
F Economic impact	2	11%	1
	19		13
Funding gap exists with LBH funding of £5m			Yes
Funding gap exists with LBH funding of c£10m*			No
* subject to Cabinet approval			

A - LB Haringey's ongoing HTH Liability addressed

- 6.20 This option assumes that the capital liability is met as part of the development and that a sinking fund is established by the developer to meet the ongoing operational and repairs and maintenance liability for a 30 year period, (3/3).

B – There is secured use for the operation of HTH

- 6.21 Use of the Town Hall is secured. A portion of the Town Hall building will be private residential units and the remaining public areas will have been refurbished to operational standard. These areas will be available for public use and private hire, (3/3).

C – There is a guaranteed level of community use / engagement

- 6.22 This option assumes that the lease granted will require an operator to ensure that the refurbished areas of the Town Hall, including the café, will be open for public use. A number of specific areas, e.g. the Assembly Hall, the Council Chamber and Committee Rooms will be available for private hire as well as for public exhibitions and meetings, and use by schools, community groups as other public and third sector bodies. It has also been assumed that incubator space for local SMEs or similar will be provided in the Town Hall and that this operation will work in a similar manner to that proposed by Mountview and previously drawn up by the HTHCT. There will be opportunities for volunteering at the Town Hall and the lack of a full time tenant is likely to increase opportunities for public and commercial access. Further, expectation is that both the Council and HTHCT will have a role in the governance of the operation. Therefore, this option meets the minimum definition for community use and engagement. However, unlike the MV options no community outreach programmes are assumed and therefore the option does not score as highly, (3/4).

D - Mountview guaranteed to remain within LB Haringey boundaries

- 6.23 With this option there is no guarantee that Mountview will remain within Haringey, (0/4).

E - Level of financial return generated for the Council

- 6.24 It is estimated that Option 3 will produce the best net capital position for the Council. For comparative purposes, the estimated net capital position for the other options are expressed as a percentage of the option 3 position:
- 6.25 Developing the maximum (131) number of residential units on the HTH site for sale is expected to generate the most significant capital receipt for the Council of the five options. The total capital receipt is offset by the need to establish a sinking fund to meet the ongoing operational liabilities of the Town Hall, (3/3).

F - Economic impact assessment

- 6.26 The EIA pertaining to consumer value (CV) scored one from three points and the employment value (EV) was awarded 2 from 3 points. The reason this

option scored lower than the Mountview options is that despite higher levels of new residents, 288 from 131 new units, this option does not benefit from the extra staff and students the Mountview options bring, (1/2).

G – Scheme is deliverable within the current funding package

6.27 This option is affordable and therefore can be deliverable based on the existing funding package associated with it.

Option 4 – Maximise residential development utilising private rented units to meet operational costs of the Town Hall

Options Appraisal Scoring			Option 4
Criteria	Max score	Weighting	Max. Resi rent
			A LB Haringey's on-going HTH Liability addressed
B Secured use for the operation of HTH	3	16%	3
C Expected level of community use / engagement	4	21%	3
D Mountview guaranteed to remain within LB Haringey boundaries	4	21%	0
E Level of financial return generated for the Council	3	16%	3
F Economic impact	2	11%	1
	19		13
Funding gap exists with LBH funding of £5m			Yes
Funding gap exists with LBH funding of c£10m*			No
* subject to Cabinet approval			

A - LB Haringey's ongoing HTH Liability addressed

6.28 This option assumes that the capital liability is met as part of the development. The annual revenue generated by this option is expected to exceed the operational and repairs and maintenance liabilities over time (3/3).

B – There is secured use for the operation of HTH

6.29 Use of the Town Hall is secured. A portion of the Town Hall building will be private residential units and the remaining public areas will have been refurbished to operation standard. These areas will be available for public use and private hire, (3/3).

C – There is a guaranteed level of community use / engagement

This option assumes that the lease granted will require an operator to ensure that the refurbished areas of the Town Hall, including the café, will be open for public use. A number of specific areas, e.g. the Assembly Hall, the Council Chamber and Committee Rooms will be available for private hire as well as for public exhibitions and meetings, and use by schools, community groups as other public and third sector bodies. It has also been assumed that incubator space for local SMEs or similar will be provided in the Town Hall and that this

operation will work in a similar manner to that proposed by Mountview and previously drawn up by the HTHCT. There will be opportunities for volunteering at the Town Hall and the lack of a full time tenant is likely to increase opportunities for public and commercial access. Further, expectation is that both the Council and HTHCT will have a role in the governance of the operation. Therefore, this option meets the minimum definition for community use and engagement. However, unlike the MV options no community outreach programmes are assumed and therefore the option does not score as highly, (3/4).

D - Mountview guaranteed to remain within LB Haringey boundaries

6.30 With this option there is no guarantee that Mountview will remain within Haringey (0/4).

E - Level of financial return generated for the Council

6.31 It is estimated that Option 3 will produce the best net capital position for the Council. For comparative purposes, the estimated net capital positions for the other options are expressed as a percentage of the option 3 position.

6.32 This option assumes that the maximum number of residential units is built, 131. Of the total, 57 units are sold in this option generating a capital receipt for the Council of approximately 10% of that generated by option 3. The remaining 74 are assumed to be privately rented and managed by LBH or a Council owned body. The annual net rental income to the Council, after meeting the operational costs of the units and the ongoing operational liabilities of the Town Hall, will rise to approximately 8% of the estimated capital receipt level in option 3, (3/3).

F - Economic impact assessment

6.33 The EIA pertaining to consumer value (CV) scored one from three points and the employment value (EV) was awarded 2 from 3 points. The reason this option scored lower than the Mountview options is that despite higher levels of new residents, 288 from 131 new units, this option does not benefit from the extra staff and students the Mountview options bring, (1/2).

G - Scheme is deliverable within the current funding package

6.34 This option is affordable and therefore can be deliverable based on the existing funding package associated with it.

Option 5 – Dispose of the entire site to the market

Options Appraisal Scoring			Option 5
Criteria	Max score	Weighting	Site disposal
			A LB Haringey's on-going HTH Liability addressed
B Secured use for the operation of HTH	3	16%	3
C Expected level of community use / engagement	4	21%	2
D Mountview guaranteed to remains within LB Haringey boundaries	4	21%	0
E Level of financial return generated for the Council	3	16%	1
F Economic impact	2	11%	1
	19		10
Funding gap exists with LBH funding of £5m			No
Funding gap exists with LBH funding of c£10m*			No
* subject to Cabinet approval			

A - LB Haringey's ongoing HTH Liability addressed

- 6.35 The sale of the site will be predicated on the purchaser assuming responsibility for both the capital and ongoing liabilities of HTH. The financial implications of this assumption have been reflected in the reduced capital receipt, (3/3).

B – There is secured use for the operation of HTH

- 6.36 Use of the Town Hall is secured. A portion of the Town Hall building will be private residential units and the remaining public areas will have been refurbished to operational standard. The requirement that these areas will be available for public use and private hire will be a condition of sale, (3/3).

C – There is a guaranteed level of community use / engagement

- 6.37 Option 5 assumes all responsibility for community access / use pass to the private sector. The Council will dispose of the freehold of the entire Town Hall site with an obligation placed on the purchaser to provide the community access / use in line with that defined by the Council as a condition of sale. This is expected to include direct access to the building on a non-commercial basis at various points during the year, as well as commercial access. It is also likely that certain local community groups will be able to hire space in the Town Hall at a discounted rate. Expectation is that this would be less so than the other options due to commercial drivers being perhaps more paramount to a future operator than to the Council or HTHCT. However, as with options 3 and 4 the lack of a full time tenant might enable more regular public and commercial access to the building. This option would be expected to meet the minimum definition prescribed by the Council but it is marked down as there is perceived to be greater risk in and potentially reduced direct LBH or HTHCT influence on operations once the obligation has been set, (2/4).

D - Mountview guaranteed to remain within LB Haringey boundaries

6.38 With this option there is no guarantee that Mountview will remain within Haringey, (0/4).

E - Level of financial return generated for the Council

6.39 It is estimated that Option 3 will produce the best net capital position for the Council. For comparative purposes, the estimated net capital positions for the other options are expressed as a percentage of the option 3 position.

6.40 The expected capital receipt from selling the entire site to a developer represents approximately 90% of the capital receipt expected from option 3. This has been appropriately reduced to reflect the requirements for the developer to take on the financial liabilities of the Town Hall, (1/3).

F - Economic impact assessment

6.41 The EIA pertaining to consumer value (CV) scored one from three points and the employment value (EV) was awarded 2 from 3 points. The reason this option scored lower than the Mountview options is that despite higher levels of new residents, 288 from 131 new units, this option does not benefit from the extra staff and students the Mountview options bring, (1/2).

G – Scheme is deliverable within the current funding package

6.42 This option is affordable and therefore can be deliverable based on the existing funding package associated with it.

Summary

6.43 The summary options appraisal is included below.

Options Appraisal Scoring			Option 1	Option 2	Option 3	Option 4	Option 5
Criteria	Max score	Weighting	MV Stage	MV Stage	Max. Resi.	Max. Resi.	Site
			C	C & HL	sales	rent / sales	disposal
A LB Haringey's on-going HTH Liability addressed	3	16%	3	3	3	3	3
B Secured use for the operation of HTH	3	16%	3	3	3	3	3
C Expected level of community use / engagement	4	21%	4	4	3	3	2
D Mountview guaranteed to remain within LB Haringey boundaries	4	21%	4	4	0	0	0
E Level of financial return generated for the Council	3	16%	2	3	3	3	1
F Economic impact	2	11%	2	2	1	1	1
	19		18	19	13	13	10
LBH financial return - Most significant one-off net capital receipt			4th	3rd	1st	5th	2nd
LBH financial return - Most significant ongoing net revenue returns			n/a	n/a	n/a	1st	n/a
Funding gap exists with LBH funding of £5m			Yes	Yes	Yes	Yes	No
Funding gap exists with LBH funding of c£10m*			Yes	Yes	No	No	No
G Scheme is deliverable within the existing funding package			No	No	Yes	Yes	Yes
Option recommended for further LBH consideration							

* subject to Cabinet approval

6.44 As indicated by the table above, whilst the two options including Mountview score highest across the broad range of criteria, neither of them are affordable and therefore deliverable, based on the existing funding package. As such, these options are not recommended.

6.45 Of those which are fully funded, options 3 and 4 score highest and are therefore the recommended schemes to be considered further by the Council. Each have a number of advantages and disadvantages and are dependent on the Council's ultimate attitude to risk and its preference for capital or revenue receipts. The following section details the likely next steps for the Council to develop its thinking and to conclude upon its preferred option. Should a proposal be brought forward that maximises the community use for option 5, this may result in this option being considered further.

7. Conclusions and Next Steps

- 7.1 The two options that include Mountview leasing HTH score highest across the broad range of criteria. Whilst this is predominantly because only these options guarantee Mountview remaining in the borough, it is also due to the wide ranging community engagement programme promised and the enhanced social and economic benefits compared to the non-Mountview schemes. However, at this stage neither of them is affordable, and hence deliverable, as per the Council's criteria and the demands from the soft market testing. As such these options cannot be recommended by this review.
- 7.2 Of those which are deliverable, options 3 and 4 score highest and are therefore the recommended options to be considered further, although Option 5 should also be further considered as the Council reviews its attitude to risk and reward. The key next steps, and potential timeframe for both recommended options, are detailed below. Mountview have indicated that they understand and accept the financial challenge faced by the two options which see them take occupancy of HTH. However, they have made strong representation that the Council should consider either "investing" more Council funds into one of their options because of the greater social and economic benefit Mountview promises it will deliver, (a large proportion of this investment would have to be "grant" as Mountview's forecast operating performance is insufficiently strong to support the repayment of a loan/lease that would close the entire funding gap); or alternatively to give Mountview more time to secure funding from one or more of the alternative sources they are currently investigating. This is of course a Council decision and beyond the scope of this exercise.

Next Steps and Timelines

- 7.3 The next steps and a timeframe for each of the options are set out in Appendix B. Those for the recommended options are also included in this section.
- 7.4 As articulated above, the main differences between the two recommended options are:
- The way in which the Council receives its financial return from the HTH site. In option 3 this return consists purely of a significant "one-off" capital receipt. In option 4 the return is a combination of a smaller capital receipt and an ongoing, and ever increasing revenue stream from its private rented units. The example given above for option 4 assumes that the Council will only rent sufficient properties to ensure it meets any financial shortfall from the operation of the Town Hall itself and that it will sell all other units. Instead, the Council may choose to rent any number or all of the residential units, thus increasing its revenue stream but forgoing a portion or all of the capital receipt; and

- The level of risk to which the Council is exposed on the development and operation of the residential units. Under option 3 the Council takes no risk on residential development, instead receiving a capital receipt for the residential land. Under option 4, the Council develops and operates all rented residential units in return for which it receives all income generated, less any management fee.

7.5 This choice of how the Council wishes to receive its financial return is key to progressing the chosen option. Once this decision has been made, both options would proceed in an almost identical fashion to each other. An indicative timeline for each option is outlined below.

Stage 1 – Development of Final Business Case – 6 months

- Clarification of Council objectives – Prioritisation of financial reward (capital vs. revenue) vs. community use;
- Further development of scheme to bring HTH up to occupancy standard;
- Financial viability review;
- Development of community use / access requirements;
- Development of Delivery / Operation strategy;
- Development of governance structure for community use / HTH; and
- Establishment of Trust, as appropriate – development of business plan.

7.6 In addition, should the Council decide to undertake an element of PRS, it will also have to consider the following, which are estimated to add 2 months to the duration of Stage 1:

- Development of Delivery / Operation strategy for housing and operational elements;
- Soft market testing of Private Rented Sector providers; and
- Development of housing management business plan.

Stage 2 – Design and Preparatory work – 9 – 12 months

- Procure a design team;
- RIBA Stage C;
- RIBA Stage D;
- Negotiations with English Heritage regarding the linkage between Stage 1 work and residential occupancy;

-
- Updated review of planning consent – requirement for new listed building consent / Broadway Annex East Wing consent;
 - Development of the scheme funding strategy;
 - HLF Process (if pursued) – Activity plan / Conservation Man; and
 - Development of the Procurement / Delivery Strategy including Soft Market Testing.

7.7 In addition, should the Council decide to undertake an element of PRS, it will also have to consider the following:

- Development of management agreements for housing stock.

Stage 3 – Council Approvals – 1 month

- Cabinet approval of scheme / delivery approach.

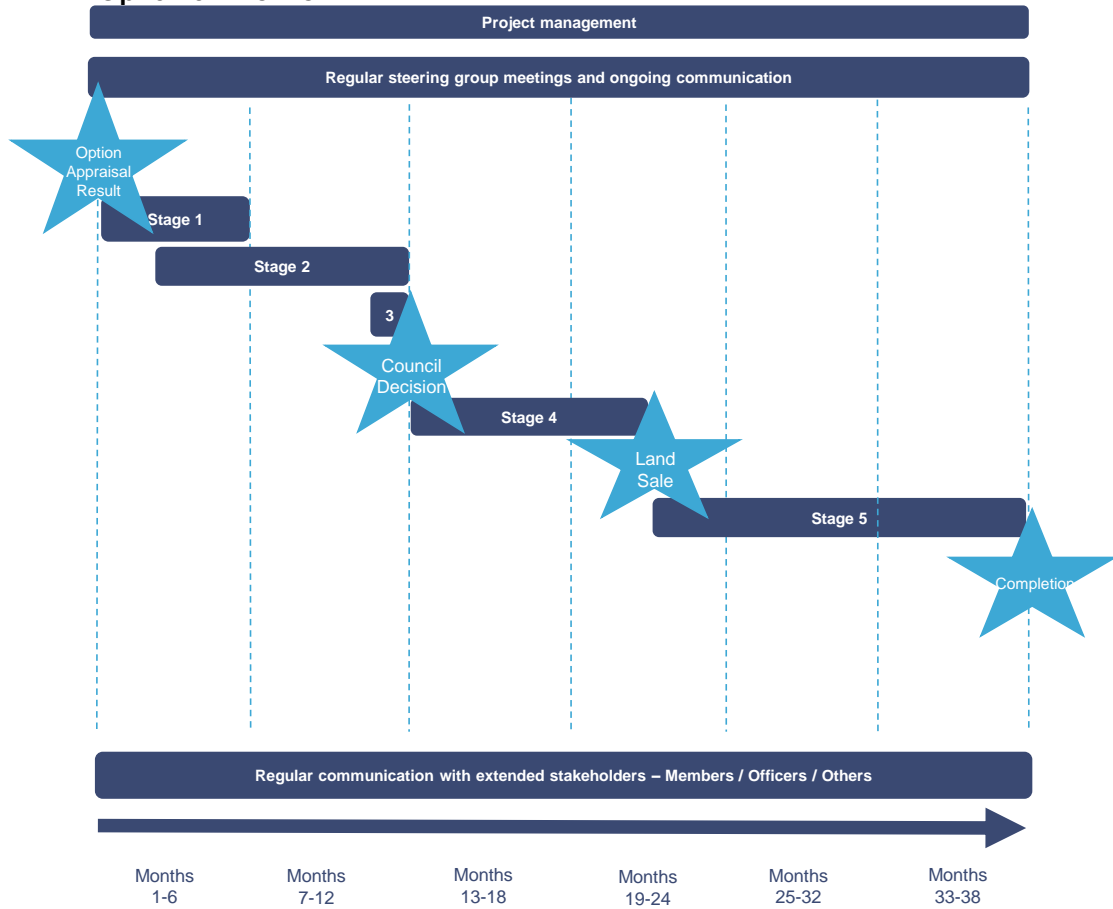
Stage 4 – Procurement Process – 6 – 9 months

- Procurement – PQQ / ITN / Negotiate / Selection;
- Development of appropriate Legal documentation;
- Procurement of Developer / Construction partner; and
- Sale of residential development.

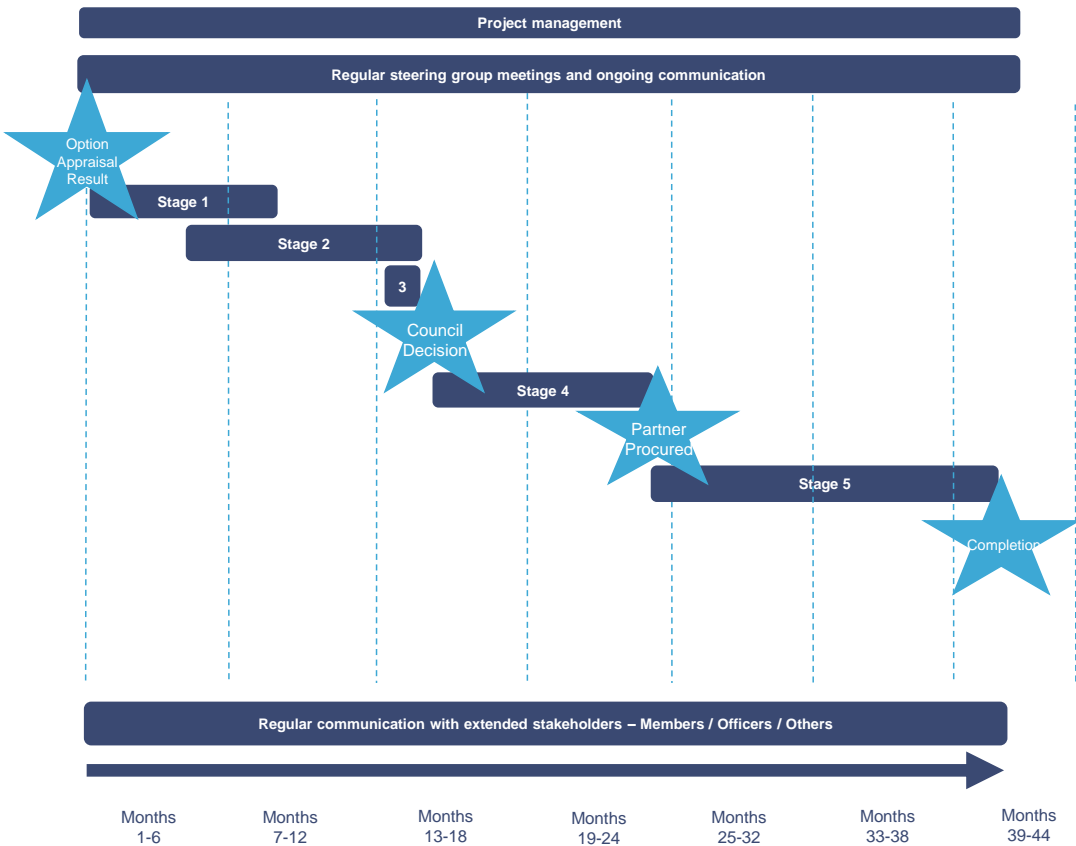
Stage 5 – Development process – 12 – 18 months

- Development / construction work.

Option 3 timeline



Option 4 timeline



Key considerations for the Council

7.8 The following are the key considerations for the Council with regards to the recommendations of this review:

- There is a possibility that Mountview will leave the borough should an alternative site and affordable scheme not be found. As a consequence the existing social, educational and economic benefits brought by Mountview will be lost to Haringey.
- Mountview has suggested that it is well placed to secure alternative funding to bridge the gap that exists on its options, but that it requires more time in order to do so. This possibility needs to be considered in the context of rising development costs, the community and political consequences of further delay and the risk that a funding gap remains even after the delay.
- Mountview may look to the Council for additional funding for its options. This additional funding would in essence represent the Council investing in the social, economic and academic future of the borough and the community value promised by these options. As such, this potential investment and the benefits that would potentially accrue need to be considered in the context of the Council's other investment priorities and desired outcomes.
- Should the Council proceed with one of the two recommended options, there is a need to assess the desired balance between revenue and capital receipts. Option 3 offers a larger capital receipt; option 4 offers the opportunity to convert some or all of the capital receipt into a longer term revenue stream.
- The Council must also assess the level of risk it is prepared to expose itself to with regards to the development and operation of the residential units. In general terms the higher the risk, the higher the return.
- The Council must consider how quickly it requires the liability associated with the Town Hall to be addressed, as well as its maximum timeframe for option delivery.

When considering the expected level of community use and access Option 5 scored lower than the other options. This is largely because of the expectation that neither the Council nor HTHCT will have day-to-day influence over future activities within HTH. This score would be increased should the Council ensure that stringent legal covenants or developer obligations regarding community access are built into the contract documentation, albeit at a potential financial cost to the Council. The Council must consider its priorities for the Town Hall site and reflect these in its decision making process.



Appendices

Appendix A - Economic Impact Assessment

Outputs

Annual contribution to the wider economy

	Residential	Mountview	Total
Scenario 1	£ 4,152,875	£ 3,355,000	£ 7,507,875
Scenario 2	£ 4,780,635	£ 3,355,000	£ 8,135,635
Scenario 3-5	£ 6,325,891	£ -	£ 6,325,891

Local annual consumable expenditure

	Residential	Mountview	Total
Scenario 1	£ 312,465	£ 512,884	£ 825,349
Scenario 2	£ 359,698	£ 512,884	£ 872,582
Scenario 3-5	£ 475,964	£ -	£ 475,964

Assumptions

LB Haringey Retail Spend	
Total convenience spend	£ 830,510,000
Total comparison spend	£ 1,323,380,000
Population	433,446
Convenience spend per capita	£ 1,916.06
Comparison spend per capita	£ 3,053.16
Total convenience spend in LBH	£ 444,630,000
Convenience spend retention rate	54%
Total comparison spend in LBH	£ 549,590,000
Comparison spend retention rate	42%
Per capita local spend	
Convenience	£ 1,025.80
Comparison	£ 1,267.95
<i>Source: LB Haringey Retail Study</i>	

Population Assumptions	
Average Income (Hornsey)	£ 45,946
Economic Activity rate (LBH)	72%
Av. Persons per Household (Hornsey)	2.2
<i>Source: LB Haringey SHMA</i>	

Employment Assumptions	
Total Population	220,000
Working Age Population	156,700
Working Age Population rate	71%
Working Age Employed	105,100
Employment Rate	67%
<i>Source: Annual Population Survey</i>	

Calculations

Annual contribution to the wider economy

	Population	Working age population	Employed Residents	Total Income into economy p.a.
Scenario 1	189	135	90	£ 4,152,875
Scenario 2	218	155	104	£ 4,780,635
Scenario 3	288	205	138	£ 6,325,891

	Total	Resident	Total Income into economy p.a.
Student	204	184	£ 2,295,000
International Students	0	0	£ -
Staff	35	32	£ 834,750
Freelance Staff	34	9	£ 225,250
Total			£ 3,355,000

Local annual consumable expenditure

	No. Resi Units	Population Yield	Economically Active Population	Local Convenience Spend p.a.	Local Comparison Spend p.a.	Total retail spend in LB Haringey p.a.
Scenario 1	86	189	136	£ 139,739	£ 172,726	£ 312,465
Scenario 2	99	218	157	£ 160,862	£ 198,836	£ 359,698
Scenario 3	131	288	208	£ 212,858	£ 263,106	£ 475,964

	Total	Resident	Local Convenience Spend p.a.	Local Comparison Spend p.a.	Total retail spend in LB Haringey p.a.
Students	204	184	£ 188,337	£ 232,797	£ 421,134
Staff - FT	35	32	£ 32,313	£ 39,941	£ 72,253
Staff - Free	34	9	£ 8,719	£ 10,778	£ 19,497
Total					£ 512,884

Appendix B - Option Timelines

Each of the options identified require significantly different actions in order for them to be delivered. This document lays out, at a high level, these actions and potential timeframes for each option.

Option 1 – Mountview Stage C Scheme

Stage 1 – Design and Preparatory work – 6 months

- RIBA Stage C finalised
- RIBA Stage D
- Negotiations with English Heritage regarding the linkage between Stage 1 work and residential occupancy
- Development / Implementation of the Mountview fundraising strategy
- Development of the scheme funding strategy
- HLF Process – Activity plan / Conservation Management Plan
- Development of the Procurement / Delivery Strategy including Soft Market Testing

Stage 2 – Planning Application – 4 months

- Mountview revised planning application

Stage 3 – Council Approvals – 1 month

- Cabinet approval of scheme / delivery approach

Stage 4 – Procurement Process – 6 – 9 months

The assumed procurement approach for this option is as follows:

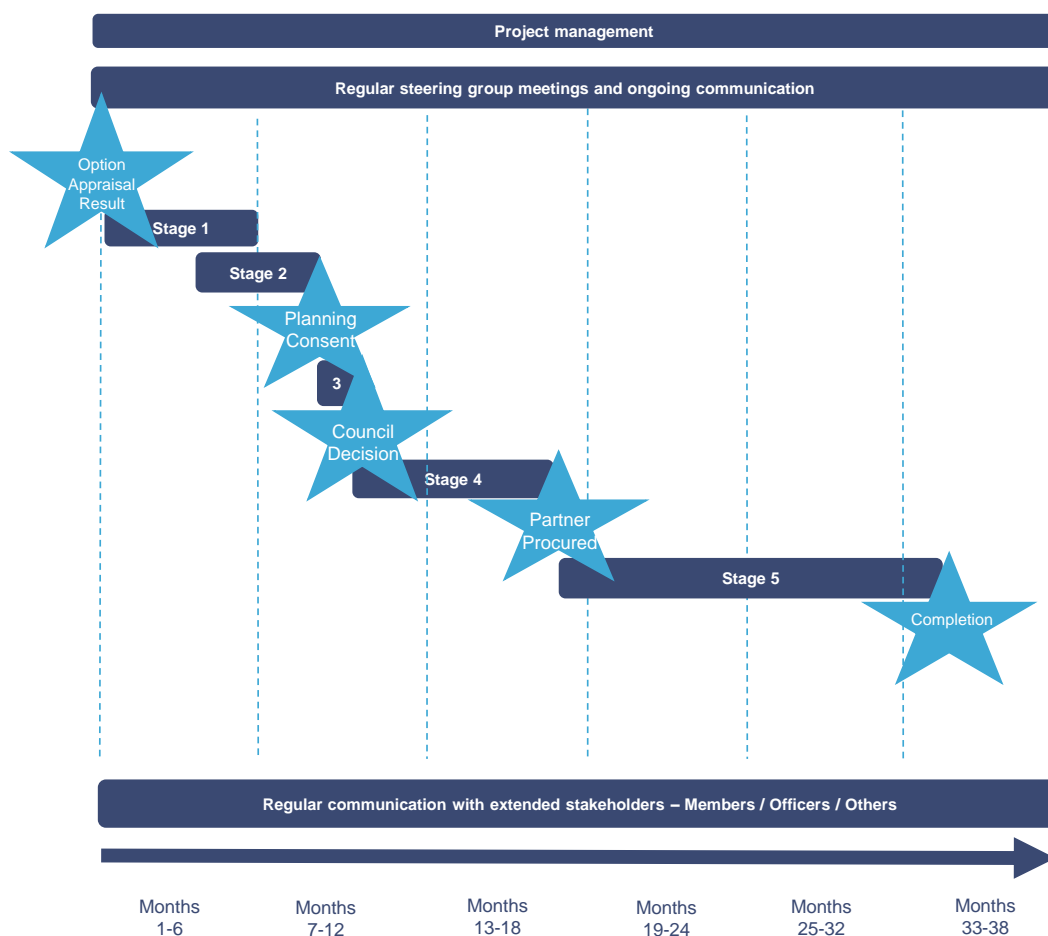
- The residential elements of the site are delivered by the private sector either through a straight land sale or a development agreement approach – note overage provisions should be included in any development agreement;
- The works to HTH are undertaken through a contractual relationship with Mountview, funded directly from Mountview, awarded through an ITT process
- Subject to VAT requirements this contractual relationship, could be through LBH awarded through an ITT process

Key steps

- Development of appropriate Legal documentation – including the lease arrangements / Heads of Terms / Community access / use agreements
- Procurement of Developer / Construction partner
- Sale of residential development

Stage 5 – Development process – 12 – 18 months

- Development / construction work



Option 2 – Mountview Alternate Scheme with Library

Stage 1 – Design and Preparatory work – 9 – 12 months

- Development of Council library strategy
- Decision on available Library space for Mountview use
- Development of new scheme incorporating the library
- RIBA Stage C
- RIBA Stage D
- Negotiations with English Heritage regarding the linkage between Stage 1 work and residential occupancy
- Development / Implementation of the Mountview fundraising strategy
- Development of the scheme funding strategy
- HLF Process – Activity plan / Conservation Management Plan
- Development of the Procurement / Delivery Strategy including Soft Market Testing

Stage 2 – Planning Application – 4 months

- Mountview revised planning application

Stage 3 – Council Approvals – 1 month

- Cabinet approval of scheme / delivery approach

Stage 4 – Procurement Process – 6 – 9 months

The assumed procurement approach for this option is as follows:

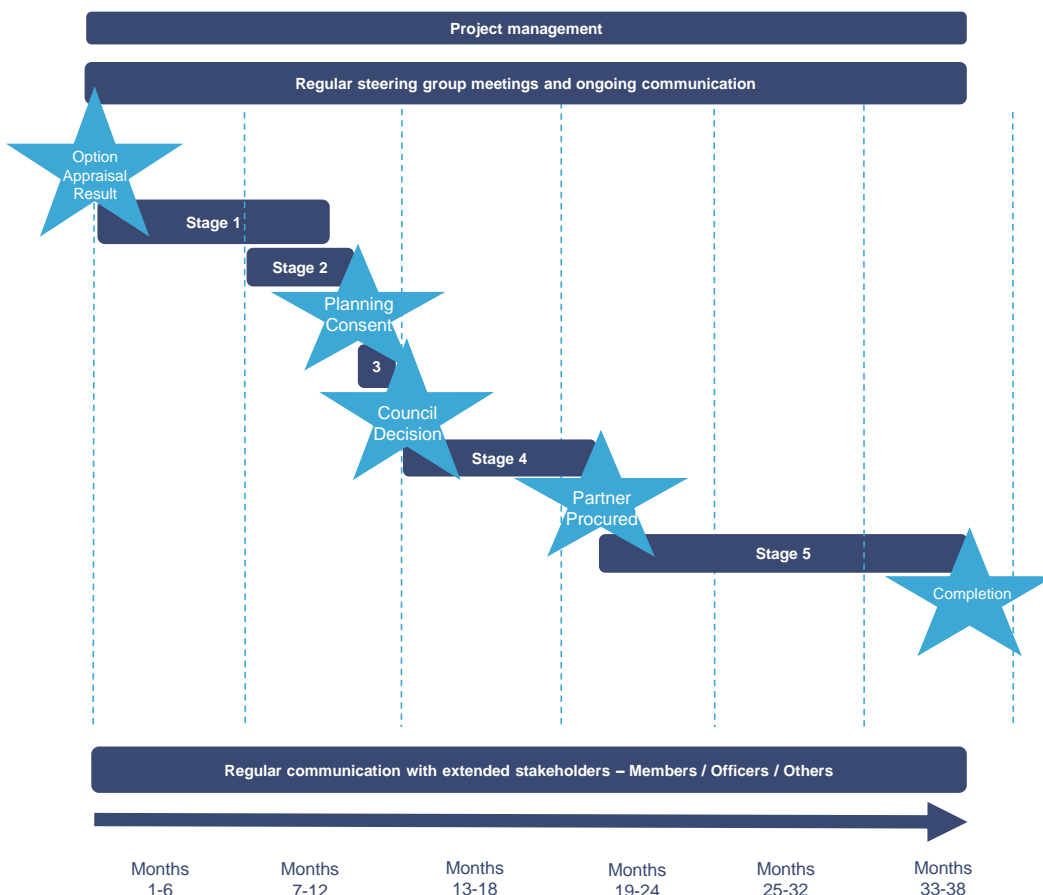
- The residential elements of the site are delivered by the private sector either through a straight land sale or a development agreement approach – note overage provisions should be included in any development agreement;
- The works to HTH are undertaken through a contractual relationship with Mountview funded directly from Mountview awarded through an ITT process
- Subject to VAT requirements this contractual relationship could be through LBH awarded through an ITT process.

Key steps

- Development of appropriate Legal documentation – including the lease arrangements / Heads of Terms / Community access / use agreements
- Procurement of Developer / Construction partner
- Sale of residential development

Stage 5 – Development process – 12 – 18 months

- Development / construction work



Option 3 - Council maximise residential development for sale and operate the building

Stage 1 – Development of Final Business Case – 6 months

- Clarification of Council objectives – Prioritisation of financial reward (capital vs. revenue) vs. community use
- Further development of scheme to bring HTH up to occupancy standard
- Financial viability review
- Development of community use / access requirements
- Development of Delivery / Operation strategy
- Development of governance structure for community use / HTH
- Establishment of Trust, as appropriate – development of business plan

Stage 2 – Design and Preparatory work – 9 – 12 months

- Procure a design team
- RIBA Stage C
- RIBA Stage D
- Negotiations with English Heritage regarding the linkage between Stage 1 work and residential occupancy
- Updated review of planning consent – requirement for new listed building consent / Broadway Annex East Wing consent
- Development of the scheme funding strategy
- HLF Process – Activity plan / Conservation Man
- Development of the Procurement / Delivery Strategy including Soft Market Testing

Stage 3 – Council Approvals – 1 month

- Cabinet approval of scheme / delivery approach

Stage 4 – Procurement Process – 6 – 9 months

The assumed procurement approach for this option is as follows:

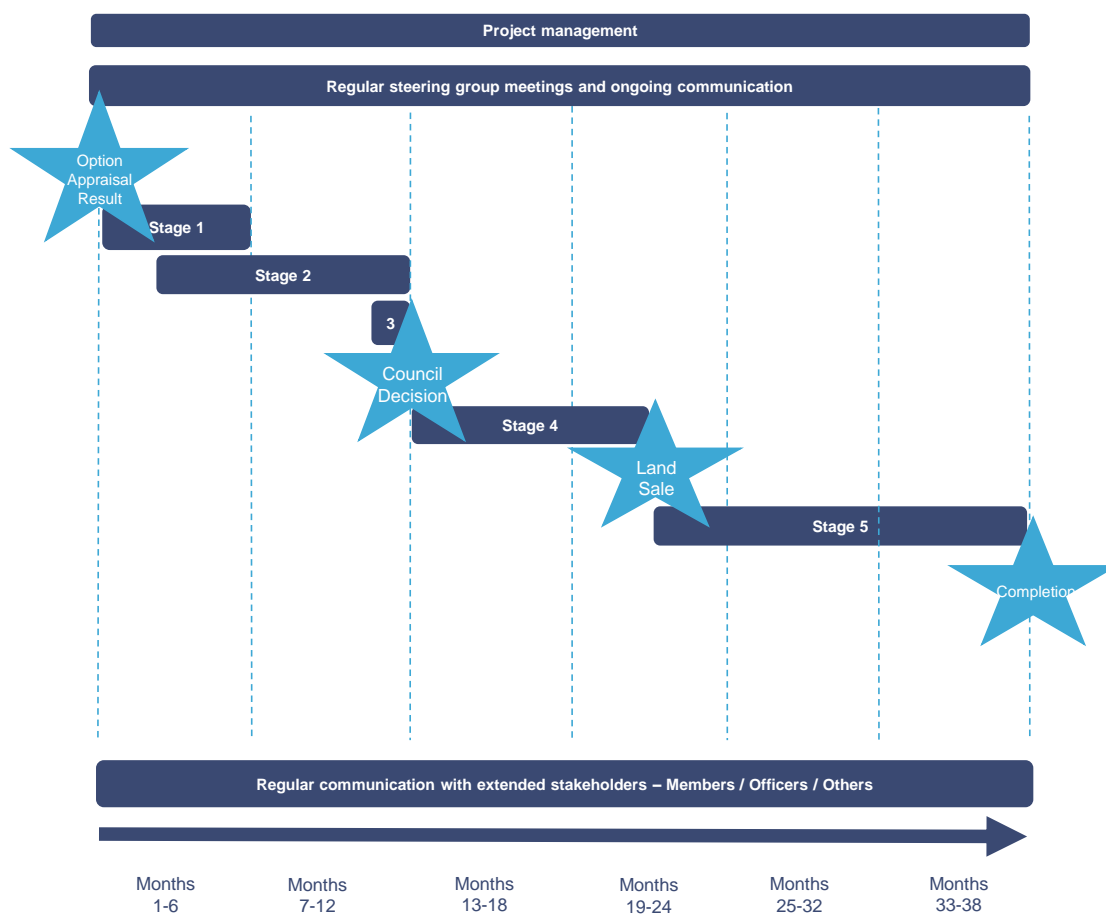
- The residential elements of the site are delivered by the private sector either through a straight land sale or a development agreement approach – note overage provisions should be included in any development agreement;
- The works to HTH are undertaken through a contractual relationship with LBH funded directly by LBH through an ITT process

Key steps

- Procurement – PQQ / ITN / Negotiate / Selection
- Development of appropriate Legal documentation
- Procurement of Developer / Construction partner
- Sale of residential development

Stage 5 – Development process – 12 – 18 months

- Development / construction work



Option 4 - Council maximise residential development for sale and rental and operate the building

Stage 1 – Development of Final Business Case – 8 months

- Clarification of Council objectives – Prioritisation of financial reward (capital vs. revenue) vs. community use
- Further development of scheme to bring HTH up to occupancy standard
- Financial viability review
- HRA modelling
- Development of community use / access requirements
- Development of Delivery / Operation strategy for housing and operational elements
- Soft market testing of Private Rented Sector providers
- Development of housing management business plan
- Development of governance structure for community use / HTH
- Establishment of Trust, as appropriate – development of business plan

Stage 2 – Design and Preparatory work – 9 – 12 months

- Procure a design team
- RIBA Stage C
- RIBA Stage D
- Negotiations with English Heritage regarding the linkage between Stage 1 work and residential occupancy

-
- Updated review of planning consent – requirement for new listed building consent / Broadway Annex East Wing consent
 - Development of the scheme funding strategy
 - Development of management agreements for housing stock
 - HLF Process – Activity plan / Conservation Man
 - Development of the Procurement / Delivery Strategy including Soft Market Testing

Stage 3 – Council Approvals – 1 month

- Cabinet approval of scheme / delivery approach

Stage 4 – Procurement Process – 6 – 9 months

The assumed procurement approach for this option is as follows:

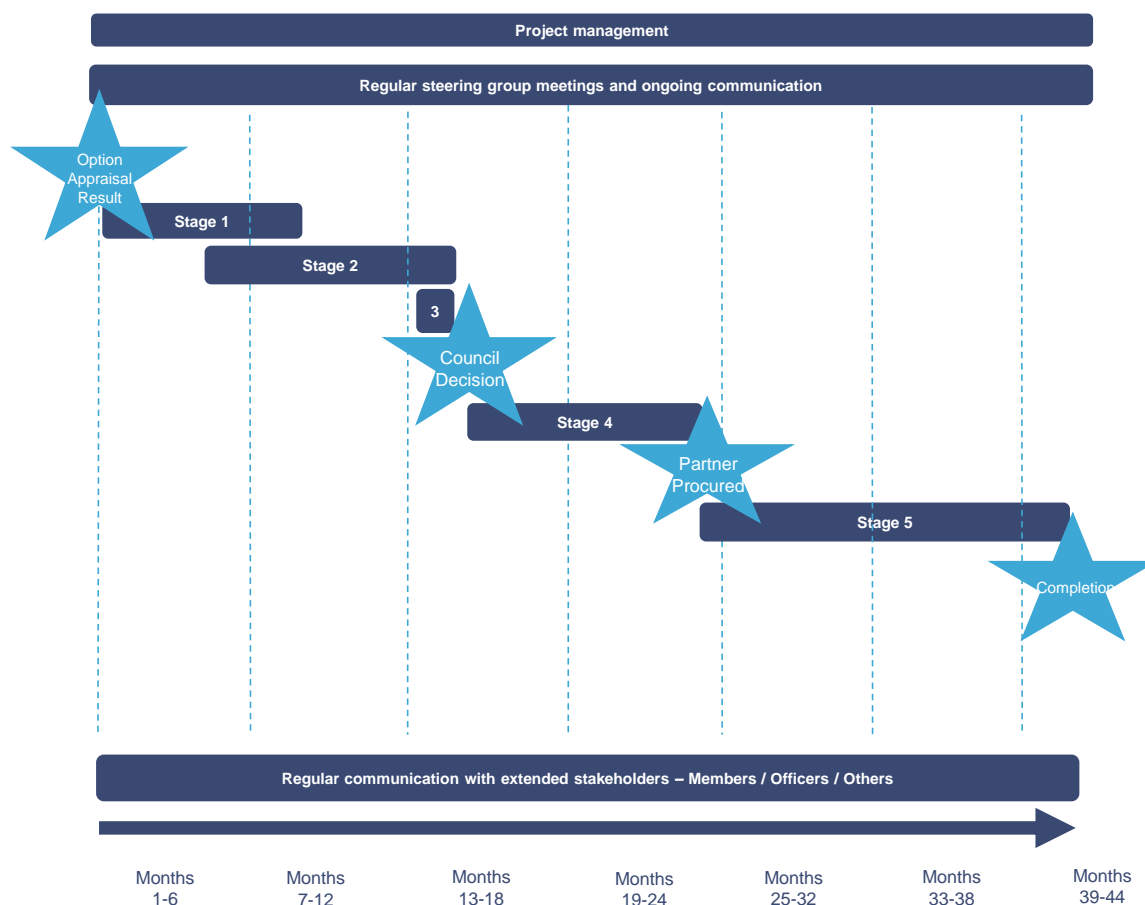
- The private sale residential elements of the site are delivered by the private sector either through a straight land sale or a development agreement approach – note overage provisions should be included in any development agreement;
- The works to HTH are undertaken through a contractual relationship with LBH funded directly by LBH through an ITT process;
- The development of private rental units is undertaken by LBH through a contractual relationship funded directly by LBH through an ITT process;
- A management contract is let by the Council to a private rented provider for the management of the units. This will be let through an OJEU process.

Key steps

- Procurement – PQQ / ITN / Negotiate / Selection
- Development of appropriate Legal documentation – including housing management documents
- Procurement of Developer / Construction partner
- Sale of residential development

Stage 5 – Development process – 12 – 18 months

- Development / construction work



Option 5 – Dispose of the Site

Stage 1 – Preparatory work – 2 – 3 months

- Development of community use / access requirements
- Development of Delivery / Operation strategy
- Development of governance structure for community use / HTH
- Market engagement
- Negotiations with English Heritage regarding the linkage between Stage 1 work and residential occupancy
- Development of community use obligations documentation
- Development of the Procurement / Delivery Strategy including Soft Market Testing

Stage 2 – Procurement Process – 6 – 9 months

The assumed procurement approach for this option is as follows:

- The site is delivered by the private sector either through a straight land sale or a development agreement approach;
- An overage provision should be built into the development agreement for this approach.

Key steps

- Procurement / Sale Process
- Development of appropriate Legal documentation

Stage 3 – Development process – 12 – 18 months

- Development / construction work

