



Meeting or Decision Maker:	Cllr Robert Davis, MBE DL, Deputy Leader and Cabinet Member for Business, Culture & Heritage
Date:	17 February 2017
Classification:	General Release
Title:	Hub Paddington
Wards Affected:	All
City for All Summary:	Hub Paddington is planned for year two of the City for All programme. The Hub will play a meaningful role in supporting a city which is confident, tolerant and where everybody is able to share in the benefits of its economic success.
Key Decision:	No
Financial Summary:	<p>Investment of up to £1.45m is required. As part of this, it is proposed that £300k will be provided by the council from the Civic Enterprise Fund (CEF). The council investment will be applied as a convertible loan of £150k which may later be converted into equity (in Hub at Paddington Exchange Ltd) and an ordinary loan of £150k. The ordinary loan is repayable over 7 years at 4% interest. The convertible loan could be converted into equity by early April 2017. In addition, a grant of £350k from the Greater London Authority is ring-fenced for this project and will be included in the investment package.</p> <p>If the business plan is successfully delivered, the Council will receive dividend payments of up to 25% of the generated profit after tax as well as interest on the ordinary loan.</p>
Report of:	Ed Watson, Executive Director of Growth, Planning and Housing

Westminster City Council, 11th floor, City Hall, 64 Victoria Street, London SW1E 6QP, 02076415949, ewatson@westminster.gov.uk

1. Executive Summary

- 1.1 Hub Paddington is a new enterprise space. The 16,265 sq. ft. facility will provide affordable, flexible, co-working space and business support for 400 entrepreneurs. Sixteen thousand people a year will receive training, networking and access to conferences delivered and hosted at the space. There will be a particular focus on disadvantaged residents. This report recommends the allocation of council resources for this project.
- 1.2 An independent economic analysis has projected that within 10 years Hub Paddington will increase local spend by £400k per year, create 2,400 jobs and add £52M Gross Value Added (GVA) to the economy¹. In addition, the investment will lever in £650k of private sector match funding and provide an income stream of up to £28k per annum in the first seven years, which is intended to support other economic development. Hub Paddington will also deliver significant outputs and outcomes for the Greater London Authority (GLA) and the London Enterprise Panel (LEP); the latter as a named project commitment within the New Homes Bonus (NHB) programme.
- 1.3 This proposal is for Westminster City Council to invest £300k from Civic Enterprise Funds held by the council, to support the creation and inception of the new Hub Paddington.

2. Recommendations

- 2.1 The Cabinet Member is asked to **approve**:
 - The allocation of £300k of Civic Enterprise Fund (CEF) resources to Hub at Paddington Exchange Ltd in the form of a convertible loan of £150k (to be converted into equity in early April 2017) and an ordinary loan of £150k.
 - The council becoming a 25% shareholder in Hub at Paddington Exchange Ltd with board representation (on triggering the option of the above convertible loan).

3. Reasons for Decision

- 3.1 The report proposes support needed for affordable space for start-up businesses. This will:
 - Address the market failure of lack of affordable and flexible space for start-up businesses. The hub will be 43% more affordable than average central London serviced office space.
 - Support socio-economically disadvantaged residents with entrepreneurial aspirations
 - Provide a purpose built enterprise training centre
 - Offer the potential to stimulate more enterprise space, with the council leading by example
 - Create new jobs and add to the vitality of the local economy
 - Raise the level of enterprise in Paddington
 - Retain and enhance Westminster's creative and technology skills base
 - Create new ways of making communities more dynamic and aspirant
 - Create new jobs through increased business survival rates in start-up businesses as we attract new start-up businesses to locate and stay in Westminster.

¹ Independent forecasts by Adroit Economics

- 3.2 The proposed approach is similar to Great Western Studios, Hub Westminster, Somerset House Studios, Venture 382 and Maida Hill Place. The space will be most similar to Hub Westminster, which has effectively supported entrepreneurs (please see the stakeholder report at www.journeytoimpact.co.uk) as well as providing value for money. The model for this type of enterprise space has been compared with other local authority supported enterprise spaces and is found to secure significant economic impact and value for money.
- 3.3 Hub Paddington will also have a café which is open to the public.
- 3.4 Although Hub Paddington is similar to Hub Westminster, Hub Paddington is a separate company. Decisions made on Hub Paddington will not affect Hub Westminster.

4. Background, including Policy Context

- 4.1 Seeking to secure a long term home for a hub type enterprise space is a priority within the Enterprise Programme 2015-19. Despite the growth of start-up and co-working spaces in recent years, in London, the lack of affordable, flexible workspace is still a major barrier to growth. It is frequently cited by small businesses as a key issue within Westminster.

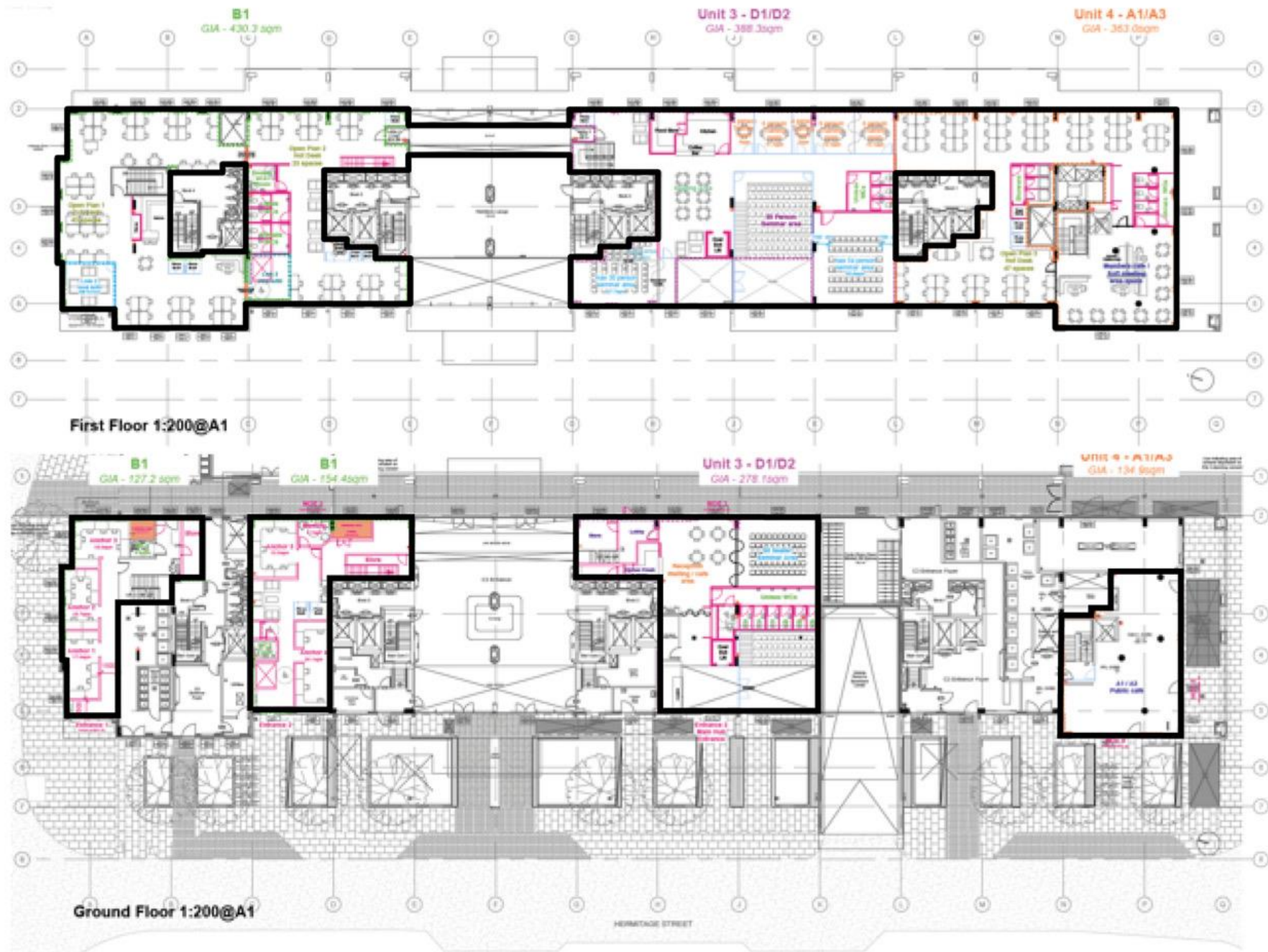
The opportunity

- 4.2 The Paddington Exchange is a residential scheme being developed by Taylor Wimpey Central London (TWCL) at North Wharf Gardens. The building is situated in the Paddington Basin, near Paddington train station. There are commercial units at ground and first floor level (B1, D1, and A1/3 units). The space is 16,265 sq. ft., larger than the 12,000 sq. ft. space at New Zealand House. A S106 agreement was put in place with TWCL to provide affordable B1 and D1 spaces including a training centre with a long term space opportunity for a Hub type facility anticipated. The S106 provides for a special purpose vehicle (with the Council as a shareholder) to take an 80 year lease at discounted market rents for the B1 and D1 space.



An artist's impression of Paddington Exchange. Hub Paddington will be on the ground and first floor.

- 4.3 BNP Paribas Real Estate has been commissioned by the Council to establish a market rent on which to base the discount and to draw up heads of terms for the lease.



Hub Paddington is highlighted in black. The ground floor will include a double height reception, large training rooms, workspaces and a public café. The first floor will include training rooms, co-working spaces and café meeting areas.

- 4.4 Moss Architecture carried out architectural layout work as part of the evaluation of this opportunity. Their plans (page 5) highlight how the facility will have a unique interconnected collection of spaces: 234 desks, 4 large seminar training rooms with a total capacity for 233 people, 5 small training spaces, reception space, showers, kitchen areas and storage, a café open to the public and a double height reception. Hub Paddington is likely to gain occupation of the space in February 2017. A fit out will follow within five months in anticipation of a launch between August 2017 and September 2017.

Proposed approach

- 4.5 The success at Great Western Studios (GWS), and Somerset House Studios have demonstrated the value in partnering with experienced providers.



- 4.6 Hub Paddington will support local start-up businesses in the following ways:



Enterprise space membership will allow use of the desks, internet, and meeting rooms, including free or low cost business training and support. The memberships will have an affordable flexible pay-as-you go structure and unlike other workspaces, will focus much effort on supporting local residents from disadvantaged backgrounds. The Hub's approach of creating a peer support network which can cross pollinate opportunities is proven to be effective at helping early stage businesses to thrive and create wealth and jobs. Also, unlike other workspaces in central London which have an average fee per desk of £689 per month (and in the West End £717 per month)² plus additional fees and 12-month+ contracts, Hub Paddington will have an all-inclusive fee of £395 per month, with a flexible rolling 1-month contract.



Business incubation training and support with a focus on access to markets, finance and mentors in its large purpose built enterprise training centre. As outlined above, much focus will be placed on up-skilling disadvantaged local residents. Hub Paddington will also connect local businesses with business training providers through hosting a revolving range of events.



The public café and catering for meetings is being developed to foster local business connections. The Business Improvement District "Paddington Now" will be a partner in facilitating these new networks.

² The Instant Group, UK Serviced Office Review (2015)

- 4.7 The private sector partner is Simon Kirkham. Simon has been selected because of his exceptional knowhow in the construction, development and business management of affordable workspace facilities. Simon has a particular expertise in creative start-ups (for example, Great Western Studios, Hub Westminster and Westbourne Studios). Simon's detailed knowledge of how to create a professional environment and programme of business support for start-up businesses will ensure the Hub becomes exemplary enterprise space.
- 4.8 The business plan has been jointly prepared by the investment partners (WCC and Simon Kirkham) and is informed by experience of delivering other enterprise spaces.
- 4.9 Despite a market failure in lack of affordable and flexible workspace for start-up businesses in Westminster and lack of workspace providing a business incubation service (see paragraph 4.17), there is a market demand for Hub Paddington. Indeed, Instant Group say that supply has not surpassed demand and the wider serviced office market is growing at a rate of 10% p.a.³, albeit the average price per desk per month is the highest it has ever been. Hub Paddington will be 43% more affordable than the average central London serviced office. This will mean the Hub Paddington facility can focus its efforts on supporting residents of the City of Westminster, particularly those who are economically disadvantaged.
- 4.10 TWCL will grant a 997 year lease to a new company (The Space Paddington Limited) which was incorporated on 3 November 2016 and is currently wholly owned by the investment partner, Simon Kirkham. The investment partner will give the council the option to own 25% of this new company (via an issue of new shares in the company rather than a purchase of existing shares in it) which will be recorded in a Subscription Share Option Agreement. The section 106 obligations to fit out and deliver the affordable business space and social and community floor space will pass to the new company. The Space Paddington Limited will deposit £2m finance in an escrow account to be held by Simon Kirkham's lawyer, with terms giving the council step in rights for delivering the fit out obligations of the section 106. The purpose of this escrow account is : 1) because TWCL insist on this before they will sell the lease to The Space Paddington Ltd; 2) it provides an additional level of comfort to the council that the fit-out will be completed to the requisite standard in the event of an unlikely but unforeseen delay to the works. As a result of utilising The Space Paddington Limited to undertake the fit out works, the new company may reduce the amount of funding that the Hub at Paddington Exchange Ltd operating company will need due to the The Space Paddington Limited doing a more extensive fit out than TWCL's original planned fit out.

Expected results

- 4.11 Guided by impact forecasts from Adroit Economics, the following outcomes are expected:
- £400k increased local spend each year, supporting 17 jobs in cafes and shops
 - 16,000 people supported each year through training and events at the facility
 - A NPV to the Council of £116k over the next 10 years
 - 3,000 start-up businesses supported in the next 10 years
 - 2,400 jobs created in the next decade
 - £52M GVA generated in the next 10 years

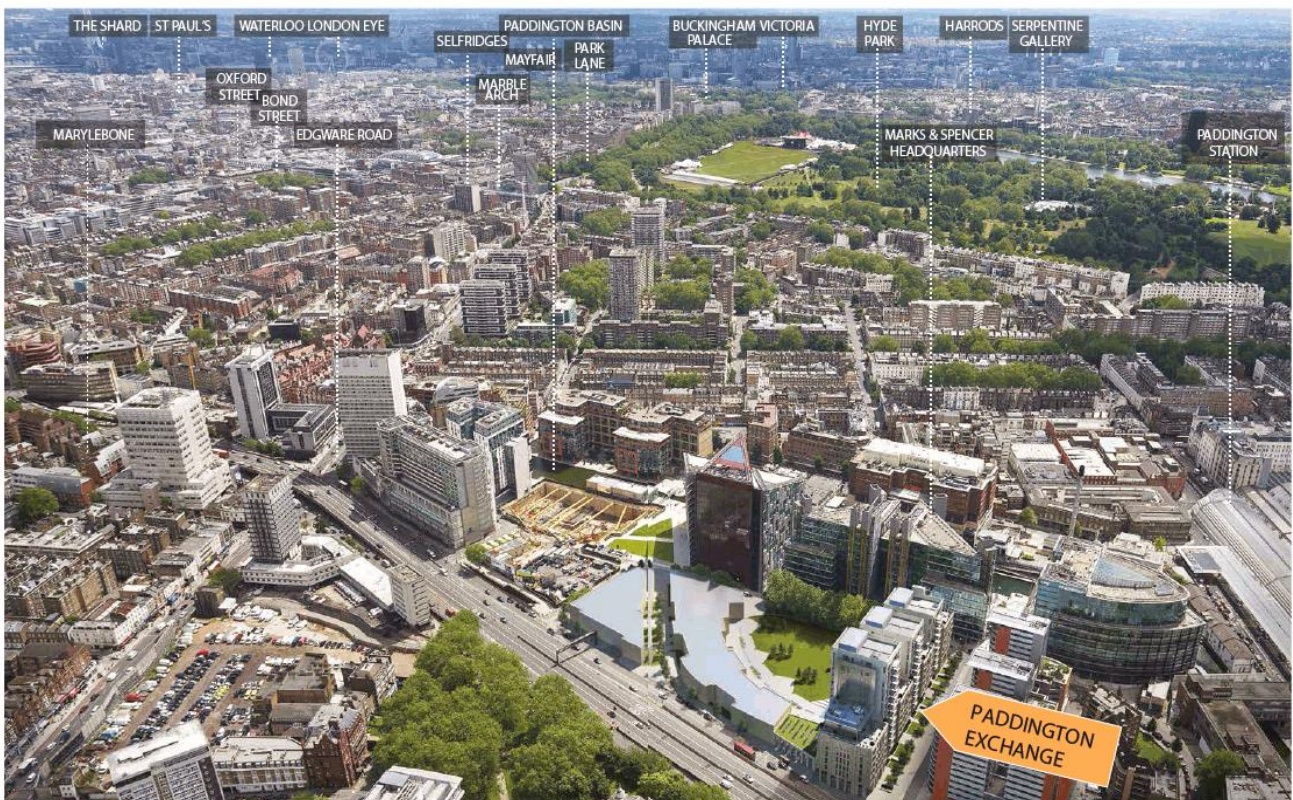
³ The Instant Group, UK Serviced Office Review (2015)

Benefits to residents

- 4.12 City of Westminster College which has its main campus at Paddington Green is keen to partner with Hub Paddington to support apprenticeships and work placements, including for long term unemployed residents. Scholarship and training programmes will be delivered by Hub Paddington in partnership with local providers. These will be targeted at local residents (particularly the disadvantaged) with aspirations to start a business. The Council will also work with Hub Paddington to actively promote the facility to local residents.

Policy Context

- 4.13 Hub Paddington will play a meaningful role in supporting the City for All vision of a confident, tolerant Westminster, where everyone is able to share in the benefits of its economic success. In particular, as a new enterprise space, with a proactive business training support offer, the Hub will back local businesses and create local jobs.
- 4.14 The project aligns with Priority 2 of Westminster's Enterprise Programme by providing high quality space to support job growth, business survival rates innovation and increased access to accelerator programmes. As a part of the GLA and LEP NHB Places of Work programme, it also fulfils the priority's commitment to work collaboratively with a range of partners and the London Enterprise Panel (LEP) to support the growth of a range of incubators, accelerators and co-working spaces in Westminster.



Hub Paddington at Paddington Exchange will be in the Paddington Opportunity Area

- 4.15 Westminster thrives on the economic diversity of its businesses. However, while there are a growing number of floor plates for larger businesses in the Paddington area, Hub Paddington will support a mixed and balanced economy through its focus on small start-ups. In supporting Hub Paddington, the Council will demonstrate its commitment to small firms. The facility will also play a place shaping role through increasing footfall and animating the local area.

- 4.16 Paddington Exchange is located in the Paddington Opportunity Area, close to the train station. Well connected with the West End, when Cross Rail opens in 2018, travel time to Bond Street will be 3 minutes, with 4 minutes to Tottenham Court Road. This will enable the Hub to foster relationships with the other growth areas.

Market Failures

- 4.17 The Global Cities Report (2016) and the OCED Innovation Strategy (2010) have both recognised that start-ups and early stage businesses are a major driving force for job growth. Hub Paddington will address the following market failures and barriers to growth for start-up businesses in Westminster.
- Lack of affordable space: Westminster is one of the world's most expensive property markets, where rents and business rates may be too high for many start-ups and early stage businesses. Coadec report that a common complaint of start-ups is lack of affordable office space and that a recent YouGov survey found that 25% of tech small businesses cited a squeeze on affordable office space in London as a main barrier to growth⁴. CBRE have identified a drift of creative businesses eastward out of Westminster due to lack of affordable and flexible space⁵. The Mayor of London's London Office Review Panel (LORP) has expressed concern that sustained loss of offices, including the generally more affordable existing office stock, could erode the strategic offer of the Central Activity Zone as an internationally competitive and nationally important office location. Furthermore the LORP states that supporting the availability of flexible and competitively priced accommodation for businesses from start-up stages onwards should be a key consideration for policy makers to support the major growth sectors.⁶
 - Lack of space with flexible tenures – The GLA asserts that start-ups and early stage businesses often need enterprise space characterised by short and flexible tenures to manage risks on growth trajectory and cash flow⁷. CBRE states that finding landlords willing to offer such flexibility can be challenging because short and flexible tenures are more complex, expensive and riskier⁸. This would especially be the case in Westminster's high rent and business rates environment. There are serviced offices in Westminster that offer a degree of flexibility, but as Colliers has pointed out they typically require medium term commitments⁹. The Instant Group has found that serviced offices in Westminster are the most expensive in the country, averaging at £717 per desk per month, compared with the national average of £423¹⁰. Taken together, this may result in a shift of demand eastwards away from Westminster¹¹, which is demonstrated in a proliferation of new enterprise spaces with short and flexible tenures in other boroughs such as Hackney (Tech City), Camden and Islington¹² as highlighted by the London Enterprise Panel.
 - Lack of spaces operating as business incubators - Survival rates and jobs created rise dramatically in spaces operating as business incubators, providing affordable flexible space with a proactive business support offer. For example, the GLA has cited that a typical business incubator in the UK creates an average of 172 full time equivalent jobs and the average five year survival rate of a business incubator is 87%¹³, which compares

⁴ Coadec, The Start-up Manifesto (September 2014)

⁵ CBRE, Creative London (2014)

⁶ Mayor of London, Central Activities Zone Supplementary Planning Guidance, sections 1.3.2 and 1.6.2 (September 2015)

⁷ GLA, Supporting Places of Work (2015)

⁸ CBRE, Creative London (2014)

⁹ Colliers, South East Offices Snapshot (January 2016)

¹⁰ The Instant Group, UK Serviced Office Review (2015)

¹¹ GLA, Supporting Places of Work (August 2015)

¹² London Enterprise Panel, Growth Hub Workspaces Map (2016)

¹³ GLA, Supporting Places of Work (2015)

with 40% in Westminster and 42% in London. This is highlighted in the Westminster Local Economic Assessment Baseline study (2015). Business incubators proactively support start-ups and early stage businesses with a range of services such as training, mentoring, access to markets and access to finance; and are increasingly being set up as co-working spaces to foster business-to-business interaction.

5 Financial Implications

- 5.1 The total investment requirement to establish Hub Paddington is up to £1.45m, including an allocation of up to £300k from the Civic Enterprise Fund (CEF). As set out in the table in section 5.5 below, the contribution from the council will be in the form of a convertible loan of £150k, which will be converted into equity by early April 2017, and an ordinary loan of up to £150k. The convertible loan, when converted, will create an equity investment of £150k in Hub at Paddington Exchange Ltd (providing 25% of the equity holding). The ordinary loan of up to £150k (comprised of £100k planned plus £50k contingency) will be used towards working capital, and will be repayable over 7 years at 4% interest. The business plan is a background paper for this report. Of the above £1.450m investment, £200k is a contingency to be provided in the form of loans from WCC (£50k stated above) and Simon Kirkham (£150k).
- 5.2 The return on investment (NPV) of the proposed investment for the first five years is £116k. If the proposed business plan is successful and delivers net profits as forecast, the council will receive annual dividend payments of 25% of the net profit and will gain interest on its loan at a rate of 4% per annum.
- 5.3 A new company, Hub at Paddington Exchange Ltd (trading as 'Hub Paddington') has been formed to take on a sub-lease from The Space Paddington Ltd, and manage the operation of Hub Paddington. This company has been established as a limited liability company. This limits the council's liability to the value of its initial equity investment. If Hub Paddington needs additional working capital and the investment partners agree to provide this, proportions would be split according to equity. The council would not be obliged to contribute further to this working capital.
- 5.4 It is important to point out that the Council's Civic Enterprise Fund was established with one-off Local Authority Business Growth Incentive (LABGI) resources. The LABGI initiative has now ended and this increases the importance of allocating remaining CEF resource to projects that can become self-sustaining and provide a return.
- 5.5 The proposed investment requirement and how it is made up is shown in the table below:

Investor	Grant	Loan	Equity	Equity (%)	Total
WCC (Civic Enterprise Fund)	-	£100k	£150k*	25%	£250k
WCC (Civic Enterprise Fund) contingency	-	£50k	-	-	£50k
Simon Kirkham	-	£200k	£390k	65%	£590k
Simon Kirkham (contingency)	-	£150k	-	-	£150k
Employee Share Option	-	-	£60k	10%	£60k

GLA (NHB Places of Work)	£350k	-	-	-	£350k
Total	£350k	£500k	£600k	100%	£1,450k

* To be provided initially in the form of a convertible loan.

- 5.6 As outlined above, an ordinary loan of up to £150k from the Council is proposed. The business plan calls for an initial draw down of £100k with the remaining £50k being ring-fenced for 12-months on the same loan terms if required. As a further contingency, Simon Kirkham will provide £200k loan finance and a further £150k in loan finance should it be required, on equal terms to the ring-fenced sum from the Council.
- 5.7 The Employee Share Option will be financed by Simon Kirkham, and then made available for purchase from the management team at Hub Paddington, based on performance.
- 5.8 The summarised financial projections for the base case scenario includes delivering a full business incubation service, with affordable flexible price tariffs and with an initial loan draw down from the Council of £100k, are as follows:

	Start-up	Year 1	Year 2	Year 3	Year 4	Year 5
	£k	£k	£k	£k	£k	£k
Revenue	-	1,230	1,616	1,665	1,715	1,766
Costs inc. depreciation	290	1,318	1,539	1,580	1,622	1,665
Net profit/loss	- 290	- 88	77	85	93	101

- 5.9 With regard to the cash balance at the end of year one, this is projected to be £228k. This will increase to £618k by the end of year five. Please see the business plan for more detail.
- 5.10 Various sensitivities have been modelled within the attached Business plan. These show that if the number of members using the space was 13% less than forecast, and the training and events income were 19% less, that a breakeven position would still be achieved in year two.
- 5.11 If the Council wished to sell its equity investment, then financial modelling based upon the proposed business plan indicates a value of £246k after five years.
- 5.12 Other financial considerations are as follows:
- Hub Paddington generates both an economic and a financial return.
 - There is sufficient budget in the Civic Enterprise Fund for this allocation. See Appendix B for the risk and mitigation plan.
 - The provision of the grant, convertible loan (for conversion into equity) and ordinary loans would take place at the same time, by all partners, on an equal footing, in two tranches. Tranche one (February 2017) would comprise the grant finance from the GLA, the convertible loan and the equity funding from the investment partner. Please note, the exact date of tranche one is dependent upon the lease being ready to be entered into. The council's convertible loan funding will be converted into equity by early April 2017. Tranche two (June 2017) would comprise of the ordinary loan funding from both investors.

- The annual rent, rates and service charge per square foot are reasonable - less than at New Zealand House. The financial model includes assumptions about users, income and costs. The repayment plan for the loan is included in the business plan.
- The 80 year lease for the B1 and D1 areas and 25 year life for the A1/A3 year lease, with an option to purchase the space within 4 months from the signing of the agreement, further reduces risk to shareholders. It provides the option of using the building in a different way or renting the space for alternative uses.
- The £350k GLA finance will be lost if Hub Paddington does not proceed. The Hub is a named project in the GLA's NHB Places of Work programme. These outputs will also contribute significantly to the GLA's overall commitment of creating 40,000 square feet of new or improved enterprise space.

6. Legal Implications

- 6.1 The comments below have been seen by DLA Piper and explicit references below to advice which has been delivered by them reflect their advice.
- 6.2 The approach outlined in this report is within Council powers. The Localism Act 2011 introduced the General Power of Competence, giving a power to every local authority to do anything that individuals generally may do (unless prohibited by another statutory provision). It replaces the wellbeing powers introduced in 2000. This power can be used for the benefit of the whole or any part of a local authority's area, or for the authority, or for any persons resident or present in a local authority's area.
- 6.3 The Council must have regard to the contents and aims of the company when exercising its powers under Section 2, and these proposals are consistent with the City Plan.
- 6.4 The resource allocation will be in accordance with the Council's Procurement Code and duty for Best Value. The loan and equity finance will be provided in accordance with the Market Economy Operator principle and will not constitute State aid. The Council may instruct DLA Piper to provide advice to ensure that the GLA (NHB Places of Work) finance will be provided in a way that complies with State Aid legislation (for example, under the General Block Exemption Regulation).
- 6.5 The Council has taken and will continue to receive company law advice in relation to its involvement with Hub at Paddington Exchange Ltd from DLA Piper. The Council will in due course also obtain detailed legal advice on the leases from DLA Piper.
- 6.6 Hub Paddington is the trading name of Hub at Paddington Exchange Ltd, which is a company limited by shares. Hub at Paddington Exchange Ltd was incorporated on 11 February 2016 and has been nominated as qualifying tenant under section 106 for facilitating affordable business and the social community floor space. The facility may need to apply for planning permission as it develops and if so will do so in accordance with all applicable planning regulation.
- 6.7 The lease documentation including specification of works is currently being completed. Pending Cabinet Member approval, the lease paperwork will be ready for signing in February 2017.
- 6.8 The recommendations in this report are subject to the specification of works for the landlord's fit out being acceptable by Hub at Paddington Exchange Ltd (the qualifying tenant under s106) and the space being fit for purpose.

- 6.9 DLA Piper are providing legal advice in relation to the council having an option to purchase 25% of the new company called The Space Paddington Limited, which will have the 997 year lease of the commercial units at Paddington Exchange. DLA Piper have also been asked to advise, in due course, on the council having step in rights to The Space Paddington Limited's escrow account in connection with the completion of the fit out works. The investment partner's legal advisors are due to put forward proposals and documentation in this regard for the council, with the support of DLA Piper, to review.
- 6.10 DLA Piper may also be asked to assist, in due course, with the preparation of shareholder documentation (including a shareholders agreement and corresponding articles of association) for Hub at Paddington Exchange Ltd and, if the option referenced in paragraph 6.9 above is exercised, for The Space Paddington Limited. These documents will record the relationship between the investment partner and the Council in respect of the operation of these companies.
- 6.11 The Tri-borough Director of Law or their delegated authority, in conjunction with DLA Piper, will oversee the completion of legal agreements. Legal comments verified by Andre Jaskowiak, Senior Solicitor, Shared Legal Services.

7. Staffing Implications

- 7.1 The council will have representation on the board of directors of Hub Paddington. It is proposed that the Director Economy and the Strategic Manager for Business and Enterprise become non-executive directors to manage the council's interests in Hub Paddington. There is also a Business and Enterprise Programme Manager officer who will provide a monitoring function to ensure Hub Paddington delivers the outputs set out in this report.

8. Consultation

- 8.1 The Hub Paddington facility will serve residents and businesses across Westminster and therefore no ward member consultation has been carried out.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

Chris Peacock on 078 9420 7980 cpeacock2@westminster.gov.uk

APPENDICES

- A. Conditions to secure local benefit
- B. Risk and mitigation plan
- C. Economic impact forecast

BACKGROUND PAPERS

Business plan for Hub Paddington*

* Reports marked with an asterisk are confidential and not open to public inspection

NB: For individual Cabinet Member reports only

For completion by the **Cabinet Member** for Business, Culture & Heritage

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: Councillor Robert Davis MBE, Deputy Leader and Cabinet Member for
Business, Culture & Heritage

State nature of interest if any
.....
.....

(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled Hub Paddington and reject any alternative options which are referred to but not recommended.

Signed

Councillor Robert Davis MBE, DL, Cabinet Member for Business, Culture & Heritage

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
.....
.....
.....
.....

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of Human Resources (or their representatives) so that (1) you

can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

Conditions to secure local benefits

As outlined in the report, careful thought has been put into how the benefits of the facility can be optimised for residents. The proposed conditions for the loan and GLA finance to secure local benefit are as follows: Hub Paddington will:

- Actively work with the Council to promote the facility to local residents, particularly those living in the local renewal areas of Harrow Road and Church Street.
- Develop offers to make it easy for residents visit the space, receive business support and training, run their business from the space and be connected with the other entrepreneurs.
- Work with local schools (with the support of OneEBP), colleges, local youth programmes and other local educational establishments to foster young entrepreneurial talent.
- Encourage all members of Hub Paddington to offer at least one work placement or apprenticeship to a local resident each year, with a total expected take up of 25 placements per year. Fifteen residents would be expected to be long term unemployed.
- Develop scholarship and training programmes targeted at local residents with aspirations to start a business, particularly those who are disadvantaged.
- Offer more affordable and flexible price points than start-up or serviced office spaces available on the open commercial market in central London for the period of the Council's loan, and equity holding.
- Reimburse the Council its funding contribution if there is a material under performance or any change of strategy by the facility.
- Work with the Council's communications team to ensure the its role in the establishment and support of the facility is widely known, acknowledged and promoted.
- Work with the Council and its contracted independent evaluators to evaluate the economic impact of the project.
- Provide tours of the space to the Council and its stakeholders, support the work of the Council and its stakeholders; and provide at least two uses of main event space by the Council per annum for the period of the agreements.
- Submit quarterly and annual monitoring reports on performance with compelling case-studies for the Council and its partners, including the GLA.

Risk and mitigation plan

The following table highlights key risk areas to the Council and the respective mitigation plans.

Risk area	Mitigation plan
Timing of investments	The Council will transfer all financing monies at the same time as other partners, in a pari-passu equal footing manner to ensure there is an equal exposure to risks amongst all investors
Equality of investment terms	The Council's loan and equity commercial terms (including use of start-up capital, and timings and value of repayments) will be the same as the private sector partners - as guided by the Market Economy Investment Principle
Financial liability	The Council will ensure duty of care clauses in contracts and advice it obtains. Hub at Paddington Exchange Ltd is a limited company, so the liability to the Council will be limited. The Space Paddington Limited is also a limited company and therefore if the Council invests in this company its liability will be similarly limited.
Partner selection	The Council has a clear rationale for working with the selected partners, namely exceptional track record and know how (which significantly reduces the investment risk profile), alignment with the Council's economic development aspirations and available money that they are willing to invest.
Lease terms	The Council has the assistance of BNP Paribas and Simon Kirkham s to ensure the lease terms are in compliance with s106 and are commercially appropriate. DLA Piper solicitors will provide legal advice on the negotiations of the leases.
Lease length	The Council will actively support Hub Paddington to take on a longer lease for the A1/A3 unit, beyond the 25 year term, to maximise the length in which the café and ancillary space can be used alongside the training centre and affordable business space facilitation
Planning considerations	The Council will ensure Hub Paddington complies with planning requirements as it develops its layout plans and usages, for instance outdoor seating for the café. If upon further consideration, a sui generis use class is considered best for the space, planning permission would be sought accordingly.
Commercial success	The Council will satisfy itself that the capitalisation proposal is sufficient for the proposed plan and will support the facility to raise its visibility amongst residents, partners and local businesses who can be paying clients
Practical completion	The Council will ensure that appropriate clauses are in place in the Heads of Terms and Lease documentation to penalise TWCL if there is a delay in making the space available for The Space Paddington Limited to commence fit out, and to incorporate a suitable longstop date ¹⁴ .
Failure to complete fit out	The Space Paddington Limited will have an escrow account in connection to completion of fit out works, the Council having an option for step-in rights to ensure the fit out works is completed in line with a Building Contract for the project.
s106 duration	The Council will have s106 rights on the B1 and D1 spaces for 80 years such that if Hub Paddington becomes insolvent, the Council can give qualifying tenant status to another company if the owner doesn't wish to pay the cash alternative which the remaining balance of the discount of the B1 space for 25 years from the agreement for lease signature date

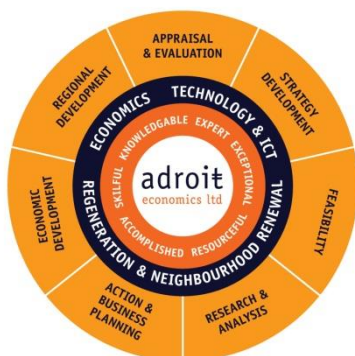
¹⁴ The longstop date is the date in which Hub Paddington would have the right to exit from all negotiations should it so wish.

March 16

Hub at Paddington - high level economic impact assessment: Summary

1. Summary

- 1.1 Dr Steve Shepherd of Adroit Economics has forecast the economic impact of Hub Paddington. In doing this he undertook a full evaluation of the economic impact of the Hub at New Zealand House. The assessment included a detailed survey of hub members at New Zealand House to identify the current and potential future business growth (measured in terms of net additional GVA and jobs), that users anticipated as attributable to use of hub facilities. The results of this assessment were then applied to the proposed facility at Hub Paddington, which is based on the same model. Hub Paddington has several additional advantages due to its location. Namely: spend of staff, users and visitors in local shops; proximity to local schools and college campus sites enabling greater interaction with and involvement of students; and a large local residential community that will benefit from increased enterprise awareness and employability benefits.
- 1.2 Adroit Economics estimated that Hub Paddington could generate a total of:
 - £440K per annum additional spend in local shops, cafes, restaurants, pubs etc., by staff running the hub, by business users and visitors (whilst commuting to and from the Hub), during lunch times and early evenings. This is forecast to create and sustain 17 jobs, of which 14 are expected to be Westminster residents.
 - £18.4m GVA in the City of Westminster over a 10 year period (NPV at 3.5%). This equates to 863 net additional equivalent jobs for residents in the City of Westminster.
 - £22.2m GVA in Greater London over a 10 year period (NPV at 3.5%). This equates to 1,065 net additional equivalent jobs for residents in Greater London, including the City of Westminster.
 - £52.8m GVA in the UK over a 10 year period (NPV at 3.5%). This equates to 2,443 net additional equivalent jobs for residents in the UK, including Greater London and the City of Westminster.
- 1.3 The GVA and jobs derive from business start-ups and growth, attributable to support provide by Hub Paddington through use of hot desks, access to meeting rooms, training events, and provision of a highly collaborative network. Equivalent jobs have been calculated by dividing the net additional GVA by average GVA per full time equivalent job. The analysis uses the average GVA per full time equivalent job from the evaluation results of the Hub at New Zealand House.
- 1.4 The above forecasts are considered reasonable, especially because the forecasts do not factor in the net attributable economic impact for the sixteen thousand people each year attending training, networking and educational events at Hub Paddington.



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