

# Finance and Resources Committee

10.00am, Tuesday, 27 March 2018

## Proposed Lease – Accommodation in Ground Floor West Wing (G1), Waverley Court, Edinburgh

Item number	7.10
Report number	
Executive/routine	
Wards	11 – City Centre
Council Commitments	2, 6

### Executive Summary

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This report seeks approval to grant a lease of part of Waverley Court office accommodation to Ethical Finance Hub Ltd on terms and conditions opted for by Committee.

Ethical Finance Hub Ltd have requested a concessionary rent to allow their business to become established which is contrary to the Council's policy on concessionary lets. The report sets out a variety of lease options for Committee to consider.

## Proposed Lease – Accommodation in Ground Floor West Wing (G1), Waverley Court, Edinburgh

### 1. Recommendations

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#### 1.1 That Committee:-

- 1.1.1 Considers the options set out in this report and directs officers to conclude a lease on the terms selected.

### 2. Background

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- 2.1 Ethical Finance Hub Ltd (EFH) approached the Council in summer 2017 regarding establishing a hub in the city and requested that the Council support their initiative by providing accommodation. EFH are a not-for-profit organisation, focusing on the creation of a fairer, more inclusive, and socially responsible financial system.
- 2.2 EFH took occupation of recently vacated space in G1 Waverley Court on a temporary licence, pending consideration by Committee of terms for a longer-term occupation of the space. The temporary licence runs from 22 December 2017 to 31 March 2018 and month to month thereafter, at a licence fee of £1 per month.
- 2.3 The licence expires on 31 March 2018 and Ethical Finance Hub Ltd has requested the Council grants a further lease on concessionary terms.

### 3. Main report

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- 3.1 The ground floor office accommodation at the northern end of the west wing (G1) at Waverley Court extends to 99.68 sq m (1,073sq ft) or thereby and is shown outlined in red on the plan at Appendix 1. The space is partitioned off and was previously occupied by the Green Investment Bank (cost free) until they relocated permanently to the Atria office building. The space accommodates 14 workstations, but depending on layout there is scope for additional workstations.
- 3.2 Waverley Court annual running costs equate to £1,607 per workstation. This includes rates and all facilities management costs. There is no element allocated for rent as the Council owns the building. Therefore, annual running costs for the space occupied by EFH would be £22,498 per annum, based on 14 workstations.

- 3.3 If the office accommodation was to be allocated a market rent, it is considered that a rate of £23.00 per sq ft could be readily achievable. This equates to £24,679 per annum based on current capacity of 14 workstations. Accordingly, if the space currently occupied by EFH was placed on the open market on purely commercial terms, the annual income to the Council would be approximately £47,000 per annum inclusive. This is equivalent to the levels of rent/service charge approved by Finance and Resources Committee, on 23 March 2017, for the lease of the third floor of Waverley Court to CGI.
- 3.4 The above is estimated to be the opportunity cost to the Council if Committee decides to lease the space at a lower rate under the options set out in the financial implications section.
- 3.5 Appendix 2 has been prepared by EFH and outlines their aims and objectives and the benefits which their location in Edinburgh can bring to the wider economy.

## 4. Measures of success

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- 4.1 The location of EFH in Edinburgh would expand and enhance the awareness of the range of financial and ethical products available.
- 4.2 Granting a lease will allow the tenant to establish a business to introduce investors and borrowers to ethical finance products.

## 5. Financial impact

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- 5.1 The Council's Asset Management Strategy is seeking to make property savings or attract income to set against savings targets. Parts of Waverley Court have been identified as potential spaces for leasing out; the space proposed for EFH is one of these spaces. Accordingly, a series of options is set out below, ranging from full market rent, at cost and no rent and no running costs. Committee is requested to consider the benefits of the establishment of this organisation in Council premises alongside the opportunity cost of doing so.

### **Option 1 – Market Rent**

Annual charge of £46,900 to include rent (£24,402) and running costs (£22,498) (inclusive of rates).

The annual rent of £24,402 to remain fixed, with running costs increased annually in line with RPI.

### **Option 2 – Running Costs Only**

An annual charge of £22,498 per annum, index linked to RPI in Year 2.

Option 3 may require further approval from Scottish Government under the Disposal of Land by Local Authorities (Scotland) Regulations 2010.

### **Option 3 – No Cost to the Tenant**

Ethical Finance Hub Ltd would be charged no rent for a two-year period. Running costs would be absorbed by the City of Edinburgh Council as part of the general running costs for Waverley Court.

5.2 The following terms and conditions would apply to all options:-

- a two-year lease with effect from 1 April 2018;
- an option to extend the lease for a third year on the same terms;
- in all cases the tenant will be responsible for payment of the Council's legal fees; and
- both parties have the option to terminate the lease on giving 6 months prior written notice.

## **6. Risk, policy, compliance and governance impact**

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6.1 Option 2 and 3 will require consideration to be taken of The Disposal of Land by Local Authorities (Scotland) Regulations 2010, which provides that where the disposal (or lease) is for a consideration less than the best that can reasonably be obtained, a Local Authority can dispose of the asset, provided it follows certain steps:-

- it appraises and compares the costs and dis-benefits of the proposal with the benefits;
- it satisfies itself the proposed consideration for the disposal in question is reasonable; and
- it determines that the disposal is likely to contribute to the promotion or improvement of any one of: economic development or regeneration, health, social well-being, or environmental well-being, of the whole or any part of the area of the local authority or any person in the local authority area.

6.2 In support of option 3, EFH have advised that they believe that the additional economic value brought to Edinburgh will have a significant net positive impact with the upside in terms of gross economic value-added accruing primarily to Edinburgh through the creation of employment, attracting business and events.

## **7. Equalities impact**

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7.1 No negative impact.

## **8. Sustainability impact**

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8.1 The lease of vacant accommodation within Waverley Court will ensure that the building is fully utilised.

## 9. Consultation and engagement

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- 9.1 Local ward members have been made aware of these proposals.

## 10. Background reading/external references

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- 10.1 [Waverley Court – Proposed licence to CGI](#): Finance and Resources Committee on 23 March 2017

### **Stephen S. Moir**

Executive Director of Resources

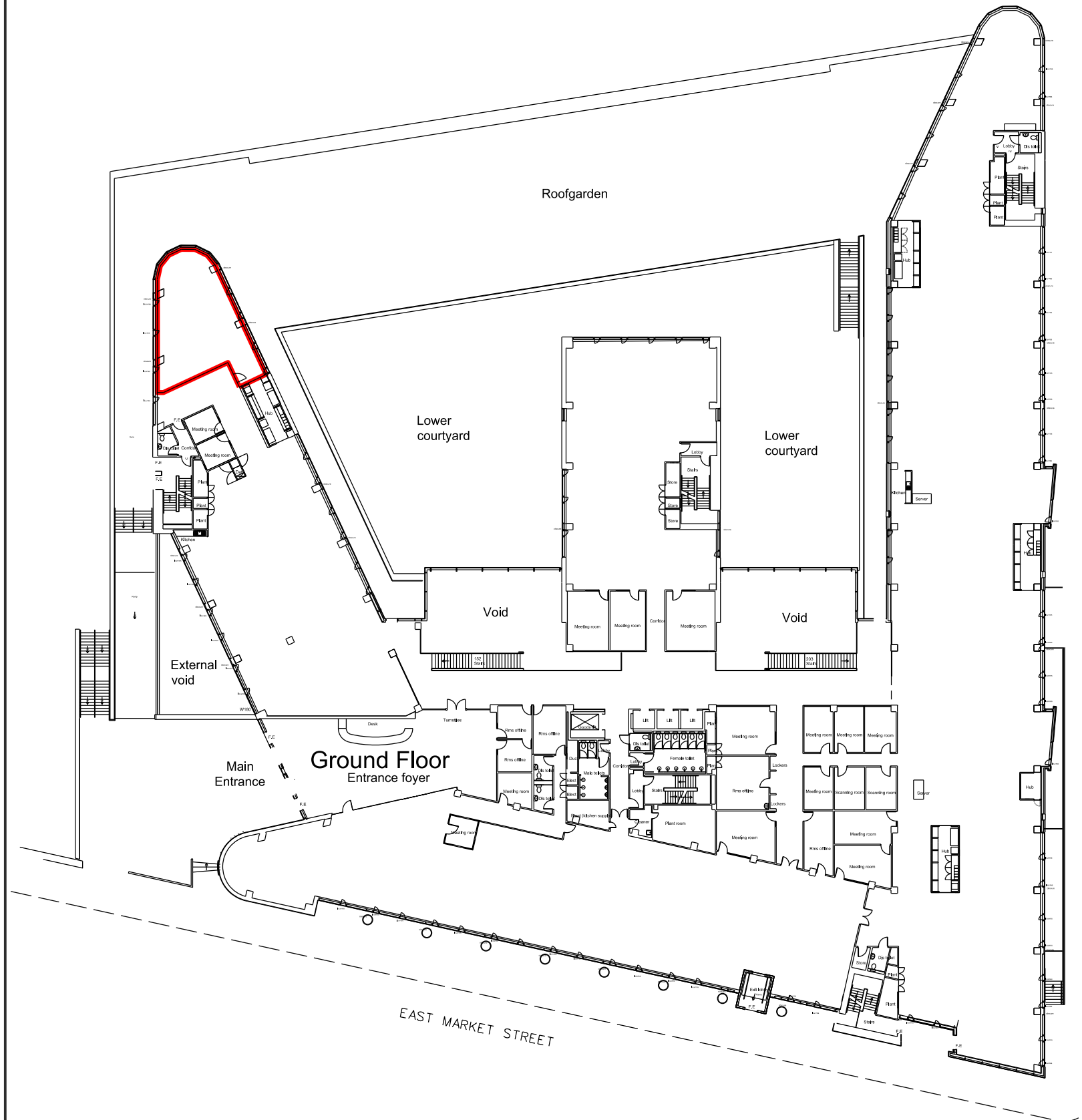
Contact: Jane Sanders, Senior Estates Surveyor

E-mail: [jane.sanders@edinburgh.gov.uk](mailto:jane.sanders@edinburgh.gov.uk) | Tel: 0131 469 5260

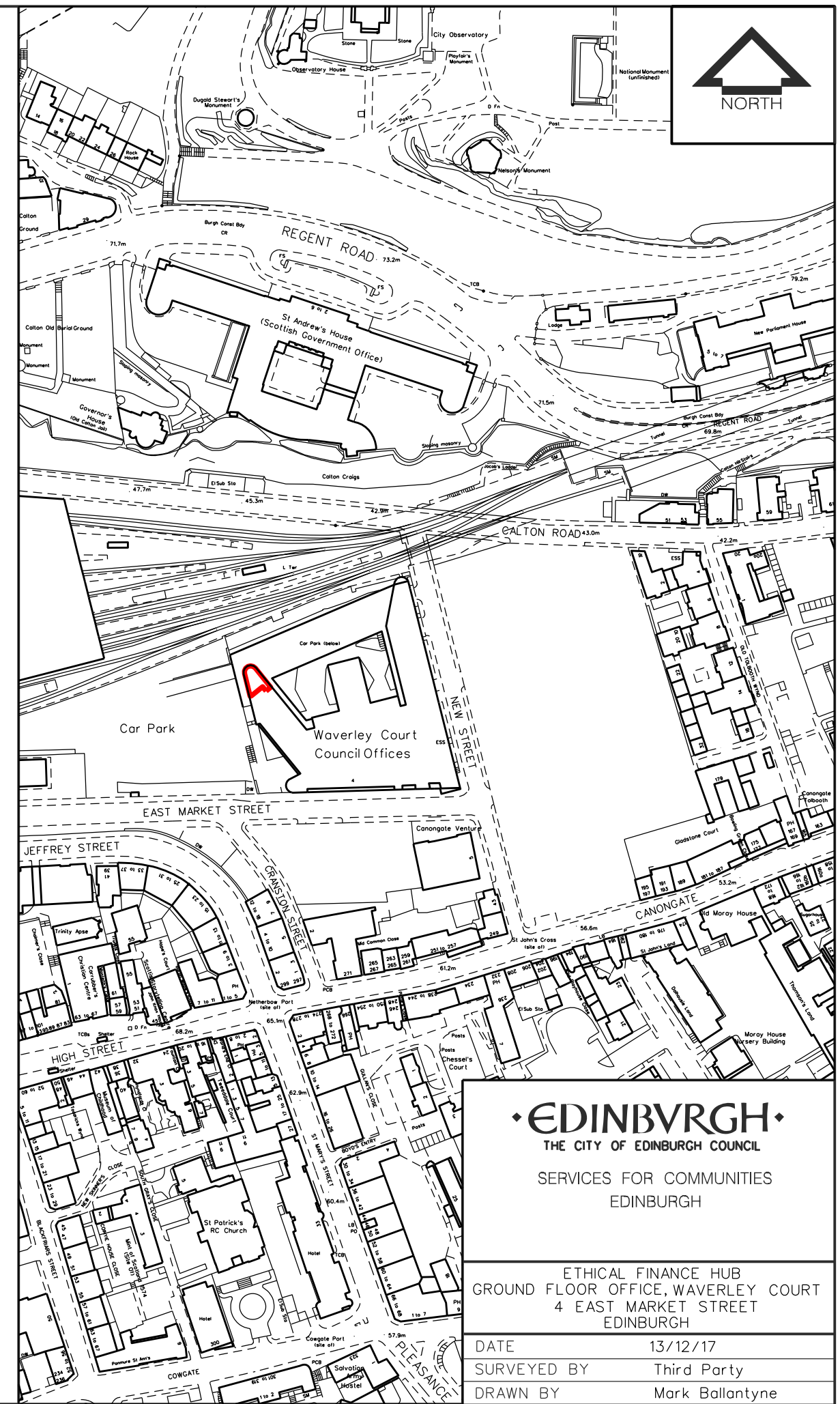
## 11. Appendices

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- 11.1 Appendix 1 - Lease Plan
- 11.2 Appendix 2 – Aims and Objectives of Ethical Finance Hub Ltd



EAST MARKET STREET



**◆ EDINBURGH ◆**  
THE CITY OF EDINBURGH COUNCIL

THE CITY OF EDINBURGH COUNCIL

SERVICES FOR COMMUNITIES  
EDINBURGH

ETHICAL FINANCE HUB  
GROUND FLOOR OFFICE, WAVERLEY COURT  
4 EAST MARKET STREET  
EDINBURGH

DATE	13/12/17
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SURVEYED BY	Third Party
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DRAWN BY	Mark Ballantyne
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SCALE	1:500 @ A3 SIZE
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NEG. NO.	A3/1877
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## Appendix 2

### Information provided by Ethical Finance Hub Ltd

#### What is the Ethical Finance Hub?

The Ethical Finance Hub (EFH) is an industry-led not-for-profit organisation that emerged from the award-winning Edinburgh Ethical Finance Round Table series, one of the UK's leading platforms that has been convening the discussion on ethical finance for over eight years. The EFH, and the importance of the ethical finance and sustainability agenda, has received cross-party support and backing by Scottish Government (SG).

Incorporated as a company limited by guarantee in 2016, the EFH team has developed a business model over the past 18 months in consultation with financial institutions and market stakeholders. Based on this feedback, the focus of the EFH is to:

- 1) Provide a physical hub offering flexible working facilities and business incubation that attracts businesses in ethical finance to Edinburgh
- 2) Facilitate networking and collaboration across multiple stakeholders to promote growth
- 3) Build capacity and raise awareness to enhance inclusion
- 4) Deliver innovative research to size and understand the ethical finance market.

The EFH is a unique platform, the first of its kind in the UK, providing a positive differentiator to supplement Edinburgh's existing financial services strength. The focus of the EFH is to help create a fairer, more inclusive and socially responsible financial system as well as improve the environmental, social and governance performances of businesses.

The geographical concentration of financial services organisations, accessibility to Government and academic footprint positions Edinburgh as the optimal city in Scotland to locate the EFH and develop its activities, thereby projecting Scotland in general and Edinburgh as a global centre for ethical finance. This aligns well to the City Region Deal for Edinburgh and South- East Scotland's vision of:

- 1) Creating a region where investment, intellect and culture will fuse to create new ways of doing things
- 2) Becoming the most connected, creative, inclusive and entrepreneurial place in Europe
- 3) Building a network of businesses, universities, technical and creative skills attracted by a great lifestyle and cultural offer.

The Lord Provost endorsed the EFH at the recent Global Ethical Finance Forum, hosted by RBS in Sept 2017. At a national level our SG supporters include Cabinet Secretaries Keith Brown MSP, John Swinney MSP and Derek Mackay MSP, Humza Yousaf MSP as well as Scottish Parliament's Presiding Officer Ken Macintosh MSP. At the UK level we are supported by Lord Sheikh. We also have wide support from across the financial services community in Scotland, including Dame Susan Rice, amongst others, who have endorsed the principle of the EFH.

#### Background

In 2015, the then Deputy First Minister John Swinney MSP welcomed the formation of a Steering Group (which included representatives from Standard Life Investments, Heriot Watt University, and SG amongst others) to develop the project. SG and the Council provided financial support to enable the Steering Group to develop a business case. In October that year Mr Swinney announced that *"the Scottish Government is supporting this project which will allow Scotland to capitalise on the increased global profile of ethical finance and progress towards becoming a worldwide industry leader in the field."*

#### Physical Hub

Our core proposition envisages both a physical and a virtual on-line presence for the EFH. The physical space which will serve as the operational centre for the EFH as well as offering desk/office solutions for stakeholders and business incubation and will act as a catalyst to enhance the ethical finance sector locally and promote effective engagement in the sector beyond Scotland. The physical Hub will create a focus of activity for stakeholders to base their activities, share experiences and exchange ideas. The objective is for open working spaces to lead to the development of new products, commissioning of new research, attracting new businesses and the creation of new jobs for Scotland.

The intention is to secure anchor tenants active in the sector and to blend this with secondees from larger organisations and a 'hot-desking' facility. This will form a physical demonstration of the Hub concept - to bring together people from different aspects of the ethical finance market.

#### Summary of EFH Development and Financial Status

The EFH is still at start-up stage and is in the process of developing a sustainable finance model. While the EFH is currently in receipt of adequate grant funding, principally from Scottish Government, this specifically excludes expenditure on premises and accordingly the EFH is not, as yet, able to service a commercial level of rent. The intention is to maintain a very lean structure and build activities and revenue streams with the aim of financial self-sufficiency (to include premises costs) within a 5 years.

By leveraging existing relationships the EFH will seek to generate revenue streams through both partnership and membership models, along with sponsorship and events, that will de-risk the proposition, reduce costs and avoid reliance on medium/long term Government funding. The EFH will seek to achieve a modest margin through the creation of a membership model that allows other individuals and organisations to use the Hub resources. We appreciate that the Council has a requirement to maximise income but we believe that the additional economic value brought to Edinburgh will have a significant net positive impact more broadly.

Whilst the EFH plans to be self-financing at its core level, the upside in terms of gross economic value add will accrue primarily to the host city through the creation of employment, attracting business and events as noted further below. We expect this activity to grow with the Hub playing a significant role in furthering Edinburgh's reputation as a global ethical finance centre of excellence.

### Economic Benefits to Edinburgh

As mentioned above the aim of the EFH is to create specific opportunities for Edinburgh and Scotland. The establishment of the EFH in Edinburgh has, so far, itself created 3 new posts and attracted a 6 person business to move to Edinburgh from another city. In addition Marketing Edinburgh has estimated the economic benefit of £480,000 of attracting the 2015 and 2017 international conference - Global Ethical Finance Forum (GEFF) - to Edinburgh. Following GEFF 2015 Al Rayan Bank opened its offices in Scotland creating employment and committing an immediate short-term investment of £20 million. Currently conversations are advancing exploring the possibility of a new UNDP unit basing itself within the EFH in Edinburgh.

The work being undertaken in the ethical finance sector aligns well to the Council's "*deliver good growth for everyone*" strategy which aims to:

- Deliver growth in jobs and in wages
- Inspire the growth of new, innovative and socially responsible businesses
- Attract investors and developers
- Attract and retain highly skilled workers
- Ensure that benefits of growth are distributed across the city.

### Alignment with the Council Economic Strategy

We see the EFH having a direct contribution to the delivery of the recently published Edinburgh Economy Strategy:

- Innovation
    - Providing space to encourage flexible working and business incubation for small organisations
    - Creating jobs by attracting organisations and talent to Edinburgh
    - Raising the international profile and reputation of the city as a leading financial centre
    - Promoting Edinburgh to international investors/developers
    - Leveraging business tourism opportunities for the local economy by attracting international events
    - Employing the UN Sustainable Development Goals to encourage socially responsible business practices
    - Delivering research projects to create a baseline for the market size in Scotland
    - Strengthening relationships through the development of an international internship programme
    - Launching an executive education 'summer school' in Edinburgh
  - Inclusion
    - Raising awareness of ethical finance to improve financial literacy and tackle financial exclusion
    - Delivering research aimed at mobilising private capital to drive inclusive growth in Edinburgh
    - Building local capacity to encourage individuals and organisations to meet present day economic needs (profitably) without compromising those of future generations
  - Collaboration
    - Facilitating connectivity and collaboration between public agencies, business, academia and the third sector.
- For further information please visit [www.ethicalfinancehub.org](http://www.ethicalfinancehub.org)