

WIRRAL COUNCIL

CABINET

29TH NOVEMBER 2012

SUBJECT:	EGERTON HOUSE
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF REGENERATION, PLANNING AND HOUSING
RESPONSIBLE PORTFOLIO HOLDER:	CLLR PAT HACKETT REGENERATION AND PLANNING STRATEGY
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

1.1 This report outlines to Cabinet details regarding a proposed merger of Wirral Investment (Management) Network (WiN) with Egerton House (Wirral) Ltd. The proposed merger will create a new business support organisation 'Wirral Business Partnership' that will continue to operate from the Egerton House building, further enhancing the delivery of business support activity within the Borough. The Council has been asked to endorse the proposed merger and nominate two representatives to sit on the Board of Wirral Business Partnership. Furthermore, the Council have been asked to consider a new 20 year lease relating to the Egerton House facility, which is effectively a 10 year extension to the current lease which expires in 2022.

2.0 BACKGROUND AND KEY ISSUES

EGERTON HOUSE (WIRRAL) LIMITED

2.1 Since 1993, Egerton House, Tower Road, Birkenhead has been operated as a managed business centre. The Council has long supported Egerton House, initially through contributions to the funding of the renovation and refurbishment works to transform it from a derelict warehouse into a functional and well-equipped business centre. The Councils Invest Wirral Team has been located within the facility since the mid 1990's.

2.2 In November 2001, Cabinet agreed to the transfer of the freehold interest to the Council in Egerton House from CEWTEC Limited and Wirral Business Enterprise Limited (WBE), two public organisations who were disbanded in the same year. Following the transfer of the asset to the Council a new company, Egerton House (Wirral) Limited (Company

Number 04344676) was formed for the purpose of managing the building and the business centre on a not for profit basis.

- 2.3 On 16th July 2002, the Council granted a 20 year Lease of Egerton House to Egerton House (Wirral) Limited with a peppercorn rent. The Lease included specific provision to state that Egerton House was to continue to be commercially managed as a business centre, ensuring that a minimum of 50% of the overall lettable space will be available to SME's with genuine growth potential, with other parts of the facility offering an incubator facility for small businesses.
- 2.4 Egerton House (Wirral) Limited has operated in line with this agreement over the last ten years, with specific facilities being developed over the last two years for supporting micro businesses.
- 2.5 Currently, the Council have one elected member as a Director of Egerton House (Wirral) Limited as an approved duty and appointment. The Director of Regeneration, Housing and Planning also acts as an advisor to the Board to ensure compliance with the terms and conditions of the lease. The Head of Invest Wirral is currently seconded to Egerton House for two days per week to undertake the role as general manager.

WIRRAL INVESTMENT NETWORK (WiN)

- 2.6 WiN operates as a company limited by guarantee, and the Director of Regeneration, Planning and Housing is a Director on the WiN Board. WIN is an influential partnership between private and public sector organisations in Wirral. Since 1993, it has been instrumental in supporting many major regeneration projects as well as working to establish new business support initiatives.
- 2.7 WiN's objectives include:
 - To collectively promote Wirral as a desirable and excellent location to live, work, invest and visit.
 - To provide an effective means of exchanging information, networking, facilitating productive discussion and informing public policy.
 - To create and maintain a constructive and reciprocal relationship at the highest level between the private sector, local authority and other public agencies.
 - To promote informed discussion and the development of strategic ideas supporting investment, regeneration, enterprise and associated programmes.
- 2.8 Since 2007, WiN and Wirral Borough Council have worked in partnership

to develop sector based cluster groups for Wirral Businesses. The groups are open to any business trading in Wirral and aim to engage the private and public sector to maximise the economic success of Wirral. The sectors supported are:

- Business and Professional Services
- Manufacturing and Food and Drink
- Science, Technology, Environmental and Health
- Maritime and Logistics
- Tourism and Retail
- Construction
- Digital and Media

- 2.8 The WiN Executive Board provides strategic direction to the main WiN Board focusing on the contribution the private sector can make to the implementation of The Council's Investment Strategy. Both the Executive Board and the Main Board have private sector chairs.
- 2.9 The current President of WiN is Esther McVey MP and the Hon Vice President is Lord Lyndon Harrison. The Director of Regeneration, Housing and Planning is currently the Council representative on both the Executive and main WiN Board.

WIRRAL BUSINESS PARTNERSHIP

- 2.11 On 22nd October 2012, the Egerton House (Wirral) Limited Board agreed a proposal to merge with the Wirral Investment Network (Management) Limited, whose members had agreed the merger proposals at its Main Board meeting on 4th October. This will effectively be an acquisition of Wirral Investment Network (Management) Limited by Egerton House (Wirral) Limited with effect from December 2012.
- 2.12 Egerton House (Wirral) Limited will change its trading name to 'Wirral Business Partnership' and will remain as a company limited by guarantee. Wirral Business Partnership will assume all the assets of Wirral Investment Network (Management) Limited including all cash held in reserve, fixed and tangible assets and the staff employed. WiN will remain in existence as a non trading company. A shadow board will be put in place with immediate effect and new Memorandum and Articles of Association for the Wirral Business Partnership are currently being drafted. The Director of Regeneration, Housing and Planning has been invited to become a member of the shadow board until a new board is appointed to take charge of Wirral Business Partnership with effect from January 2013.
- 2.13 Discussion has taken place as to the constitution and membership of the

new Board and the Council has been asked to nominate two representatives onto the new Board, which will have a minimum of 8 members and a maximum of 16. The following objectives will provide the main focus for the new organisation:

- To develop an extensive open-to-all approach to business membership across Wirral;
- To provide a voice for and on behalf of the private and social enterprise sector in Wirral, to articulate the needs of the business community and how jobs can be achieved;
- To deliver activities, workshops and events that promote and develop business in Wirral;
- To inform, and where appropriate, to partner the public sector and other organisations in the development and delivery of services that are truly forward thinking and business responsive;
- To develop and manage a portfolio of managed business workspace to meet existing demand and enable opportunities to be sought for business growth and enterprises to be developed and nurtured;
- To promote success stories from within the Wirral business community through marketing and social media campaigns.

EGERTON HOUSE BUILDING

- 2.14 As part of this formal request, the Chair of Egerton House (Wirral) Limited has asked the Council to consider a new 20 year lease for the building, effectively up until 31st March 2033. The letter is attached at Annex A to this report.
- 2.15 The Egerton House building is currently leased to Egerton House (Wirral) for a period up to 31st March 2022. To accommodate this request, the Council will need to agree to surrender of the present Lease and the granting of a new Lease to the Wirral Business Partnership and make arrangements for the surrender and new Lease to be completed.
- 2.16 The rationale for the request for the new Lease is to allow the new organisation to use the strength of a long term leasehold agreement. with the Council to further develop its business activities to provide quality business accommodation for SME's and micro-businesses.
- 2.17 For example, Egerton House currently has a sizable waiting list of businesses wishing to locate at the Centre and one of the key considerations of the new organisation is to look at potential expansion of Egerton House as a business centre operator to satisfy this demand.
- 2.18 It is proposed that, subject to Cabinet approval, Wirral Borough Council

agrees to nominate the Leader of the Council and the Strategic Director for Regeneration and Environment to the Board of the Wirral Business Partnership. It will also be requested that the new Board ensure that the Council's assets can be safeguarded, and that the Memorandum and Articles of Association provide for the Council's representatives on the Board having a majority vote in any decisions relating to the use of Council assets.

3.0 RELEVANT RISKS

- 3.1 The main risk is to the Council's asset, Egerton House. The Council representatives that have been proposed to the Board will be responsible for ensuring that any key decisions relating to the Council's asset are in line with the conditions of the lease and in line with the Council's best interest. The Director of Regeneration, Housing and Planning will request that this is reflected within the Memorandum and Articles of Association of Wirral Business Partnership.
- 3.2 The merger of Wirral Investment Network (Management) Limited with Egerton House (Wirral) Limited has been proposed by the two organisations, both of which are independent to the Council.
- 3.3 Any negotiations authorised by Cabinet in regards to the Surrender of the current Lease and granting of a new Lease, will consider the provision within Section 123 of the Local Government Act 1972 regarding Best Value.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 This matter relates to the request received from Egerton House (Wirral) Limited in respect of a 20 year lease. A Deed of Surrender/ New Lease has been deemed to be the most appropriate to action this request, subject to Cabinet approval.

5.0 CONSULTATION

- 5.1 This report is consistent with the principles of Wirral's Investment Strategy, which provides the framework for business support activity and this has been reviewed following an extensive consultation with partners. The development of the proposals has also been informed by the consultation which has taken place with a number of private sector partners and through Invest Wirral's Business Forum and the sectoral cluster groups, as well as the Board members of both the WiN Board and the Egerton House Board.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 None as a result of this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 The current lease in place between Wirral Borough Council and Egerton House (Wirral) Limited for the Egerton House building is dated 16th July 2002 and is for a period of twenty years at a peppercorn rent. Any profit made by Egerton House (Wirral) Limited is reinvested back into its operations.

7.2 Subject to the requisite consents being obtained in paragraph 4.1 above, the proposed deed of surrender, and the Lease of Egerton House will require officer time to prepare and complete the necessary documentation.

7.3 The financial implications of accepting the surrender of Egerton House Limited and the grant of a new Lease to Wirral Business Partnership will be considered, along with the agreed terms of both, in a subsequent report.

7.4 Egerton House (Wirral) Limited currently pick up the running costs of Egerton House. Therefore, the cost to the Council is the notional loss of any profit from future activities, post the expiry of the current lease in 2022. The operating profit before tax of Egerton House (Wirral) Limited has been on average £50,000 for the last three years, although this income isn't necessarily all accounted for by the sub-letting and management of the building. The new organisation will continue to provide the running costs for Egerton House if a new 20 year Lease is entered into, subject to Cabinet approval. Any profit made by the new organisation will continue to be invested into its operations as a not for profit company.

8.0 LEGAL IMPLICATIONS

8.1 When the freehold of the Egerton House building was transferred to the Council on 16th July 2002, certain conditions were passed on, including the grant requirements of funds used to carry out certain works to the building. Consequently, the redemption fee deed dated 16th July 2002 between the Council and The Secretary of State for Education and Skills states that upto 16th July 2022 the lease to Egerton House (Wirral) Limited must provide :

- that the Property shall only be used for the provision of managed workspace, providing advice and support to small and medium sized enterprises;

- that the users of the Property shall not be subject to any geographical limitations and that as part of the permitted use the Property will be used for the furtherance of Government policy with the development of education, training skills and business support both generally in the local community and further afield
- and that the Council will not agree any alteration to the current Lease of Egerton House or make any alteration to the Lease without prior written consent of the [successors in title to the Secretary of State for Education and Skills] and Officers are pursuing this and will ensure that the proper consent is obtained relating to any proposed surrender of the current Lease and proposed granting of a new Lease

8.2 Wirral Business Partnership will continue to deliver this provision for at least the period specified within the redemption fee deed, but has formally requested that the Council will by accepting a surrender of the present Lease and by granting a new Lease with a peppercorn rental which is to terminate on 31st March 2033 will allow the new organisation to undertake business development activities supported by a longer term lease, subject to the requisite consents being obtained in paragraph 2.17 above.

8.3 Subject to Cabinet approval, any proposed negotiations for the surrender of the current Lease and granting of a new 20 year lease of Egerton House to Wirral Business Partnership will be conditional on the following:

- a. That the Council obtains the relevant authority of the Secretary of State who has assumed responsibility for the legal conditions relating to the redemption fee deed signed 16th July 2002;
- b. The Memorandum and Articles of Association of Wirral Business Partnership have provision which allows Council representatives to safeguard the use of Council assets
- c. Egerton House (Wirral) Limited and/or Wirral Business Partnership contribute towards the Councils reasonable legal and surveyors costs incurred in preparing and completing the appropriate Deed of Surrender/ Lease documentation and obtain the proposed written consent of the Secretary of State as provided for in the redemption fee deed relating to the proposed Surrender and new Lease.

8.4 Subject to members agreeing the recommendations of this report, a further report will be brought back to members by the Interim Director of Law, Asset Management and HR to confirm the conditions listed in 8.3 have been met, and detailing the agreed terms of the proposed Deed of Surrender between Wirral Borough Council and Egerton House (Wirral) Limited the proposed new Lease between Wirral Borough Council and Wirral Business Partnership in regards to the Egerton House building. This

will take into consideration Section 123 of the Local Government Act 1972 in respect of Best Value.

- 8.5 The current representation of Wirral Borough Council on the boards of Egerton House (Wirral) Limited and Wirral Investment Network (WiN) will be removed from the list of Council approved duties and appointments, and the representatives that will sit on the Board of Wirral Business Partnership will be added to the same list for endorsement at the next Council meeting.

9.0 EQUALITIES IMPLICATIONS

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(a) Yes and impact review is attached – *(insert appropriate hyperlink)*.

This links to the existing EIA conducted for Wirral's Investment Strategy
<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010-0>

10.0 CARBON REDUCTION IMPLICATIONS

- 10.1 None as a result of this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 11.1 Non as a result of this report.

12.0 RECOMMENDATION/S

- 12.1 It is recommended that Cabinet endorse the merger of Wirral Investment Network (WiN) and Egerton House (Wirral) Limited to form a new company 'Wirral Business Partnership' with the intention of delivering high quality business support activity within the Borough;
- 12.2 Cabinet are asked to agree the nominations to the Wirral Business Partnership Board of the Leader of the Council and the Strategic Director of Regeneration and Environment;
- 12.3 That the Acting Director of Law, Asset Management and HR be authorised to enter into negotiations for the surrender of the current Lease of Egerton House from Egerton House (Wirral) Limited and the grant of a new Lease to Wirral Business Partnership on terms to be agreed and reported back to Cabinet. This is subject to the conditions outlined within para 8.4 of this report being met.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 To enhance the delivery of business support activity within the Borough by supporting the merger of two key organisations to form Wirral Business Partnership.

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APPENDICES

Letter from the Chair of Egerton House (Wirral) Limited

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet Egerton House Trust	8th March 2001
Cabinet Egerton House, Tower Road, Birkenhead and the Cavendish Business Centre, Brassey Street, Birkenhead	29th November 2001
Cabinet Egerton House, Tower Road, Birkenhead and the Cavendish Business Centre, Brassey Street, Birkenhead	14th March 2002