

Committee/Meeting: Cabinet	Date: 4 th August 2010	Classification: Unrestricted	Report No:
Report of: Corporate Director – Chris Naylor (Resources) Originating officer(s) Alice Wallace, Third Sector Strategy Manager, ext 0396 (Strategy & Performance, CE's Directorate)		Title: Allocation process for Council – owned property to Third Sector Organisations Wards Affected: All	

Lead Member	Councillor Helal Abbas
Community Plan Theme	Prosperous Community
Strategic Priority	3.3 – Foster Enterprise

1. **SUMMARY**

- 1.1 This report describes the Council's proposed approach to allocating Council owned property to Third Sector organisations as they become available in the future;

2. **DECISIONS REQUIRED**

Cabinet is recommended to:-

- 2.1 Discuss and agree the recommendations in this report, specifically:
- The proposed methodology for the allocation of Council-owned property for use by Third Sector organisations through appropriate leasing arrangements and a two stage process:
 - A stage one: Gateway Eligibility criteria
 - A stage two: Strategic Assessment criteria

3. **REASONS FOR THE DECISIONS**

- 3.1 The reasons for the above recommendations are as follows:
- a) to ensure that the use of Council-owned premises by Third Sector organisations is better regularised
 - b) that the use of Council-owned premises by Third Sector Organisations represents value for money and best value
 - c) that the proposed lettings process will better facilitate the Community Plan's One Tower Hamlets priority

d) the purpose of the process allows for better utilisation of Council-owned premises by the Third Sector, and helps move towards greater efficiencies within Asset Management and the Third Sector.

4. ALTERNATIVE OPTIONS

4.1 The two main alternatives were as follows:

- No action – however, the current situation was considered to be unsustainable for all concerned. The lack of an open and transparent process meant potential efficiency for the allocation of Council resources
- To extend the pilot project – however, it was considered better for all concerned (including Third Sector organisations) to have certainty around the allocations process.

5. BACKGROUND

5.1 The key role of the Third Sector in delivering the Community Plan has been acknowledged through the inclusion of NI7 – supporting an environment for a thriving Third Sector - in the Local Area Agreement.

5.2 The Third Sector Strategy 2009-11 committed the Council playing a key role to support Third Sector organisations in Tower Hamlets access high quality accommodation. In order to implement this, the Third Sector Strategy Team and Asset Management Team have been working together on a number of pieces of work, including:

- Devising an open, transparent, and robust process for the allocation of Council-owned property for Third Sector use,
- Commissioning research into the premises needs of Third Sector Organisations, and
- Defining and agreeing a way forward in terms of the Council's role both as a landlord and in providing strategic support to the Third Sector.

5.3 The Asset Management Plan (AMP) provides a policy framework for management of Council-owned assets in general, but also identified issues relating to the Third Sector.

6. Local Context – Why we are doing this?

6.1 The Council owns around 80 premises designated for community use. As these properties become available in the future, the Council needs an appropriate process for allocation in order to make best use of its resources, and to be, and be seen to be, open and transparent. In particular, we need to ensure that in allocating property we are taking account of the level of need for an organisation and its services in a particular area. This will be ensured by means of the proposed Strategic Assessment, described further in section 6.7.

6.2 It should be noted, however, that with regard to the Council's community buildings, further research is needed into the level of usage and how

accessible they are to members of the public and community groups. This will help inform the broader Third Sector accommodation strategy and help gauge the level of demand for space in the longer term.

- 6.3 As part of the Third Sector Strategy, Cabinet agreed that research was required into the premises needs of Third Sector Organisations in Tower Hamlets. This work was commissioned in December 2009. The Third Sector Strategy and Asset Management Teams are currently working to develop a report of key findings and recommendations. Initial findings have highlighted a range of issues, including:
- a. 'a perceived lack of transparency around the allocation of council owned property'¹ which has caused resentment and mistrust
 - b. the lack of affordable accommodation, particularly affecting smaller community organisations
 - c. the need for additional space for those already with premises
- 6.4 Earlier this year, the Third Sector Strategy Team was asked to work with the Asset Management Team to develop a proposal for the allocation of Council-owned property to Third Sector organisations. During the development of this proposed allocation process, the AMP's² general test to measure the overall performance of these properties against four key objectives has been taken into account. These objectives are:
- a) supporting services with customer focus
 - b) meeting statutory obligations
 - c) value for money
 - d) sustainability.
- 6.5 A number of national drivers for this work include:
- The Quirk Review 2007 - the review found that while there are risks and challenges, it is possible to successfully transfer assets to communities. This refers to the local communities' ability to use buildings to deliver services that meet local needs. The challenge for the Council is, therefore, to consider longer term financial implications, maximise utilisation of community assets, and agree the process for effective regularisation of occupation.
 - The Audit Commission Report 2009 highlighted the need for councils to improve their knowledge of property/ assets holdings and tenure arrangements to achieve better efficiencies and value for money
 - The Total Place agenda is focused on delivering a collaborative approach to asset management to generate more efficiency savings whilst being aligned to the needs of the local area.
 - Big Society – The ethos behind this initiative is that of devolving power at every level and transferring power to local communities. The proposed Decentralisation and Localism Bill includes the right for communities to bid to take over community assets.
- 6.6 The recommendations in this report are designed to address these issues, and provide the Council with a robust, open and transparent process for the

¹ Research into premises needs of third sector organisations in TH pg i (April 2010)

² Amended by Cabinet report of 11th February 2009

allocation of Council-owned premises to Third Sector Organisations. It will do this by:

- a) ensuring that robust decisions are made in a transparent and fair manner when allocating premises to Third Sector organisations in Tower Hamlets
- b) providing a basis for identifying, assessing, and supporting decision making of Council –owned assets which is consistent and linked to the Council’s wider strategic objectives
- c) ensuring that Council assets are put to good use for the benefit of the local community as part of the Council’s efficiency drive
- d) contributing towards the delivery of National Indicator 7 to “support a vibrant and independent Third Sector in the borough”
- e) providing a clear business case as to why the premises /building/room/space is required, and why the community based premises is the preferred option
- f) achieving value for money as well fostering community empowerment.

Overview of the Allocation Process

6.7 An overview of the proposed allocation process is outlined below; further details are attached as Appendix 1:

- a) Before the allocation process begins, the Asset Management and Capital Strategy Board determines whether a property should be made available for third sector allocation (this will ensure there are no service or partner requirement for the property or other strategic reason, such as regeneration.)
- b) Once a property becomes available, Asset Management assesses the property’s financial, previous use of premises, and the potential use of the premises for the future. Go ahead received to begin the allocation process.
- c) Properties will be marketed at a fixed market rent and with set lease terms – these will be non-negotiable. Properties will be advertised in the local media and via Council website.
- d) Applications received are assessed against Stage1 Gateway Eligibility Criteria by Officers from the Third Sector Team. The Gateway Criteria now incorporates an organisational health-check, including assessing financial viability. This applies a tick-box ‘Yes’ or ‘No’ tick box approach to assess whether the applicant organisation:
 - Is a bona fide third sector organisation
 - Is proposing use of premises that provides benefits to local people
 - has sound management arrangements
 - has sound governance arrangements
 - is financially viable
 - complies with a range of statutory requirements for management of a building such as Health & Safety, Equality of Opportunity
- e) Successful applicants are put forward to Stage 2 of the assessment process, where applications are assessed by the full Officer Evaluation Panel which will be comprised of:
 - Third Sector & External Funding Manager who will chair the Panel

- Representatives from:
 - The Third Sector Strategy Team
 - The Funding and Development Team
 - Asset Management
 - Adults Health & Wellbeing
 - Childrens Services
 - CLC – including a Neighbourhood Manager (to assess duplication of services in the area)
- f) The proposed stage two Strategic Assessment criteria (see [Appendix 3](#)) assesses the extent to which the applicant organisation's services will either meet specific LAA targets or contribute to the delivery of the Community Plan from the community based premises that the organisation is applying for. This will include assessing evidence:
 - of how the services the applicant wants to provide meets the Council's strategic priorities, with clear deliverables
 - of need of the service proposed, including evidence that this proposed service does not duplicate services in the neighbouring area.
 - of skills, experience and capacity to manage the asset
 - that the applicant will maximize the use of the premises and/or be prepared to share occupancy. If shared occupancy is considered appropriate then the tenant will be obliged under its lease to share or let space.
 - of how the service will contribute to One Tower Hamlets.

The Officer Evaluation Panel's Recommendation Report is then presented to the Asset and Capital Strategy Board. Prior to submission to the Asset and Capital Strategy Board, proposals signed off by finance and legal at Director level to confirm due process is followed:

- g) A decision on the allocation is made by the Asset and Capital Strategy Board
- h) Arrangements made to notify successful applicant as soon as possible
- i) Asset management begin communication with successful applicant and proceed with legal documentation. Legal Services instructed.
- j) Lease completed and keys issued.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1 This report describes the Council's proposed approach to allocating Council owned property to Third Sector organisations for rent. The Council's Third Sector Strategy and Action Plan was presented to Cabinet on 4th November 2009 and is the Council's core planning document for the development and commissioning of the Third Sector in Tower Hamlets for the delivery of services, and also funding activities and organisations in the borough.
- 7.2 The Council is under a legal duty to secure best value for the use of public funds and assets. In agreeing an approach to allocating Council owned property to Third Sector organisations for rent, this should be done on the basis of the contribution of organisations and individuals to meeting the

Council's policy objectives. Members should satisfy themselves that the proposed approach to allocating Council owned buildings for rent meet these criteria.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 8.1 In any discussions regarding disposals of land , officers will need to have regard to the power in section 123 of the Local Government Act 1972 for the Council to dispose of land and the need to get the best consideration reasonably obtainable unless the Secretary of State consents to the disposal. Officers will have to examine any proposal and take legal advice to ensure that it complies with the constraints on these legal powers

9. ONE TOWER HAMLETS CONSIDERATIONS

- 9.1 The contribution of Third Sector organisations to delivering One Tower Hamlets is explicitly recognised in the Third Sector Strategy 2009-11. Not only do organisations play a key role in delivering services that address inequality, improve cohesion and increase community leadership, the simple fact of people coming together to improve their environment is a real example of One Tower Hamlets in practice. As the Third Sector Strategy 2009-11 is aimed at creating an environment for a thriving Third Sector it has a key role in delivering the aims of One Tower Hamlets.
- 9.2 The proposed lettings process will better facilitate the Community Plan's One Tower Hamlets priority by establishing a clear, open and transparent process thereby ensuring equality of opportunity to access Council-owned premises.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 10.1 There are no specific SAGE implications arising from this proposal. However, any decision to invest in Council-owned premises must take account of environmental sustainability issues.

11. RISK MANAGEMENT IMPLICATIONS

- 11.1 The aim of this allocation process is to ensure that the Council has a clear open and transparent process for allocating Council owned premises to Third Sector Organisations. The allocation process proposal contains the mitigation of a range of risks including:
- Council-owned premises standing vacant when they could be being used by Third Sector Organisations to deliver services to local people
 - The loss of revenue due to the non-allocation of premises
 - Lack of clarity as to Health Safety responsibilities by the implementation of a standard lease.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1 None

13. EFFICIENCY STATEMENT

13.1 The proposed allocation process will ensure efficiency by ensuring the efficient allocation of Council-owned resources. Void periods will be minimised thereby reducing revenue loss.

14. APPENDICES

Appendix 1 – Outline of proposed allocation process for Council-owned property to Third Sector organisations

Appendix 2 – Proposed allocations process – Stage One: Gateway Eligibility Criteria for application for use of Council-owned property by Third Sector

Appendix 3- Stage Two: Assessment Criteria for allocation of Council-owned property to Third Sector Organisations.

**Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report**

London Borough of Tower Hamlets Asset Management Plan 2008/9 -2010/11	Name and telephone number of holder and address where open to inspection.
Cabinet Report dated 11 February 2009 – Asset Management Plan	
Third Sector Strategy 2009 -11	Alice Wallace 0207 364 0396

Outline of proposed Allocation process for Council-owned property to Third Sector Organisations

Before the allocation process begins, 2 steps need to be cleared:

- a) Once a property becomes available, premises assessed for financial value and implication, previous use of premises, and potential use for the future
- b) Decision as to whether a property should be made available for third sector allocation by the Asset and Capital Strategy Board

Tasks	Responsibility
Step One Advertise availability of premises in the local media such as East End Life, and Council website. Properties will be marketed at a fixed market rent with a set of lease terms – these will be non-negotiable.	Asset Management
Step Two Application form made available	Asset Management
Step Three Application Forms received, logged, photocopied	Asset Management
Step Four Officers from the Third Sector Team (including accountancy support) assess whether applicants have met the Stage One Gateway Eligibility criteria. Successful applicants to be put forward to Stage 2 of the Assessment process	Third Sector Team
Step Five The Officer Evaluation Panel convened comprising of Officers from, Third Sector Team, Asset Management Team, Adults Health & Wellbeing, Children Services, and CLC directorates (including the appropriate Neighbourhood Manager) (Chair of Panel - Abid Husain, Third Sector & External Funding Manager)	Third Sector Team
Step Six The Officer Evaluation Panel assess and evaluate applications using the Stage 2 Assessment Criteria, and make recommendations to Asset and Capital Strategy Board	Officer Evaluation Panel
Step Seven Prior to submission, proposals for recommendation are signed off by finance and legal at Director level. The Panel's Recommendation Report presented to the Asset and Capital Strategy Board	Third Sector Team
Step Eight The Asset and Capital Strategy Board to discuss recommendations and decide on successful applicant	Asset and Capital Strategy Board

Step Nine Arrangements made to notify the successful applicant as soon as possible. Feedback will also be offered to the unsuccessful applicants.	Asset Management
Step Ten Asset Management begin communication with the successful applicant and proceed with legal documentation. Legal Services instructed.	Asset Management
Step Eleven Lease completed and keys issued	Asset Management

Proposed Allocation process for Council-owned property to Third Sector Organisations
Stage 1: Gateway Eligibility criteria



London Borough of Tower Hamlets
 Application for Use of Council-owned property to Third Sector Organisations
 Stage 1: Gateway Eligibility criteria

Applicant Organisation/Group	Proposal reference no:
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Gateway Eligibility Criteria		Supporting evidence provided?	Score	
			Yes	No
Q 1:	<p>Proposed use of premises provides benefits to the local community:</p> <p>Evidence that proposed usage of accommodation is community led and provides services to people who live in Tower Hamlets</p>	<p>Provides evidence that the purpose for applying for use of accommodation is with the intention of it being community-led, and provide services for TH residents providing a social benefit in the following way:</p> <p>a) Governing document demonstrates that the organisation has the powers to provide proposed services to Tower Hamlets residents.</p>	<input type="checkbox"/>	<input type="checkbox"/>
		<p>b) Application form and supporting documents in general demonstrates that the services are intended for residents of Tower Hamlets from the location of the premises applied for</p>	<input type="checkbox"/>	<input type="checkbox"/>
		<p>c) Application Form checked against the electoral roll register to demonstrate that the organisation's board or committee has some local representation (minimum of one person).</p>	<input type="checkbox"/>	<input type="checkbox"/>
Q 2:	<p>Sound Management Arrangements</p> <p>Evidence that applicant is a Voluntary or a Community Sector Organisation/ a not-for-profit organisation or group</p> <p>Evidence of compliance with a range of statutory requirements arising from ownership or management of a building</p>	<p>Application demonstrates that the organisation or group is a Voluntary or a Community Sector organisation of a legal entity [through the following supporting documents - governing document, charity commission website or companies house, constitution or business plan]</p>	<input type="checkbox"/>	<input type="checkbox"/>
		<p>a) Governing documents demonstrate that the applicant is a bona fide organisation and not part of the statutory sector or the private sector</p>	<input type="checkbox"/>	<input type="checkbox"/>
		<p>b) Evidence of services providing a community, social, and/or environmental benefit</p>	<input type="checkbox"/>	<input type="checkbox"/>
		<p>c) Application Form demonstrates that the applicant organisation is not for-profit (in that it must reinvest any surpluses to further its social aims / community benefits)</p>	<input type="checkbox"/>	<input type="checkbox"/>

Q3:	Sound Governance Arrangements Evidence of an appropriate governing document, good governance structures and processes including financial details	The application provides the following supporting documents :		
		a. Governing document which allows for the management/ownership of buildings and the provision of services	<input type="checkbox"/>	<input type="checkbox"/>
		b. Business Plan	<input type="checkbox"/>	<input type="checkbox"/>
		c. Funding Strategy	<input type="checkbox"/>	<input type="checkbox"/>
		d. Financial procedures	<input type="checkbox"/>	<input type="checkbox"/>
		e. Bank Statements	<input type="checkbox"/>	<input type="checkbox"/>
		f. Latest accounts or financial statements	<input type="checkbox"/>	<input type="checkbox"/>
		g. Health & Safety Policy or procedures	<input type="checkbox"/>	<input type="checkbox"/>
Q4:	Financial Viability Evidence of financial health to demonstrate that the applicant is able to operate on a viable basis, to pay for premises and maintenance, and demonstrates plans to improve financial sustainability <i>(May need a trained accountant for this part of the process)</i>	Application Form provides evidence of sound financial viability which relate to sustainable funding, and secured finances		
		a) Accounts or independent financial statements demonstrates that the organisation is in 'good financial health', with proven track record of managing sustainable funding through checking reserves, loans, debts and auditors and committees statements	<input type="checkbox"/>	<input type="checkbox"/>
		b) Bank statements or references to evidence ability to fund any rent deposit	<input type="checkbox"/>	<input type="checkbox"/>
		c) Accounts demonstrate a mix of income sources to (could include trusts, government funding, self generated funding, European funding)	<input type="checkbox"/>	<input type="checkbox"/>
Q5:	Equal Opportunities	The application form has provided supporting evidence including		
		a) an Equality of Opportunity Policy	<input type="checkbox"/>	<input type="checkbox"/>
Q6:	Evidence of legal viability, with aims and objectives	Application demonstrates there are no outstanding violation of any Charity Commission or Company law through checks on the Charity Commission website and Company House website.	<input type="checkbox"/>	<input type="checkbox"/>
Decision:		Undertake full assessment <input type="checkbox"/>	Withdraw application <input type="checkbox"/>	

Comments

Date and signed _____

Appendix 3

<p>London Borough of Tower Hamlets</p> <p>Stage 2:Assessment Criteria for Application for Allocation of Council Owned property to Third Sector Organisations</p>
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Criteria	Evidence to consider	Scores (2=fully met; 1=partially met; 0=met)	Officer score and comments
A: Strategic fit to Council priorities - Understanding of the Community Plan 2020 and the Local Area Agreement			
<p>A1: Demonstrates how the services the applicant aims to provide in the premises meets the Council's strategic priorities identified within Tower Hamlets Community Plan 2020 and the Local Area Agreement</p>	<p>Application form</p> <p>Evidences how the proposals make key contributions to delivering the priorities towards of the Community Plan 2020 and the LAA.</p>	<p>Fully met: The application clearly demonstrates how the proposal contributes towards the priorities of the Community Plan and Local Area Agreement.</p> <p>Partially met: Evidence of links to the community plan and / or and Local Area Agreement are less fully identified.</p> <p>Not met: The answer fails to show links to the community plan or Local Area Agreement.</p>	

B: Service Delivery - Evidence that services to be provided from the premises meet unmet need for local people in the area		
<p>B1. Evidence that the proposed services and activities to be delivered from the premises are needed in the area and do not duplicate services in the neighbouring area. Provide a project description, which specifies a clear set of deliverables with measurable outputs and outcomes, and that complements rather than duplicates any existing provision within the area according to evidence of need</p>	<p>Application form and supporting evidence including business plan</p>	<p>Fully met: The application gives a clear description of the services to be provided from the premises applied for, meeting unmet need in the area; with a clear set of deliverables with measurable outputs and outcomes</p> <p>Partially met: Services to be provided duplicate similar services in the area but application demonstrates it meets needs of some residents who do not access similar services in the area.</p> <p>Not met: Services to be provided duplicate similar services in the area and the application fails to demonstrate unmet need.</p>

Criteria	Evidence to consider	Scores (2=fully met; 1=partially met; 0=met)	Officer score and comments
<p>C: Sound management arrangements</p> <p>C1: Evidence of skills, experience, and capacity within the managing body to manage the asset in line with its obligations under the terms of the lease; and deliver appropriate services from the building</p>	<p>Application form demonstrates:</p> <p>a) evidence of capacity within or available to applicant's managing body for effective management of the premises/ building and deliver the services</p> <p>b) checks that the applicant has policies in place to ensure that use of premises does not contravene the Council's Equality and Diversity Policy.</p> <p>c) Application demonstrates that appropriate health & safety and first aid procedures are in place including appropriately qualified staff.</p>	<p>Fully met: Evidence of appropriate skills, experience and capacity to manage property and services.</p> <p>Partially met: Evidence of appropriate skills, experience and capacity but does clearly link to delivering services or managing an asset (arising from maintenance, repairs, office sharing space)</p> <p>Not met: The applicant fails to demonstrate evidence of appropriate skills, experience and capacity to effectively deliver services or the asset</p>	

Criteria	Evidence to consider	Scores (2=fully met; 1=partially met; 0=met)	Officer score and comments
<p>D: Management structure and Accountability and D1: Evidence to demonstrate that the premises will be fully utilised, in line with the Council's Third Sector Strategy.</p>	<p>Willingness to manage shared tenancies to maximise use of premises applied for</p> <p>Does the Application form and supporting statement demonstrate how applicants will make full use of premises and /or are willing to share occupancy, and demonstrate how they will achieve this?</p>	<p>Fully met: Application form demonstrates a willingness to share accommodation when not in use , with other appropriate third sector organisations and demonstrates that the premises will be fully utilised.</p> <p>Partially met: Application provides evidence of willingness to be flexible in the way the applicant intends to use the accommodation, but the submission appears to be less well thought out in considering issues, posing a risk that the premises may not be fully utilised</p> <p>Not met: Application fails to demonstrate willingness to be flexible in the way the accommodation is shared when not fully maximized</p>	
<p>E: Sustainability of Tower Hamlets community</p> <p>E1: Demonstrate how community participation,, community cohesion, equality of opportunity will be strengthened and increased between sections of the community in Tower Hamlets</p>	<p>Application form and supporting documents</p> <p>a) Equal Opportunities policy statement</p>	<p>Fully met: The application gives a clear description of how community participation, community cohesion and equality of opportunity will be strengthened and increased between sections of the community in Tower</p>	

Criteria	Evidence to consider	Scores (2=fully met; 1=partially met; 0=met)	Officer score and comments
	<p>b) Supporting statement - Proposed use of premises contribute to achieving vision of One Tower Hamlets</p> <ul style="list-style-type: none"> - tackling poverty/inequality, strengthening community cohesion, and building community leadership. 	<p>Hamlets.</p> <p>Partially met: The application provides partially describes how community participation, community cohesion and equality of opportunity will be strengthened and increased between sections of the community in Tower Hamlets.</p> <p>Not met: Fails to describe how community participation, community cohesion, equality of opportunity will be strengthened and increased between sections of the community.</p>	