

16th January 2017

Sir Ken Knight
Chief Commissioner
London Borough of Tower Hamlets
Mulberry Place
5 Clove Crescent
London E14 2BG

Dear Commissioners,

We are writing jointly following the cabinet meeting on the 1st November 2016 and the recent issuing of a lease to the Osmani Trust in order to request amendments to the lease that has been issued.

There are two main areas of concern we have in relation to the lease for the Osmani Centre, both of which also have implications for the wider voluntary and community sector. The first is the inclusion of a break clause on the council's side, enabling the council to give 12 months' notice on the lease at any time after the first year; and the second is the refusal to apply the community benefit rent reduction to any lease longer than 5 years.

Break clause

During the recent negotiations of the lease between the council and the Osmani Trust, a Break Clause was inserted at the last minute without discussion that allows the council to give 12 months' notice to the Osmani Trust, at any time after the first 12 months of the lease (from 17th August 2017 onwards):

Clause 44.1 "At any time after 1 August 2017 the Landlord may terminate this Lease by serving a Break Notice on the Tenant at least twelve months before the Break Date."

This clause only operates on the council's side and has the obvious effect of significantly reducing the security of tenure Osmani Trust have in the building.

The break clause was not included in the original lease approved by LBTH Cabinet in 2010 which the Osmani Trust agreed to (notwithstanding the negotiations regarding rental amount) before moving in to the building in 2011. This is despite the council agreeing to finalise the lease on the same basis as the lease that was proposed when the Trust moved in. The inclusion of a completely new break clause means that this lease is now significantly different to the lease and basis under which the Osmani Trust originally agreed to take on the management of the building, and under which they invested significant sums of their own capital into the building.

The Osmani Trust has not been given any indication of why this clause was added, nor under what circumstances the clause might be triggered.

The effect of this is that the Osmani Trust does not have the security of a 25 year lease on the Osmani Centre. In fact, they have very little security of tenure (12 months' notice can now be given at any time). This is likely to cause the Trust difficulties in obtaining funding, both for projects but also it will be particularly unlikely that they will be able to obtain any funding for any future capital investment in the property.

Furthermore, the clause provides a disincentive for the Trust to spend money on capital works. The organisation is unlikely to invest in a new roof, or a new boiler, for example, if they may be issued with notice to leave the building at any time.

In the normal course of a lease negotiation, the Osmani Trust would not have signed the lease on the Osmani Centre until this clause was removed. However the Trust was told that they would not receive their outstanding MSG funding payments until the lease was signed (although they were still expected to deliver MSG activities, and be monitored for them). The Trust were also informed that unless they signed the lease by the 24th August their entire MSG funding programme would be stopped and that the Council would commence recovery proceedings for the Osmani Centre. In the circumstances the Trust felt they had no choice but to sign the lease, despite being 'forced' to accept a new unfair clause that contradicts the objective of security that a long term lease is designed to provide.

We are therefore asking that this clause of the lease be removed in its entirety.

Community benefit

The second issue on which we are writing is relating to community benefit, and the exclusion of organisations with leases of longer than 3 - 5 years from the community benefit rent offset mechanism.

The cabinet paper excluded organisations with longer leases because:

- The value of the rent reduction would be likely to be substantial over the lease period and may therefore require the consent of the Secretary of State;
- The benefit of the longer lease will allow the organisation to generate income to cover the rental costs

The community benefit working group suggested that in order to avoid the possibility of the rent reduction being so great in value that permission would be needed from the Secretary of State, a compromise would be not to apply the community benefit reduction for the life of the lease, but for a period of 3 - 5 years, that could then be reviewed. This would also have the benefit that it is not asking the council to enter

into any long term financial agreement. Furthermore, based on the current yearly rental value even if community benefit reduction were to be applied for the remainder of the lease, the total value of reductions would not pass above the threshold after which permission is required from the Secretary of State.

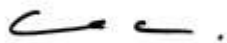
The community benefit working group also recognised that whilst the longer leases does give an organisation some additional ability to lever in additional funds, this does not necessarily equal the significant additional costs organisations with longer leases have in being responsible for all external repairs and maintenance (in addition to internal repairs and maintenance responsibilities that organisations with shorter leases have).

We are therefore asking that organisations with longer leases be able to apply for the community benefit offset reduction, for a period of 3 - 5 years at a time, with a review at the end of that period.

We've also noted that the paper to cabinet has excluded organisations with leases shorter than 3 years from the community benefit rent reduction. It is unclear why they have been excluded and we would also ask that the rent offset be open to them.

Thank you for your time in considering our letter,

Yours sincerely,



Gemma Cossins
Interim CEO
THCVS



Shafiur Rahman
Executive Director
Osmani Trust



osmaniTRUST

Cc Mayor, John Biggs
Cllr Saunders
Cllr Edgar
Zena Cooke
Steve Hill
Ann Sutcliffe
Richard Chilcott