

13th February 2017

Mayor John Biggs
London Borough of Tower Hamlets
Mulberry Place
5 Clove Crescent
London E14 2BG

CC: Will Tuckley, Ann Sutcliffe, Zena Cooke, Steve Hill, Cllr Saunders, Cllr Edgar, Cllr Pierce.

Dear Mayor Biggs,

We are writing to you in response to the most recent MSG Project Performance Report, which notes that four of the organisations that were discussed at the last Grants Determination meeting are now classified as red rated because of premises related issues. Given that these organisations are now mostly in the process of negotiating new leases with the council, I would also like to highlight some wider concerns by other, non-MSG funded organisations (all based in council owned premises that aren't on the 'community buildings list') that have arisen recently. I consider it appropriate to write to you now on this topic because of your unique ability to address what appear to be conflicting priorities in different directorates of the council. I describe below the issues and at the end of this letter set out a proposed three point action plan for addressing them.

Since the last Grants Determination meeting on January 17th, a number of organisations, MSG funded and otherwise, have contacted THCVS to ask for help and to express their concerns about new arrangements being imposed on them by the council's property team. Each situation is of course different, but some common issues have emerged:

- A disparity between VCS organisations creating a sense of an uneven playing field, with some discussions focussing on market rent and some on community rent. The reason given for the focus on market rent, rather than the £14.50/sq ft community rent agreed last year at Cabinet, has been that some VCS organisations are renting space in council-owned buildings which are not 'community buildings', i.e they do not appear on the community buildings list that went to cabinet in November 2015.

However, as I raised in my letter of Jan 17th, throughout last year's Community Buildings review voluntary sector representatives at the premises forum repeatedly highlighted that the key factor at play was the actual or potential usage of the buildings rather than their designation. We had been led to believe that this principle had been taken on board, and at that time were told that officers were just "dealing with community buildings first".

- Pressure on organisations to sign leases with very little time for discussion or negotiation. Organisations need time to prepare, especially if they need to access legal advice on lease conditions and consider their options at board level. This is especially true for organisations that have not previously been aware there would be issues around their lease arrangements.
- Little or no reference to the community benefit offset; the mechanism for rent reduction that was also discussed by the premises forum, working group and Cabinet last year. Scope for the application of this offset has not been mentioned in leases, and there has been no information about when the community benefit assessment process will be set up or from what point when the discount might apply.

This lack of information about the offset means that organisations currently feeling under pressure to sign leases quickly are therefore unable to predict with any sort of certainty what the real costs of occupying their premises will be; i.e. whether the rental figure is fixed, or, if a discount might apply, whether it will be backdated to the start of the lease. There is a big difference between committing to a lease for 100% of the rental value and one for 20% of the rental value.

- Substantial and unexpected increases in rent, threatening the viability of local VCS organisations. One organisation, Real, based at Jack Dash House, has recently been asked to accept a rent increase of approximately 1700% (from £8,000 to £136,000 per annum) commencing in April this year. An increase of this scale will seriously threaten their ability to deliver services to local people and threatens their viability as an organisation altogether. Organisations need time to prepare, plan and change their business and operating model if they are to cope with such large rents.

We understand that the council is keen to enter into 'appropriate property agreements' with all voluntary organisations occupying council premises, and agree that such arrangements have the potential to bring much needed stability to the voluntary sector at a time of increasing need and uncertainty. However, we question why what constitutes an 'appropriate arrangement' appears already to be varying so widely across the borough.

We also believe that further consideration needs to be given to transitional arrangements for organisations that have built their current operating model based on an expectation of continuing current arrangements, but now find those operating models unworkable because of the changes being imposed very quickly.

The vision outlined in the council's Voluntary Sector Strategy is for 'an independent and sustainable voluntary and community sector, taking a place based, collaborative approach to working with the council and partners to meet the needs of local people'. Access to affordable, accessible sustainable premises will be key to the success of this vision, and the council's immediate objective of regularising lease arrangements should not come at the

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expense of its commitment to sustainability, co-production and open and transparent working.

We therefore request that you:

1. Allow all voluntary and community sector organisations in council owned premises the chance to negotiate a lease at the community rent (effectively market rent for D1 usage, £14.50 per sq/ft) with, where appropriate, the possibility of the 80% community benefit offset, rather than only allowing those in buildings that have historically been part of the 'community estate' to access this opportunity.
2. Allow reasonable time for new arrangements to be agreed and negotiations to take place, allowing for staged increases as appropriate, and in particular where an offset is not applicable.
3. Continue to work with the voluntary sector through the premises forum and other appropriate mechanisms, bringing Asset Management and the Third Sector team together with colleagues from local organisations in order to better co-produce the processes, policies and systems that will make the new Community Buildings Strategy a success for Tower Hamlets.

Thank you for taking the time to consider this letter.

Sincerely,



Gemma Cossins,
Interim CEO