

Committee/Meeting: Cabinet	Date: 6 October 2010	Classification: Unrestricted	Report No:
Report of: Corporate Director Development and Renewal Originating officer(s) Andy Algar Service Head, Asset Management		Title: Stifford Community Centre – proposed new lease to facilitate redevelopment Wards Affected: St Dunstons and Stepney Green	

Lead Member	Cllr Edgar, Resources
Community Plan Theme	One Tower Hamlets
Strategic Priority	Work efficiently and effectively as one Council.

1. **SUMMARY**

- 1.1 This report details proposals to grant a long lease to the Stifford Estate – Tinsley, Jamaica, Redmans and Stepney Green Tenants and Residents Association (“the Stifford Centre”) to facilitate the redevelopment of their existing site. The report recommends that a new lease be approved, subject to a number of conditions being met.

2. **DECISIONS REQUIRED**

Cabinet is recommended to:-

- 2.1 Approve, in principle, the grant of a lease of up to 99 years to Stifford Estate – Tinsley, Jamaica, Redmans and Stepney Green Tenants and Residents Association.
- 2.2 To authorise the Corporate Director, Development and Renewal, to finalise the detailed lease terms. Any such terms to be on a commercial basis and at market value at the time of sale.
- 2.3 To note the preconditions that the Stifford Centre will need to comply with prior to any lease being granted, namely that capital funding is in place, a clear delivery plan agreed, that they can demonstrate long-term viability and the lease to be completed within six months of a Cabinet decision.
- 2.4 Note the requirement for the Stifford Centre to be decanted for the construction period and instruct the Corporate Director, Development and

Renewal to support them in finding temporary accommodation with any short-term letting being at market value and on commercial terms.

3. REASONS FOR THE DECISIONS

- 3.1 The proposal from the Stifford Centre would facilitate the creation of new community facilities (using external funding) enabling them to expand the range of services they offer. The proposal will also generate a capital receipt for the Housing Revenue Account which will be available for reinvestment.

4. ALTERNATIVE OPTIONS

- 4.1 The Stifford Centre would be unable to secure external funding without a longer lease. The alternative would therefore be to maintain the status quo.

5. BACKGROUND

- 5.1 The Stifford Centre was established around ten years ago and provides a broad range of programmes and projects to local people. A full list of their current programme is attached as Appendix 1.

- 5.2 The Centre operates from converted shop premises at 2-6 Cressy Place, and they have extended the premises. A plan of the site (edged black) is attached as appendix 2.

- 5.3 The Centre has ambitious redevelopment proposals and obtained planning permission for a new, four storey community centre that would enable it to provide a broader range of services from much improved premises.

6. BODY OF REPORT

- 6.1 The Centre has estimated the total construction costs to be a minimum of £3.7m (this figure could be higher dependent on the final specification of the building). An external valuation report has been commissioned and market value will be confirmed at the meeting.

- 6.2 The Centre has secured a combination of grant and loan funding of c. £2.0m from The Social Investment Business and needs to raise minimum of £2.0m to make the scheme a viable proposition. (The level of funding could be higher if a higher specification is required by the Centre). The Centre has employed fund raising consultants to approach other funders and will also be exploring whether there is scope to access s.106 monies. At present, it appears the scope for accessing s.106 monies is extremely limited and there is therefore a significant shortfall and the Centre will need to develop plans to address this.

- 6.3 The Centre is funded to provide a number of services to the Council (detailed in appendix 1) and the funding departments have expressed strong

support for the Centre and this proposal. This is a crucial issue in terms of justifying the grant of any longer lease.

- 6.4 The Centre has approached the Council requesting it be granted a longer lease in order to gain access to external funding. In this case, a lease of 99 years will meet the principal funder's requirement and this is considered reasonable.
- 6.5 The land is held within the Housing Revenue Account. For financial and legal reasons the Council has no discretion to sell the land at less than market value (as the vast majority of the Centre's activities are non-Housing). A formal, external valuation has been commissioned to ensure that the Housing Revenue Account's financial position is protected.
- 6.6 In order to provide continuity of service, the Centre has asked for the Council to explore whether they could relocate to other Council premises for the period of the construction. It is felt this request is reasonable in principle.
- 6.7 There are a number of important preconditions that would need to be met before any lease could be granted, principally
- The Centre providing evidence that all capital funding is in place.
 - The Council being satisfied that the organisation remains viable in the longer term (i.e. they will need a new business plan that reflects their broader operations and the changing financial climate). This will need to be verified by the Council's Finance Team and its principal funders.
 - A clear timescale and delivery plan for the construction being agreed with the Council.
- 6.8 In order to access funding the Centre needs an "in principle" decision from the Council. It is therefore proposed that the principle be agreed at this stage and that finalising detailed lease terms be delegated to the Corporate Director of Development and Renewal. It is suggested that the Council's "offer" is time limited so in the event of the preconditions not being met within, say, six months this current "offer" will expire.

7. COMMENTS OF THE THIRD SECTOR AND EXTERNAL FUNDING MANAGER

- 7.1 The Funding and Development Team currently provide 2 project funding awards to Stifford through our Corporate Match Funding (CMF) and Mainstream Grants (MSG) programmes.
- 7.2 The CMF project is entitled Health Trainers Initiative and has been awarded £20,000 a year over the last 3 years. The project recruits trains and mentors local residents to undertake the role of health trainers within the local community and is match funded by £200,000 being received from NHS Tower Hamlets.

- 7.3 The MSG project is entitled Gain From Volunteering and was awarded £28,000 a year for 3 years (commencing 2009/10) and is match funded by £66,000 per year from other sources.
- 7.4 In addition to these Stifford Centre is a sub contractor to the Working Communities WNF project and will receive up to £98,438 by 30 September 2010.
- 7.5 All of the above projects have been regularly monitored against contracted output and outcome targets and the organisation has met its obligations.
- 7.6 In the context of the above projects, Stifford has consistently demonstrated its ability to manage effectively, deliver results and adequately demonstrate and evidence its achievements.

8. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 8.1 This report seeks 'in-principle' approval to grant a 99 year lease on the Stifford Centre to the 'Stifford Estate – Tinsley, Jamaica, Redmans and Stepney Green Tenants and Residents Association'.
- 8.2 The granting of a lease at market value will generate a capital receipt for the Authority. (At the time of writing these comments the value of the capital receipt was not available, however Members will be provided with the valuation figures at the meeting (see paragraph 6.5)). This receipt will be subject to the Housing Revenue Account Capital Pooling Arrangements with 50% liable for pooling. However the capital receipt may be retained in full by the Council for use for provision of affordable housing or for regeneration.
- 8.3 The organisation is seeking 'in-principle' approval to acquire the lease in order to assist it in accessing additional funding elsewhere. The Association has secured funding of £2.0 million from the Social Investment Business, but needs to raise an additional £2.0 million to make the scheme viable (see paragraph 6.2). It is likely that Section 106 resources will be sought from the Authority, however these resources are extremely limited and any bid must be assessed in accordance with the Council's established policies.
- 8.4 The operations of the organisation are currently funded from a variety of income streams (as shown in Appendix 1). Many of these are local authority commissioned activities and the views of the Council departments (paragraph 6.3) and the Third Sector and External Funding Manager (section 7) should be borne in mind. However many of these funding sources are one-off grants or service level agreements for a fixed, limited period of time, and therefore there is no guarantee that these will be generated or be available in the future, particularly in the current economic climate.
- 8.5 The report outlines a number of conditions that must be met before any lease can be granted (see paragraph 6.7). These relate to the securing of capital resources and the on-going viability of the organisation. The

establishment of these requirements is supported to mitigate the risk of the project not being delivered.

- 8.6 The organisation has requested (paragraph 6.6) that to ensure continuity of service, the possibility of relocating to other Council premises during the construction period is explored. The financial implications of any proposal must be considered and agreed before any definitive temporary occupancy agreement is entered into with the organisation.

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

- 9.1 The report proposes disposal of a leasehold interest in land to the Stifford Centre.
- 9.2 The land is held within the housing revenue account and identified in Appendix 2. Section 12 of the Housing Act 1985 permits a local authority with the consent of the Secretary of State to provide and maintain in connection with housing accommodation other buildings or land which in the opinion of the Secretary of State will serve a beneficial purpose in connection with the requirements of the persons for whom the housing accommodation is provided. It is understood that the land in question is held by the Council pursuant to this power.
- 9.3 Section 32 of the Housing Act 1985 empowers a local authority to dispose of land held for housing purposes with the consent of the Secretary of State. That consent is given in The General Housing Consents 2005, Consent E, by which a local authority may dispose of land held for housing purposes for the best consideration that can reasonably be obtained. In the circumstances outlined in the report, the proposed disposal appears to be within the Council's powers.

10. ONE TOWER HAMLETS CONSIDERATIONS

- 10.1 The Centre provides a broad range of services to all sections of the community, details of which are contained in Appendix 1. This proposal will enhance their scope to increase services and this is considered to be consistent with the Council's equalities duties.

11. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 11.1 The proposed building will be built to high sustainability standards. The Centre proposes to incorporate solar power and a "green roof" as part of the design.

12. RISK MANAGEMENT IMPLICATIONS

- 12.1 The proposal is structured so that the Council will not grant a lease until the Centre has all its funding in place and has a long-term, viable business plan. The lease will contain clear timescales for construction to ensure the development is completed.
- 12.2 The most significant risk at present (but which sits with the Centre, not the Council) is obtaining capital funding in the current climate.

13. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 13.1 There are no crime and disorder reduction implications arising from the proposed disposal.

14. EFFICIENCY STATEMENT

- 14.1 The Council will receive a capital receipt from the sale of the land. Other than this, there are no efficiency implications.

15. APPENDICES

Appendix 1 – List of Stifford Centre’s projects and funders
Appendix 2 – Site plan

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

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
None	N/A