

Committee Cabinet	Date 5th December 07	Classification Unrestricted	Report No.	Agenda Item No
Report of: Corporate Director – Development & Renewal		Title: Whitechapel Centre		
Originating Officer(s): Chris Holme, Service Head Resources		Wards Affected: Whitechapel		

1. SUMMARY

- 1.1 The Council agreed in February 2004 to the transfer of the Whitechapel Centre to a Tower Hamlets Community Trust. This report updates Cabinet on the progress with regard to the transfer and outlines the current condition of the building.
- 1.2 The report also details the financial and other implications of such an asset transfer and proposes a way forward following an application for grant funding from the Government's Community Assets Programme, of which Tower Hamlets is a designated pilot authority.

2. RECOMMENDATIONS

That Cabinet: -

- 2.1 Note the current position in respect of the Whitechapel Centre and the estimated cost of essential remedial works as outlined in paragraph 4.2.
- 2.2 Note the application for grant funding from the Big Lottery's Community Assets Programme (paragraphs 4.3 to 4.8) and the likely residual capital costs associated with this application to bring the building up to a suitable standard to facilitate transfer of the asset to a third sector organisation.
- 2.3 Incorporate the projected £1.44million Whitechapel Centre refurbishment scheme into the Council's capital programme to enable adoption of a capital estimate should the Community Assets Fund application be successful and residual funding identified, as set out in paragraphs 5.3 to 5.5 of the report.

- 2.4 Agree to the transfer of the Whitechapel Centre on a long leasehold to the Whitechapel Community Trust, at nil consideration, subject to a successful award of £1million from the Community Assets Fund and delivery of the refurbishment scheme.
- 2.5 Agree that a further report be submitted for Cabinet consideration in April 2008 to comprise a progress update and if appropriate an outline contingency proposals in the eventuality that a bid grant support from the Community Assets Fund is unsuccessful.

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

Brief description of “Background paper”

**Name and telephone number
of holder and address where open
to inspection - Chris Holme x 4987**

CAB(183/034)-Bromley by Bow/ Cityside Single Regeneration Budget Programmes Exit Arrangements –
Feb 2004

3. BACKGROUND

- 3.1 The Whitechapel Centre is a former Victorian school building in Myrdle Street E1. It is a grade II listed building with three main floors (plus basement) situated in the close vicinity of Commercial Road, and currently provides accommodation for a range of community activities and business workspace.
- 3.2 The Centre was sold to Cityside Regeneration Ltd in 2002, who purchased the property through Single Regeneration Budget monies. London Borough of Tower Hamlets was accountable body for the Cityside SRB5 (Connecting Communities) programme.
- 3.3 Cityside Regeneration undertook works, funded through SRB, Neighbourhood Renewal Fund and European monies to convert the property into a mixture of workspace areas and community space. The intention of the workspace was for use by locally based start-up companies. In total some £1.35m was spent procuring and developing the site.
- 3.4 The works have enabled the setting up of a facility for joint commercial and community usage, occupied by business and third sector tenants. The gross internal area is approximately 2100 square metres. There are now a total of 20 lettable units, comprising some 750 square metres of net space. There are also large common areas on the ground and first floors, which are used for meeting and exhibition/ gallery areas. There is also a temporary out-building used for local youth provision.
- 3.5 As part of the wind-up of Cityside Regeneration in 2004, the freehold of the Whitechapel Centre reverted to London Borough of Tower Hamlets. The Council agreed in February 2004 that the Centre should be transferred to a new community interest company, which was the intention when Cityside purchased the property, so that the community aims of the SRB funded initiative would be sustained.
- 3.6 The freehold of the property includes a covenant from the London Development Agency (as funders of the original Cityside purchase), that there be an intention to dispose of a long leasehold interest in the Centre to a charitable company, and that it continue to be used for the purposes of the SRB approval. Failure to comply with the intention of the covenant is likely to result in claw-back of the SRB £1million investment.

- 3.7 The building is currently managed by Spitalfields Small Business Association on behalf of the Council.

4. CURRENT POSITION

- 4.1 Since transfer back to the Council officers have engaged with representatives of the Whitechapel Community Trust to effect the Cabinet decision and LDA covenant. The Trust is a group of local stakeholders who aim to develop the potential of the Centre.
- 4.2 An initial condition survey of the building was undertaken in early 2007, and concluded that although the building was in good overall condition, it required significant expenditure on repairs and maintenance. The works included health and safety improvement works, Disability Discrimination Act minimum standard compliance, roof covering and window replacements, brickwork repairs, overhaul of external pipes, refurbishment of toilets and redecorations. A subsequent condition report has ascertained that the cost of essential backlog repairs is estimated to be £700,000.
- 4.3 Following negotiations with representatives of the Whitechapel Community Trust, it was determined that a joint partnership bid be prepared for funding from the Government's Community Assets Fund, run by the Office of the Third Sector and the Big Lottery. The Community Assets Programme offers grants for the refurbishment of local authority buildings, enabling their transfer to third sector ownership for the use by the local community. The Council has been designated one of 20 pilot authorities for this Government initiative, and all applications for grant support had to be submitted by mid November 2007.
- 4.4 Local authorities are only allowed to submit up to two applications from the Community Assets Fund and there are strict criteria which have to be met in order for an application to be considered. The bid needs to demonstrate that;
- The asset identified for transfer from the local authority to a third sector partner is the most appropriate for the needs of the third sector and the wider community
 - The asset is genuine and will offer real opportunities for successful and independent third sector organisations to become more sustainable in the long term
 - The asset will be made fully available for use by a range of local groups, especially those working with disadvantaged communities
 - The refurbishment of the asset is planned to reflect the priorities of all the groups and communities who will use it

- The asset is environmentally sustainable: refurbishment plans should consider energy efficiency as a priority.
- 4.5 The application must also demonstrate that the partner organisation has greater security and is in a better position to deliver its community aims and objectives as a result of the transfer of the asset. This is important given the current status of the Whitechapel Community Trust, as a new organisation with limited resources, and the expenditure required to bring the building to a state where it is in reasonable condition and can be transferred as a genuine asset rather than a potential liability.
- 4.6 As part of any partnership agreement that must accompany an application for Community Asset Funding there must be a clear statement of intent to transfer the asset to the partner organisation. Failure to do so would inevitably lead to claw-back from the Big Lottery. The proposal is to transfer the asset on a long leasehold to the new Trust at nil consideration.
- 4.7 To facilitate the development of Community Assets Programme application, officers have worked in conjunction with the Whitechapel Community Trust to develop a robust business plan for the centre which clearly demonstrates how the Whitechapel Community Trust will manage the building, what it will be used for and how it addresses local needs, and how cross subsidy from rents and other commercial operations will support the community vision and management and maintenance of the facility.
- 4.8 The proposed new Whitechapel Centre aims to work with local partner agencies in the youth, enterprise and employment sectors, offering a coordinated suite of community activities which build on and improve its current community and business usage. These would include;
- Enterprise support programmes supporting growth of local businesses, particularly start-ups, young businesses, women's and social enterprises,
 - Youth work with an emphasis on youth enterprise and employment,
 - A community hub to help tackle worklessness by providing community based information, advice and guidance, building on the successful pilot work developed by the Tower Hamlets Partnership and now seen as a key way forward by the LDA,
 - Improved social facilities to increase more general community activities to increase social capital.

5. OPTIONS APPRAISAL

- 5.1 In addition to its current condition, the configuration of the Centre is a major impediment to long term sustainability. There is not an appropriate balance of commercial (workspace) area and community areas, and those community areas are not appropriately designed to deliver key activities. Officers' assessment is that the Centre would struggle to break-even given the limited rental income generated, costs and associated risks of maintaining the facility.
- 5.2 Reconfiguration of the building would create additional workspace and useable community space which should enable the delivery of an asset capable of generating income to cross-subsidize a range of community activities. In addition the Whitechapel is in a prime position to benefit from key services that could be commissioned from mainstream and external funding, and located at the Centre.
- 5.3 Officers have worked with the Trust to develop a refurbishment proposal that will deliver a 34% increase in useable floor space, including 190 square metres of additional workspace and 56 square metres of additional community meeting/ training space. The estimated cost of the works is £1.44million, and would incorporate the following key elements
- All key backlog maintenance and DDA requirements, including a lift to improve access to all floors
 - Conversion of an open area into two tiers of offices, with a new floor structure increasing space available on the 2nd floor mezzanine
 - Make open areas more self contained to provide more flexible meeting/ training/ community space
 - Separate access areas for ground floor workspace
 - Improved reception and security facilities
 - A range of sustainability measures.
- 5.4 The enhanced works will provide high quality, affordable accommodation capable of delivering a sustainable Whitechapel Centre, and meeting the Government's aim of community ownership of certain assets. A successful Community Assets Programme bid will fund up to £1million. The balance would need to be secured from Council and other external funding sources. Officers are currently assessing potential external funding sources, including European Regional Development Fund and Heritage Lottery Fund. Officers' current working assumption is a capital cost to the Council of some £300,000.

- 5.5 Authority is sought to incorporate the Whitechapel Centre refurbishment scheme into the Council's capital programme.
- 5.6 The capital costs would be incurred over the 2 financial years 2008/9 and 2009/10. During this period the Trust would be provided with a licence to manage the building, and capacity building of the organisation undertaken to nurture the appropriate skills for ownership of such a complex asset.
- 5.7 The expenditure needs to be seen in the context of the current backlog maintenance requirements of the Centre, as outlined in paragraph 4.2 above. The £700,000 of remedial works would render the building fit for purpose, but would not deliver a long-term sustainable facility to transfer to a local community trust – and failure to do so would risk claw-back of £1million SRB monies. The LDA have made it clear that they will only consent to disposal of a fit for purpose facility capable of delivering a sustainable asset to a new community trust.
- 5.8 In addition to the capital costs set out above, a decision to transfer the property on the basis of a long leasehold (125 years) at nil consideration means there would be an opportunity cost arising from the loss of a capital receipt on disposal.
- 5.9 The value assigned to that disposal would be dependent on usage, and unless undertaken in accordance with the LDA covenant would incur claw-back of over £1million. It would also mean the potential loss of a key business and community centre, and its potential to provide an integrated local hub. However market disposal would most likely generate a significant net capital receipt, mitigating any claw-back.
- 5.10 Should the Council be unsuccessful in securing primary funding through the Community Assets Fund, then a decision needs to be taken as to the future options for the Centre. Officers are currently assessing alternative courses of action in light of further work, and will present a further report in April following determination of the Community Assets Programme applications by the Big Lottery.

6. RISK MANAGEMENT IMPLICATIONS

6.1 Project cost overruns.

- 6.1.1 Rigorous project management arrangements will be required to mitigate risks of project and cost overruns relating to the main capital and maintenance works. The Council will lead on the

contract procurement and project management processes prior to transfer to a third party.

6.2 Failure to secure funding from Community Assets Fund

- 6.2.1 The Council will have to seek alternative sources of funding to undertake required works, which is projected to be a minimum of £700,000, otherwise an alternative sought for disposal of the site. This would, unless meeting the original aims and objectives of the SRB scheme, have a very high risk of claw-back of SRB and other public funds originally secured.

6.3 Revenue trading position

- 6.3.1 The council has worked with representatives of the trust to deliver a robust business plan for management of the facility. However effective cost and income management will be required to ensure sustainability.

6.4 Pilot project failure

- 6.4.1 Arrangements will be put in place to ensure that in the eventuality of the Whitechapel Community Trust becoming insolvent that, as far as possible, the financial interests of the Council are protected. This will require appropriate covenants within the lease.

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

- 7.1 Pursuant to Section 2 Local Government Act 2000 the Council has power to do anything which it considers likely to achieve the promotion or improvement of the economic, social or environmental well-being of the area. This can include the incurring of expenditure and giving financial assistance to any person. The proposals are shaped with the improvement of social well-being in mind and fulfil the statutory criterion.

8. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 8.1 The report sets out progress to date in effecting a successful transfer of the Whitechapel Centre as determined by Cabinet in 2004, and sets out the cost of providing a suitable property for such a transfer in accordance with the principles of the Quirk Review on community management and ownership of public assets. It highlights the financial implications both to the Council and the Whitechapel Community Trust. It is clearly not feasible to transfer the asset in its current state.

- 8.2 The Community Assets Programme provides an opportunity for significant capital investment, not just to tackle current disrepair but also address the weakness in the building's current configuration that adversely impacts upon its long-term financial viability. However there is likely to be a net cost to the Council, and officers current projection is that, if the application is successful, this will be some £300,000 over the next 2 financial years. Members are advised that resources available for capital investment are extremely limited, and will require clear prioritization. With this in mind officers propose to present a further report next April identifying funding options.
- 8.3 Unless Members are minded to dispose of the property then it does require a minimum £700,000 investment in compliance and maintenance works. Disposal would generate a useable capital receipt for investment elsewhere in the Council's asset portfolio; however this would be partially offset by repayment of significant claw-back.
- 8.4 Members should be aware that this report is seeking approval to include the refurbishment of the Whitechapel Centre within the Council's capital programme. This does not represent an approval to spend. Capital expenditure can only be incurred after Members have approved a capital estimate. A capital estimate will only be sought once the outcome of the bid to the Big Lottery's Community Assets Programme is announced, and other possible resources have been identified.

9. EQUAL OPPORTUNITIES IMPLICATIONS AND ANTI-POVERTY IMPLICATIONS

- 9.1 The project is a BME community-led partnership between the community, voluntary sector providers and the local authority. Members of the local community have played a very active role in developing these proposals, and the clear aims of the new Whitechapel Centre focus on developing a lively hub that links business and the community in growth and prosperity. Fundamental to this is the offer to increase the range of community groups using the Centre and the development of new partnerships to reach the widest range of users. To facilitate this the proposed capital works address key accessibility issues.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 10.1 Any bids for Community Assets funding must have a strong emphasis on environmental sustainability, including consideration of energy efficiency and utilization of environmentally sustainable materials and construction practices. This will increase the overall capital development costs, but should deliver longer term revenue savings in addition to environmental benefits.