

# Tower Hamlets Overview and Scrutiny Committee

## **Scrutiny Challenge Session - Premises Charges and Community Benefit Rent Reduction Scheme**



February 2020

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# 1. Chair's Foreword

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I am proud to present this report which explores the impact that the introduction of premises charges has had on the community organisations in Tower Hamlets and the effectiveness of the community benefit rent reduction scheme in mitigating this impact.

We have a thriving Voluntary and Community Sector (VCS) in Tower Hamlets and it is crucial to the economic and social life of the borough through providing employment, key services and community spaces. The council needs to ensure that it builds the capacity of local VCS organisations to ensure that they can continue to drive outcomes for local residents to make a positive impact in their lives.

During the challenge session we heard the views of various organisations and learnt the impact that the introduction of premises charges has had on these organisations. The session identified several key areas where the council can make changes to improve an organisation's ability to operate and provide services to our residents. It also identified actions that could be undertaken to improve transparency around community buildings in the borough and ultimately raise the council's recognition of the value these buildings have to VCS organisations and residents in its policies relating to premises.

Tower Hamlets is a borough of contrasts. As with any inner city area, we face issues including crime pollution with a transient and changing community. This means that the needs of our residents are diverse and the council must ensure that we ensure our partners in the voluntary and community sector are empowered to thrive and support the needs of everyone living, working and visiting Tower Hamlets.

It is my hope that the outcome of this session and recommendations made will influence change and inform the on-going review of this area to highlight the sectors unique and powerful role within the fabric of our community in Tower Hamlets.

I would like to thank the community organisations and council partners who contributed to this scrutiny challenge session. Whether it was participating at the challenge session or providing additional evidence afterwards, your time and effort is appreciated. I would also like to acknowledge council officers and elected members for their contribution and input into the session which will ultimately work to improve the lives of our residents in Tower Hamlets.

**Councillor Tarik Khan**  
**Scrutiny Lead for Resources & Finance (2019-20)**

## 2. Recommendations

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<b>Recommendation 1</b>	That the council amends the community benefit rent reduction scheme to recognise the value nurseries/playgroups, faith groups and Tenants and Residents Associations bring to the community.
<b>Recommendation 2</b>	That the council develop a vision and strategy around community buildings that recognises the value these premises brings to residents and VCS organisations alike.
<b>Recommendation 3</b>	That the council uses its website and other communication channels to set out information around its community buildings including availability, location and how they can be accessed by VCS organisations.
<b>Recommendation 4</b>	That the council monitors the use of premises leased to VCS organisations to ensure they're being used within the terms of the lease and/or funding agreement.
<b>Recommendation 5</b>	That the council works with partners to provide capacity building to VCS organisations on matters relating to facilities management of premises.
<b>Recommendation 6</b>	That the council develops a vision and strategy for community hubs to enable VCS organisations to take a lead role in managing and facilitating affordable access to these premises.

### **3. Introduction & Local Context**

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- 3.1 The council has a limited number of buildings which it leases to Voluntary and Community Sector (VCS) organisations. Most are buildings that have a planning designation D1, which means they can be used for community activity and are described as community buildings.
- 3.2 In November 2016, after a review of its community buildings and consultation with the voluntary and community sector, the Mayor in Cabinet agreed arrangements to ensure all VCS organisations which occupy its buildings have a lease or hiring agreement and are charged an appropriate rent. This was to ensure that the council's approach to the leasing of buildings was consistent and fair.
- 3.3 Alongside this review, Cabinet also agreed a scheme to reduce the rent payable for organisations who meet specific criteria relating to the community benefit of their activities and their organisational governance and management, the Community Benefit Rent Reduction Scheme (CBRR). These new arrangements only affected organisations in buildings in the council's community premises portfolio but were later extended to all VCS organisations occupying council premises, including premises that may have planning use other than D1.
- 3.4 CBRR affords eligible organisations a subsidy of up to 80% of their market rent where the lease is for three to five years. VCS organisations seeking CBRR must be able to demonstrate the following attributes:
- Community led (governance arrangements must demonstrate that it has strong links with the local community and that members of the community are able to influence its operation and decision making processes;
  - Appropriately constituted and capable of demonstrating good governance through open and accountable processes, with adequate monitoring, evaluation and financial management systems;
  - Capable of sustainably, legally, and safely managing an asset and delivering services from it.
  - Capable of demonstrating the social, economic, and environmental benefits they deliver through their activities and that these clearly link to the council's own desired outcome for the borough as expressed in the Community Plan.
  - Able to demonstrate how they will embrace diversity, work to improve community cohesion and reduce inequalities.
  - Willing to offer space and support to other smaller local groups
  - Demonstrate how the organisation contributes to the Voluntary and Community Sector Strategy Action Plan.
  - Agree to the principles of the Tower Hamlets Compact.

- 3.5 The scrutiny challenge session aimed to assess the effectiveness of the scheme in mitigating any potential impacts on VCS organisations following the introduction of premises charges, and whether the scheme goes far enough to ensure a thriving voluntary and community sector in Tower Hamlets.
- 3.6 The challenge session identified a number of issues resulting from the introduction of premises charges and makes 6 recommendations related to the community benefit rent reduction scheme and related matters impacting on VCS organisations in Tower Hamlets.

### **Session Approach**

- 3.7 The session was chaired by Councillor Tarik Khan, Scrutiny lead for Resources and Finance. The session was supported by Katy McGinity, Strategy & Policy Officer. It took place in November 2019 and consisted of three parts which included hearing evidence from council officers, partners and community organisations.
- 3.8 During the session Councillors heard from various community organisations and identified areas where the council can improve the approach to community buildings in order to adequately recognise their value to VCS organisations and residents and in turn the contribution VCS organisations make to Tower Hamlets.
- 3.9 In addition to the six recommendations made in this report, the outcomes of the session will also inform the community premises review currently being undertaken by the council. This review will include but is not limited to the following items:
- 3.9.1 Policy considerations and rationale relating to premises;
  - 3.9.2 Implementation of new leases and community benefit rent reduction scheme;
  - 3.9.3 Lessons learnt and potential changes;
  - 3.9.4 Quality assurance;
  - 3.9.5 Exclusions; and
  - 3.9.6 Financial implications.
- 3.10 The ability to inform the council's community premises review is a significant opportunity to influence its outcome and promote an improved way of working with VCS organisations supported by robust policy that recognises the value these organisations bring to the borough.

### *Elected members*

<b>Councillor Tarik Khan</b> , Scrutiny Lead for Resources & Finance
<b>Councillor Bex White</b> , Scrutiny Lead for Community Safety & Environment
<b>Councillor Shad Chowdhury</b> , Member for Spitalfields & Banglatown
<b>Councillor Candida Ronald</b> , Cabinet Member for Resources and the Voluntary Sector

*Council Partners*

<b>Hanif Osmani</b> , Assistant Director, Community Development & Wellbeing, Poplar Harca
<b>Peter Vittles</b> , Tower Hamlets Council for Voluntary Service

*Community Organisations*

<b>Kate Gould</b> , Scallywags Parent Partnership Nursery
<b>Joycelyn Hayford</b> , Black Women's Health & Family Support
<b>Phil Sedler</b> , Collingwood Tenants & Residents Association
<b>Matt Cassini</b> , Resident
<b>Nazrul Islam</b> , Dorset Community Association
<b>Feruza Baratova</b> , Community Organisation

*Council Officers*

<b>Brenda Doku</b> , Voluntary & Community Sector Team
<b>Ralph Million</b> , Senior Strategic Asset Manager
<b>Michael Rourke</b> , Divisional Director, Property and Major Programmes
<b>David Freeman</b> , Voluntary & Community Sector Strategy Manager
<b>Josh Armstrong</b> , Cabinet Support Officer
<b>Daniel Kerr</b> , Strategy & Policy Manager
<b>Katy McGinity</b> , Strategy & Policy Officer

## 4. Findings

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### Community benefit rent reduction scheme

- 4.1 In parallel with the community buildings review the council developed criteria and methodology to calculate the community benefit provided by organisations that occupied council's buildings.
- 4.2 The community benefit rent reduction scheme was agreed by Cabinet in 2016. The purpose of the scheme was to reduce the rent payable for organisations who meet specific criteria relating to the community benefit of their activities and to their organisational governance and management.
- 4.3 Initially, only organisations located in the council's community premises portfolio were eligible for the scheme. This was later extended to all VCS organisations occupying council premises on a lease of between 3 - 5 years with the additional conditions of the scheme are set out at paragraph 3.4
- 4.4 Currently, there are some exceptions to those that are eligible for the community benefit rent reduction scheme. These groups include playgroups/nurseries and faith groups occupying places of worship.
- 4.5 These categories were deemed to require separate consideration by the council due to the nature of their occupation and the fact that while many members of the community make use of the facilities, they do not fall into the strictest interpretation of community facility.

### Playgroups & Nurseries

- 4.5.1 Due to the nature of playgroups and nurseries occupation of buildings which is usually up to 5 days per week and during term time the areas may not be suitable for alternative use. This means that for the remainder of the time the buildings may not be suitable for community use due to specific fitting out of play areas.
- 4.5.2 In addition, many playgroups and nursery's charge for their services which means any subsidy received by the organisation can only be enjoyed by those people who are able to place their children in the playgroup. It was therefore agreed that playgroups would be charged the full open market rental.

### Places of worship/faith groups

- 4.5.3 Similarly, while it was acknowledged that places of worship are utilised by a large section of the boroughs population, assets are intended to service as broad a segment of the community as possible. To that end, the council does not routinely provide



financial support to places of worship for single denominations/faiths.

- 4.5.4 Congregants often contribute to the support and running of the building and in most instances the organisation can afford to pay for its buildings. Therefore, all buildings used solely for religious services or other services limited only to the congregation will pay full open market rental.
- 4.6 Evidence was heard in the scrutiny challenge session from representatives from both nurseries/playgroups and faith groups.
- 4.7 A representative from a nursery based in the borough stated that the rents charged to her organisation were unaffordable and were impacting on the ability to pay salaries of staff.
- 4.8 While it was acknowledged that there was an offer of stepped increases in rents over the period of the lease, this made little difference and the organisation has to spend reserves to meet costs. These reserves will eventually run out.
- 4.9 Taking on more children to increase revenue was not an option due to the level of involvement from parents and therefore the provision cannot be expanded. The only option is to increase fees to parents which would effectively double what is currently charged resulting in the nurse becoming unaffordable to many families in the borough.
- 4.10 The representative encouraged the council to look at the wider benefit the nursery and other similar organisations brought to the borough and its role in the lives of young people and their families. Their current situation is unsustainable and ultimately, the rents charged would only be manageable if nurseries become eligible for the community benefit rent reduction scheme.
- 4.11 The correlation between the availability of affordable childcare through nurseries/playgroups and employment should also be highlighted.
- 4.12 The availability of affordable childcare enables low income families to access employment which is particularly significant given two thirds of all Bangladeshi households (68%) and just over half of all Somali households (53%) in the borough have dependent children. Women are more likely to be the primary caregiver and therefore not able to work if childcare is not available illustrated through lower employment rates for women, in particular BAME women in the borough whose rates of employment are 21% lower than that of BAME women in London (38 vs 59).
- 4.13 People accessing a range of education, training and employment opportunities is a key outcome contributing to priority 1 of the council's strategic plan. The availability of childcare enabling local residents to access employment is a key contributor to the council achieving this outcome and any closures of nurseries/playgrounds would therefore impact this.

- 4.14 A representative from a faith group based in the borough encouraged the council to acknowledge the wider community benefits that faith groups provide and the significant and influential role they play in addressing community concerns and promoting cohesion in the borough therefore contributing to the council's strategic plan priority outcome 8 *'people feel they are part of a cohesive and vibrant community'*.
- 4.15 While it was acknowledged that a general exclusion for faith groups exists for most local authorities it was suggested that not all activities being carried out in a faith organisation/building should be defined as a 'faith activity' and therefore excluded as being a community benefit. An example of this are study classes provided in the borough benefiting young residents and resulting in them qualifying for university and higher study. Lunch clubs are also held for residents which reduce loneliness and isolation and improve health and well-being of residents supporting the council's strategic plan priority outcome 3, *people access joined-up services when they need them and feel healthier and more independent*.
- 4.16 Faith groups take an active role in improving school attendance and address pertinent issues that exist in the borough through their dynamic way of communicating with their congregation. The messaging from faith groups in the borough can be more effective than traditional channels used by the council. Faith groups encourage residents to take an active role in their school, community and neighbourhood which result in positive behaviour changes.
- 4.17 In addition, the majority of faith groups are run solely by volunteers, which is the type of active citizenship the council is encouraging its residents to undertake through the Tower Hamlets Volunteer Centre.
- 4.18 A representative at the session said that rental increases from £3,000 to £10,000 mean that beyond March 2020 there are no funds left for these activities and while it was acknowledged that faith groups have specific needs and require different spaces there needs to be a balance struck between this and what is reflected in the community benefit rent reduction scheme.
- 4.19 Alongside nurseries/playgroups and places of worship/faith groups, Tenants and Residents Associations (TRA) who are recognised by Tower Hamlets Homes, the council's housing arms-length management organisation who have entered into leases based on peppercorn rent are not eligible for the community benefit rent reduction scheme.
- 4.20 This rule does not reflect the important role that TRA's play in the lives of residents and their work in shaping the local area. Initiatives undertaken by TRA's contribute to the creation of community cohesion and sense of ownership and belonging in a local area. While through taking care of improvements, TRA's encourage residents to take greater ownership of an area which reduces the likelihood of vandalism and littering.

4.21 In addition, evidence heard from a representative of a TRA in the borough suggested that the conditions of the leases including the cost of internal repairs were the main onus on TRA's. This point is addressed by recommendation 5.

**Recommendation 1:** That the council amends the community benefit rent reduction scheme to recognise the value nurseries/playgroups, faith groups and Tenants and Residents Associations bring to the community.

#### Vision and strategy for community buildings

4.22 The council owns both community buildings and other properties. There are currently approximately 230 retail properties leased to organisations for the key purpose of generating income for the council. There are currently 60 community buildings located across the borough leased to VCS organisations.

4.23 Evidence heard at the challenge session suggested that since the review in 2016 the borough and landscape in which VCS organisations are operating has changed significantly. This can be illustrated through the decrease in the number of community buildings now available. When the review was undertaken in 2016 there were 76 properties identified as making up the community buildings portfolio. However, since that time 16 of these buildings have ceased being used by the community and in the majority of cases are or are in the process of being converted to residential use. This is a significant reduction in the number of buildings available for VCS organisations.

4.24 During the 2016 review, requirements for organisations leasing community buildings were also established. This ensured that a consistent approach was agreed and the need for openness and transparency was met. It also worked to achieve the council's requirement to charge an appropriate rent and ensure hidden subsidies would be phased out.

4.25 However, a framework outlining the council's vision for community buildings was not developed and it remains unclear to what value the council places on the remaining 60 buildings classed as 'community buildings'.

4.26 The scrutiny challenge session has identified the need for a greater distinction between community buildings for use by the voluntary and community sector and those buildings being held by the council for other purposes including income generation.

4.27 It is suggested that a distinct vision and strategy should be developed to do this and reflect the value these premises have in the lives of our local residents and VCS organisations.

**Recommendation 2:** That the council develop a vision and strategy around community buildings that recognises the value these premises bring to residents and VCS organisations.

4.28 Commercial properties owned by the council that are available for lease are advertised on the council's website. Information about the property includes a description of its layout, location and size. Information of this nature is not currently available for community buildings in the borough.

4.29 Evidence heard at the challenge session included the need for greater transparency around the allocation of community buildings. A representative of a VCS organisation that has recently moved into the borough explained that her organisation required a larger space to expand on what the organisation was offering however found it difficult to access information on what buildings were available or the process to access these.

4.30 While it is acknowledged that new community buildings do not become available very often evidence heard in the challenge session suggests that the council could go further in providing information on how spaces can be accessed by VCS organisations which would in turn create greater transparency around the use of community buildings in the borough.

**Recommendation 3:** That the council uses its website and other communication channels to set out information around its community buildings including availability, location and how they can be accessed by VCS organisations.

4.31 An organisation's on-going eligibility for the community benefit rent reduction is reviewed annually for the duration of the lease to ensure financial good governance; sustainability and delivery of community value are present through the duration of the rent reduction period.

4.32 This review includes site visits as well as analysis of annual reports and account for organisations in receipt of the rent reduction. Annual reports need to be produced in a timely fashion and include a section on how the organisation has delivered their public benefits, giving details on activities undertaken throughout the year and how these relate to the social/charitable objectives of the organisation and the councils strategic priorities.

4.33 Evidence heard at the challenge session suggested that there is a lack of available spaces for community organisations to utilise in the borough and that a lot of premises are grossly underutilised.

4.34 It was suggested that better use of premises and sharing of spaces could be explored by the council and one way to achieve this was to establish a more robust monitoring practise of premises currently leased in the borough.

4.35 Similar to the monitoring of organisations who receive the community benefit rent reduction outlined above, this process would identify whether tenants are meeting the terms of their lease and/or funding agreement but also explore if the space is being fully utilised with a view to determine if there is room available for other VCS organisations to utilise.



**Recommendation 4:** That the council monitors the use of premises leased to VCS organisations to ensure they're being used within the terms of the lease and/or funding agreements.

#### Capacity Building for VCS Organisations

4.30 With the leasing of premises come legal duties around facilities management (FM). FM can be defined as looking after your buildings and people with many different obligations fall under the umbrella of FM from the agreeing of contracts for the provision of services to the meeting of statutory duties.

4.36 Historically the provision of facilities management advice for community organisations has been provided on an ad-hoc basis by various organisations. An example of this was the Beyond Boundary project, a collaborative community project managed by the East London Business Alliance (ELBA). As part of this project key community partners used their professional expertise to support community organisations with a wide range of challenges which included the provision of facilities management advice.

4.37 Evidence heard at the scrutiny challenge session suggested that the various statutory duties that community organisations are currently required to meet can become onerous for small organisations that do not necessarily have the technical expertise or capacity to meet these obligations.

4.38 It was suggested that there are existing resources and professional expertise that could be better utilised to help build the capacity of VCS organisations in meeting their obligations under a lease.

4.39 Evidence heard by a partner in the challenge session outlined a more responsive approach to facilities management matters and agreed that there is scope for potential joint working on facilities management capacity building across the borough.

4.40 It is suggested that the council work with partners including private companies in the borough who already have the expertise in facilities management within their organisation to develop a joint approach to training and building the capacity of VCS organisations in this area.

4.41 This mechanism is likely to fit within the councils approach to social value and within the social value benefits currently included within the community benefit scheduled/social value matrix and capitalises on the council's purchasing power through procurement.

**Recommendation 5:** That the council works with partners to provide capacity building to VCS organisations on matters relating to facilities management of premises.

#### Community Hubs

- 4.42 The council has developed a network of community hubs across the borough that are designed for use by local community groups, VCS organisations and local residents. They are bookable, versatile spaces that are designed to allow multiple community groups to use the building at the same time. The spaces are available at hourly rates, let on a formal hire agreement with discounts available for long term bookings. Of the four hubs currently operational, two are managed directly by the council and two through management agreements with Poplar Harca.
- 4.43 Evidence heard at the scrutiny challenge session commended the flexible model that the community hubs provide for community groups and VCS organisations. However, concerns were raised that the model does not reflect the needs of these groups who ultimately require a permanent base to operate out of. Attendees supported the view that a permanent base provides organisations with a sense of belonging in the borough and create continuity for the organisations and the residents they engage with.
- 4.44 To address these concerns and develop the role of community hubs in Tower Hamlets further it is suggested that the council adopt a vision and strategy for community hubs to ultimately enable VCS organisations to take a lead role in their management. Adopting an alternative management model would create opportunities for organisations to facilitate affordable access to a diverse range of organisations and residents.
- 4.45 While community hubs currently serve a purpose for facility hire on an ad-hoc basis they do not necessarily meet the needs of the community and VCS organisations. Enabling greater influence over community assets such as the community hubs by groups who are on the ground and aware of what the sector needs will ultimately improve the services they provide and the lives of Tower Hamlets residents.

**Recommendation 6:** That the council develops a vision and strategy for community hubs to enable VCS organisations to take a lead role in managing and facilitating affordable access to these premises.

## **5. Conclusion**

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- 5.1 The scrutiny challenge session aimed to assess the effectiveness of the community benefit rent reduction scheme in mitigating any potential impacts on VCS organisations following the introduction of premises charges and whether the scheme goes far enough to ensure a thriving voluntary and community sector in Tower Hamlets.
- 5.2 The session acknowledged the positive impact the introduction of these charges has had in creating greater transparency and consistency across the councils process related to premises. It is also acknowledged that the council worked alongside VCS organisations throughout the establishment of the principles for lease arrangements and the introduction of the community benefit rent reduction scheme itself.
- 5.3 However, in undertaking this review we heard the views of various groups and found several areas of improvement where the council can do better to support the sector and these need to be addressed by the council as outlined in the contents of this report and recommendations made.
- 5.4 Three of the six recommendations relate to improvements that can be made through the development of policy and/or strategy around community buildings. VCS organisations and the council's recognition of their role in the community.
- 5.5 The remaining three recommendations are practical steps the council can take to improve current practice and build transparency around community buildings.
- 5.6 Ultimately, the contribution that VCS organisations bring to the community and our residents needs to be recognised by the council and reflected in its policies and strategies relating to premises. It is the aspiration of this session to influence and inform this change.

