


Grants Determination Sub Committee 21 st April 2021	 TOWER HAMLETS
Report of: Karen Swift	Classification: [Unrestricted or Exempt]
Changes to Grant Funding to Ocean Regeneration Trust (ORT)	

Lead Member	Councillor [Name], Cabinet Member for [Post]
Originating Officer(s)	Imelda Burke
Wards affected	St Dunstons
Key Decision?	No
Reason for Key Decision	This report has been reviewed as not meeting the Key Decision criteria.
Forward Plan Notice Published	22 nd March 2021
Strategic Plan Priority / Outcome	Priority One

Executive Summary

This report seeks approval for an amendment to the GDSC report of January 2019 which sought approval of £809k to support the Ocean Regeneration Trust (ORT) to manage the Harford St Centre and deliver socio-economic benefit to the Ocean estate as described in the 2019 approval attached. An additional £61k was included as contingency and approved in order that ORT could meet rental payments for the Centre if they did not meet the criteria for the council's 80% rent reduction programme. ORT has already been granted £80k from the approved agreement. This leaves the outstanding amount from the agreement at (£809k - £80k = £729k).

This report seeks to terminate the council's and ORT's funding arrangement with another one-off payment of £80k from the HRA/shop income to ORT. The HRA has provided grant payments to support the Trust since it's inception.

Recommendations:

The Mayor is recommended to:

1. To agree an amendment to the January 2019 approval of a three-year grant funding to ORT.
2. The amendment is for a one-off payment of £80k derived from shop income on Ben Jonson Rd. If agreed this would then end any future funding from the retail unit income to the ORT. This sum is requested from the £809k originally approved in January 2019, minus a sum of £80k already granted for 2019/2020 (as above).
3. The ground rent income will not be affected and will continue to be collected by the Council and transported annually to ORT first quarter of each year in line with the original Ocean Estate development agreement. The year 2019/2020 ground rents totalled £118k. This is an ongoing income for ORT and will not be affected by ending the recommendation of this report.

1 REASONS FOR THE DECISIONS

- 1.1 The reduction of income from the Ben Jonson Rd shops has had an impact on what the council can justify in grant payments to ORT. As previously stated, the income for the Trust has come from the shop units/HRA; the recommendation is to end this arrangement.
- 1.2 The council and the ORT have met three times to discuss the change. The mayor was present at one meeting where the decision was relayed. The decision was met with disappointment but there was an understanding that this needed to happen.
- 1.3 The Trust understand that they will continue to receive ground rent payments. These are not considered grant payments; they are derived from the leasehold units on the Ocean estate. This is documented within the individual lease agreements.
- 1.4 In summary detailed below is that as of 2021/2022 ORT will receive:
 1. A one-off payment of £80k thus ending the original agreement of £809k (having already received £80k for 2019/2020) for three years. The balance of income from the shops will continue to cover the running costs of the Harford St Community Centre and considers the reduced income from the new retail units which is not enough to support the continuation of Trust activities.
 2. The ongoing income from the ground rents from the leasehold units on the Ocean estate which totalled £118k 2020/2021 and is expected to go up by at £27k from newer units plus %RPI on existing ground rent income in 2021/2022.

3. The future income due to ORT for 2022/2023 onwards is the ground rent payment only.

2 ALTERNATIVE OPTIONS

- 2.1 Facilities Management (FM): this option will continue with the HRA subsidising the Centre. It is recognised that subsidy from the shop income will still be needed to cover running costs but that economies of scale from managing the centre within the council will benefit the Centre as a resource for the community. The council is focussed on keeping the Centre as a community facility and reducing the impact of reduction of ORT funding across the Ocean estate.
- 2.2 Other third sector groups could be considered but would have to go through a tendering process. The FM option is the most expedient in monetary and time terms.
- 2.3 Competitive tendering for organisations not within the borough; this would entail a more in-depth tendering/advertising exercise which would not be in keeping with a centre for local and community delivery.

3 DETAILS OF THE REPORT

- 3.1 This report is an amendment of the January 2019 GDSC approval for funding for ORT. The original approval was for £809k plus contingency of £61k. The funding agreement encompassed the three-year lease of management of the Harford St Community Centre and project support of ORT for socio-economic grant funding to local groups.
- 3.2 The previous approval is attached for reference; the council would like to amend this inline with reduced income from the new Ben Jonson Rd retail income that was originally earmarked to support the Trust.
- 3.3 The three-year grant payment stated above comprised of:
 1. New retail units - £528k
 2. Existing units - £281k
 3. Totalling £809kWhich then comprised:
 4. Grant to ORT of £80k for 2019/2020
 5. Totalling £729k

The council is looking for approval to cease this arrangement. The anticipated rental income from the new retail units has not yet been realised and it may take some time to see this flow. The impact of shop closures has led to delays with leasing the remaining units.

- 3.4 The existing shop income will continue to subsidise the running of the Harford Community Centre, circa £110k. This ensures that the Centre is not at risk of being closed to the community in normal times. These funds were part of the original funding application for ORT to run Harford St but will now be redirected to FM.
- 3.5 The £80k sought through this application will support the 2021/2022 delivery of community grants. This will be monitored through ORT board report updates as has happened each year since they commenced.
- 3.6 The ORT is the legacy group for the New Deal for Communities which finished in 2011. The Trust has ground rent funding guarantees enshrined within the leasehold agreements for the newbuild properties on the Ocean estate. This is not grant funding and the Trust is entitled to this so long as the leasehold agreements on the Ocean estate exist as they are.
- 3.7 The unit ground rent charge was £250p.a. per unit, with a rise of %RPI each year. The income totalled circa £118k in 2020/21.
- 3.8 There will be further income to add to this in 2021/22 as new units from the Aston St development (a much later Ocean development) are added to the ground rent income to the Trust. This is currently estimated to be £27k but to be confirmed later this year.
- 3.9 The ORT will restructure their organisation according to the adjusted funding from the council. Their core objectives of socio-economic output on the Ocean estate will not change; this is written into the Ocean leaseholder agreements; however, ORT may consider adjusting funding application limit received from community organisations (i.e. the community grants) to suit their revised income.
- 3.10 The continuing occupation of the first floor of Harford St by the ORT/Stepney Life Centre (SLC) Partnership is being negotiated through Asset Management. SLC has continued to adapt and deliver, particularly in times of lockdown, for women in the locality and across the borough. This report does not imply any change to the current situation for SLC.

4 EQUALITIES IMPLICATIONS

- 4.1 The ORT continues to receive ground rent payments with the associated obligation of Ocean residents being the beneficiaries of those funds. The reduced funding will mean reduced delivery, but it is expected that their resources will continue to benefit residents of the Ocean, which in turn will mitigate against any equality implications.
- 4.2 Reducing the funding necessary for ORT to manage the Harford St Centre will help to take pressure off council funding; this will allow the centre to continue to be accessible to the wider community once Facilities Management take over the running of the centre.

- 4.3 [Report authors should identify from analysis and engagement how the proposals will address equality implications arising from the proposal.

5 OTHER STATUTORY IMPLICATIONS

- 5.1 There are no statutory implications as a result of this document.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 On 16 January 2019 the Grants Determination Sub-Committee approved funding totalling £889,000 to the Ocean Regeneration Trust (ORT) as follows:

2018/19	£80,000
2019/20 to 2021/22	£809,000

- 6.2 This funding is being met from rental income generated from shops on the north side of Ben Jonson Road as follows:

2018/19	£80,000 - contribution from the rental income from shops on the south side
2019/20	£528,000 - the full rental income from the new shops on the north side
2020/21	£281,000 - contribution from the rental income from shops on the south side

- 6.3 The ORT currently occupies Council premises at Harford Street under the terms of a licence that was approved in April 2015. The Trust pays a market rent for the property to the Council from its own resources which are in part dependent upon this Council grant funding. On 1st April 2019, the ORT entered into a three year lease with the Council to fully manage the Harford Street Centre.

- 6.4 This report proposes to terminate the council's and ORT's funding arrangement with a further one-off payment of £80k from the HRA/shop income to ORT.

- 6.5 If approved the rents from the shops at Ben Johnson Road will be retained by the Council and will benefit the Housing Revenue Account. There will be no benefit to the General Fund.

- 6.6 ORT will continue to receive the ground rent income which will continue to be collected by the Council and transported annually to ORT first quarter of each year in line with the original Ocean Estate development agreement. For the financial year 2019/2020 ground rents totalled £118k.

7 COMMENTS OF LEGAL SERVICES

- 7.1 The Council has the legal power to undertake the activity described in this report.

- 7.2 Prior to making the change the Council will undertake an Equalities Assessment to ensure that the changes referred to in this report do not have a disproportionate impact on people who have a protected characteristic. In the event that the assessment shows that people with a protected characteristic are disproportionately affected, the Council will undertake such further necessary action as is required to redress the imbalance.
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Linked Reports, Appendices and Background Documents

Linked Report

- GDSC January 2019

Appendices

- NONE

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- List any background documents not already in the public domain including officer contact information.
- These must be sent to Democratic Services with the report
- NONE

Officer contact details for documents:

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