



LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet 2 November 2023	
Report Title	Enabling VCS Growth through our Voluntary and Community Sector Property Estate	
Cabinet Portfolio	<p>Councillor Vicky Ashworth, Portfolio Lead Member for Jobs, Social Inclusion and Equalities</p> <p>Councillor Ahsan Khan, Deputy Leader (Housing and Regeneration)</p>	 
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Wards affected	All	
Public Access	Open	
Appendices	<p>Appendix 1 - VCS Premise List</p> <p>Appendix 2 - VCS Policy Framework and Principles</p> <p>Appendix 3 – Equalities Screener</p> <p>Appendix 4 - Reference from Communities Scrutiny Committee</p>	

1. SUMMARY

- 1.1 This report outlines a proposed framework for a new VCS Leasing Policy that aims to establish a fair, transparent, and consistent approach to lease arrangements and rent levels for VCS organisations occupying properties on the VCS Premises List. By establishing this policy, we aim to make better use of community spaces for the benefit of residents and the Voluntary and Community Sector (VCS), enable sector growth and develop a deeper, more strategic relationship with the sector, particularly our VCS Tenants. Appendix 1 details the VCS Premises List and Appendix 2 details the key framework and principles of the policy. A 12-month pilot phase is proposed, through which implementation processes will be developed through consultation and collaboration with the VCS sector.
- 1.2 In summary, the framework proposes:
- (a) A standard VCS lease of five years with consistent elements, including lease length and terms. The specifics of the agreement

will be negotiated on an individual basis based on the needs and capacity of the organisation.

- (b) VCS organisations that occupy a property on the VCS Property Premises list (VCS Tenants) will be eligible to apply for a standardised rent discount of 80% from commercial rental value.
- (c) To determine eligibility, new and current VCS tenants will be required to complete an assessment. Applications will be assessed against published awarding criteria and VCS tenants will be supported to complete applications by an independent facilitator.
- (d) Rent discounts will be granted subject to agreed Service Level Agreements that outline delivery objectives and responsibilities for VCS tenants, for the duration of the agreed rent discount.

2. RECOMMENDATIONS

2.1 Cabinet is recommended to:

- 2.1.1 Endorse the policy framework and principles of a VCS Leasing Policy in Appendix 2.
- 2.1.2 Approve further consultation with VCS tenants and wider stakeholders on these principles and development of the policy in full.
- 2.1.3 Note that the policy will be piloted with an initial tranche of approximately 13 VCS Tenants over the forthcoming year, with the full policy returning to Cabinet for approval in approximately 12 months.

3. PROPOSALS

- 3.1 The VCS Premises portfolio currently consists of 30 properties. The portfolio generates a gross income of £170,000 per annum, signifying an investment in the VCS of close to £750,000 per annum in discounted rent. However, the ROI on this investment is not evaluated and therefore this capital investment is not measurable. Within the 30 properties, over 50% of leases have expired, 25% are paying a peppercorn or £1 rent and 3% are paying a commercial rent. In addition, 40% of buildings need substantive repair and 80% require upgrades to meet upcoming changes to sustainability regulations in 2025 (EPC).
- 3.2 The Council's historical inconsistent approach to how and on what terms and rent levels it leases properties to the VCS has had a negative impact on both the VCS and the Council. For VCS tenants, the ad hoc nature of agreements and rent levels has led to inequities across the portfolio, with rent levels ranging from peppercorns to near commercial rent values. Historically, communication between the Council and VCS tenants has been at the point of leasing or where building management issues have arisen and not led to partnership working. This has not enabled collaborative and productive working relationships, with VCS

tenants unable to advocate for their wider needs and use their relationship with the Council to build new partnerships or grow their service offer. Organisations are unable to demonstrate the contributions they are making in their local neighbourhoods, putting their hard work at risk of undervaluation.

- 3.3 For the Council, these same issues have limited the impact of the VCS property portfolio and made it difficult to align it with broader Council business needs, such as identified local needs of residents and wider place-based initiatives. The Council also places itself in an area of potential risk in its current approach, as many organisations have not invested in the upkeep and repair of their premises in a proactive manner, despite having full control and exclusivity for the premises, and often do not fully understand their legal responsibilities for the premises. It frequently falls to the council to step in to deal with and incur the cost of maintenance and repair issues to keep the building operational. More concerning is that many organisations have failed to comply with statutory Health and Safety requirements. These proposals seek to help these organisations to maintain statutory and lease compliance and to benefit from the Council's economies of scale where we procure these services across the wider public estate.
- 3.4 In July 2019, Cabinet approved funding for a two-year programme to implement a Community Asset Strategy. This approach included purchasing a license for the Community Benefit Assessment Tool (CBAT) to calculate a range of rent subsidies and explore the creation of Community Hubs across the then Connecting Communities network. 17 CBAT assessments were initiated between 2019 and 2020; 11 were completed. However, the results of the assessments were not taken forward due to the interruption of Covid-19 in 2020 and concern that the CBAT methodology was unable to fully reflect the enhanced role of the VCS and uncertain future of the sector. The resulting programme during the Coronavirus outbreak 2020/2021 focused instead on addressing building compliance within the portfolio, ensuring resilience throughout the pandemic, supporting tenant training needs and the establishment of a food distribution hub.
- 3.5 The Property and Communities and Participation team have assessed the role of VCS premises in the context of wider Council asset portfolios and explored new ways of managing VCS premises to better meet the VCS and Council's business needs.
- 3.6 **We propose to develop a VCS Leasing Policy that aims to:**
- (a) To ensure that the VCS Property Portfolio is used to its full potential, maximising the social and community value of each tenancy in support of the VCS and residents of Waltham Forest.
 - (b) To establish a fair, consistent, and transparent approach to the way in which properties are valued and rents are set; terms of occupation; how discounts are applied to VCS organisations;

how objectives for community use and access are agreed and how social value of community assets is measured.

- (c) To ensure that public assets occupied by VCS tenants are well maintained, compliant and the value of assets is protected.

3.7 Policy framework and principles: Outlined in the summary and detailed in full in Appendix 2.

3.8 Development and Implementation: The policy framework has been developed in consultation with leading policy experts in Community Assets, Locality. This has included devising a consultation plan with three main stages:

- (a) *Recommended policy framework:* This will be shared with the sector following Cabinet approval and 1-2-1s will be held with each VCS tenant to discuss next steps and build our understanding of how the policy and its development phase might affect individual organisations.
- (b) *Broad VSC engagement:* With all VCS tenants to develop our awarding criteria and develop a shared vision for the social value we want to see from our VCS Premises portfolio.
- (c) *VCS tenant piloting:* We will pilot the policy with an initial tranche of approximately 13 out of the total 30 VCS tenants, where a rent review or lease renewal is due. This phase will be supported by an independent facilitator who will work with the Council and VCS tenants to establish Service Level Agreements to reflect the individual nature of VCS groups and maximise the building for local need. Through this pilot phase we will develop tools and an approach that builds capacity and strength within organisations and minimises the capacity required. We will also learn from this phase how far the process and policy need to be shaped to the needs of individual groups, what flexibility is needed and what timescales are appropriate going forward.

3.9 Approval of full policy and procedures: Following the piloting phase, the fully developed policy will be brought to Cabinet to recommend implementation.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 To do nothing is not an option for the reasons set out in this report. Primarily it would result in a missed opportunity by the Council in the effective use of its assets to invest in the VCS, support sector growth and enable the community sector to support residents. In addition, unleased properties with inadequate maintenance presents a risk to the Council that requires remedial action.

- 4.2 Other approaches to this challenge have been explored, including considering further use of the CBAT tool as previously procured. However, extensive engagement and analysis has shown that the sector would benefit from a more forward-looking, strength building approach that seeks to deepen the relationship between VCS tenants and the Council and builds capacity and resilience through the process. This is regarded as better value for money and more likely to result in successful implementation.
- 4.3 Implementation without a pilot phase has been identified as unlikely to result in successful outcomes for the Council or VCS tenants. Using a pilot phase will enable us to develop supportive processes, a shared vision and to ensure that financial viability can be achieved.

5. COUNCIL STRATEGIC PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

- 5.1 Despite being hard hit by austerity measures, the pandemic and the cost-of-living crisis, VCS partners in Waltham Forest have continued to support vulnerable residents during times of crisis and provide key support to residents throughout the borough. Our VCS have helped the Council and their partners to shape and deliver responses that reach our most vulnerable residents and have been supported through new funding programmes to drive grassroots delivery and innovation. However, key recommendations from research and engagement over 2022/23, including the Marmot review, 15 Minute Neighbourhoods and research into Social Care demand, have highlighted the need for the VCS to play a strategic role in shaping local provision, in providing a range of services to residents and in representing the needs of their diverse communities and service users.
- 5.2 In 2023, the Council began development of a strategy that aims to increase the resilience of the VCS in Waltham Forest, develop a more strategic relationship with the sector and enable sector growth. As part of this work, access to suitable spaces to deliver services and activities for residents was identified as a key enabler. Consultation conducted from May to June of 2023 found that the cost of venue hire was the critical issue facing VCS groups, followed by availability of suitable spaces and access to information about available spaces.
- 5.3 The Council's portfolio of 30 properties leased directly to the VCS to manage and operate is an essential resource in responding to these needs. These properties enable VCS tenants to provide local services and activities for residents, to generate core revenue through rental income and to be flexible and resilient to changing needs of their communities. The VCS estate has been analysed alongside a broad group of Council assets and in the context of wider development and place-based initiatives. A process of prioritisation and engagement with councillor and officer stakeholders from across the Council has been

conducted, enabling us to take a strategic view on the needs of residents in each area of the borough over the coming years.

- 5.4 Through this work, we identified opportunities across the Council estate to address buildings that are beyond economic repair and do not meet our energy efficiency objectives and bring new fit-for-purpose affordable spaces into community use, as part of the borough's growth opportunities outlined in the Local Plan. This longer-term programme will focus on working collaboratively across the Council and with the community on opportunities to bring new spaces into community use, including current projects such as Soho Theatre. Through engagement with the Council's Planning and Regeneration Teams, the use of planning tools like Site Allocations and Planning or Site Briefs will be explored to support this long - term programme. The suite of priority Supplementary Planning Documents (SPDs) that are currently being drafted will emphasise the importance of community spaces. This will include details on how they can be delivered to Exemplar Design standards in the Exemplar Design SPD and expectations relating to Developer Contributions in the Developer Contributions SPD. Community Spaces will also be an important theme in the Green and Blue Spaces SPD, albeit in relation to outdoor spaces. Specific expectations for community space - both indoor and outdoor - in the Leyton Mills area will be established in the Leyton Mills SPD.
- 5.5 As an immediate action, to ensure maximum utilisation and value to the community and voluntary sector of our existing spaces, we aim to transform the Council's approach to managing and leasing our existing VCS premises through a VCS Leasing Policy. Our aim is to deepen our relationship with VCS tenants and work in partnership to maximise and unlock social value through the VCS property portfolio. Through this work, further initiatives and approaches on working collaboratively to unlock community spaces will be developed to enable greater resilience within the sector and better outcomes for residents.

6. CONSULTATION

- 6.1 Consultation with VCS tenants and non-tenants has been conducted in 1-2-1s, at the Community Resilience Alliance meetings, and at the Community Participation Network. The insights gained through this consultation have informed our ambitions for unlocking affordable space for community use and this policy's focus on value for money, affordability, and accessibility. These insights will also feed into the development of further detail on process and procedure, such as the awarding criteria and evaluation framework for VCS tenants, which is subject to further consultation. Further consultation is planned following approval of the policy framework and will inform the implementation phase. Responses to this consultation will be included in future reports regarding this policy.

- 6.2 Consultation with Members has been undertaken throughout the process including at an All Members briefing in September 2023. Key insights from Members have been used to iterate details of the policy and implementation plans, including proposals for VCS tenant support, particularly for groups transitioning from minimum rent levels. A commitment to timely and continuous engagement with all members in addition to ward councillors has been made.

7. IMPLICATIONS

7.1 Finance, Value for Money and Risk

- 7.1.1 **Finance:** This programme will be funded through the remainder of the Community Asset Review budget, granted by Cabinet in 2019. The remaining budget currently held in reserves is £191,000. This budget will be allocated to staff costs in the Communities team who will be focused on supporting VCS tenants through the process. A budget of £50,000 is allocated to the Community Facilitator and capacity building role.

- 7.1.2 This policy is designed to fairly distribute rent and rent discounts between VCS tenants and be cost neutral on rent receipts to the Council. Service charges will be introduced for compliance testing (a cost already borne by VCS tenants) and charged on an at-cost basis to VCS tenants. Rent reviews and lease renewals will be conducted by the Property team as part of Business As Usual. The cost of management of the VCS Portfolio will be more transparent following implementation of this policy and included in future ROI and value for money assessments.

- 7.1.3 **Value for Money:** Numerous reports commissioned by the Council in 2022/23 demonstrated the critical link between the resilience and capabilities of the VCS and building a preventative and whole-system approach to health inequalities and inclusive economies. The focus of this project is to maximise the return on the investment made in the VCS through discounted rent of approximately £750,000 and develop a clearer model for reporting and evaluating the impact of this investment. This approach will also protect the current VCS rental income of £170,000 per annum.

7.1.4 Risk:

	Description	Countermeasure	Likelihood	Impact
1	VCS tenants facing an increase to rent despite successful qualification for rent discount and are unable to meet new rent levels	<ul style="list-style-type: none"> For the very limited number of groups facing a rent increase, time will be taken to discuss the impact of increased costs and explore support options, such as business modelling or fundraising support, as advised by an independent consultant. A timeline for implementation will be agreed in partnership with the VCS tenant and transition agreements will be explored where necessary. 	2	4

2	VCS tenants are not willing to enter a VCS Lease and continue to occupy building unregularised	<ul style="list-style-type: none"> Some VCS tenants will continue on existing leases until the end of the lease term before moving to a VCS lease. Standard Heads of Terms will be used as the starting point for all negotiations. 	4	2
3	VCS tenants are unwilling to engage and resistant to the new process	<ul style="list-style-type: none"> The process will be designed in collaboration with VCS tenants to ensure the process is helpful and appealing to the organisation. Iteration will be welcomed in the pilot phase. Extensive warm-up conversations and wider sector engagement will be undertaken. Stakeholder engagement with key partners will continue throughout the process to ensure both current tenants and non-VCS tenants views are heard. Where VCS tenants hold relationships with teams at the Council, relevant officers will be invited to support the process. Consultation will be undertaken in line with broader VCS strategy activity and delivered in a way that uses VCS time efficiently and thoughtfully. A shared vision will be developed alongside this strategy work. Benefits and opportunities will be communicated clearly and feedback will be incorporated into further planning. 	2	4
4	Deterioration of VCS properties	<ul style="list-style-type: none"> Closer working with VCS tenants will enable the Council to develop its facilities management offer over time to support VCS groups to manage their buildings effectively and meeting compliance. Where VCS properties are not properly maintained the Council will enforce the terms of the lease and in extreme cases seek recovery of the asset to ensure safety for all users. VCS properties that are not well looked after and present a risk to residents or Council assets will be considered for alternate uses, with support to VCS groups in accessing space for their services and 	1	4

		activities that reduce the expectations and liabilities on the groups.		
	Poor utilisation of space continues	Where VCS tenants fail to satisfy Service Level Agreements the discounted rent award will be removed following review.		

7.2 Legal

7.2.1 Under section 123 Local Government Act 1972 the Council may dispose of land in any manner it wishes subject to obtaining best consideration or otherwise with the consent of the Secretary of State. Disposals under this section include a lease of more than 7 years. Therefore, where a lease is granted for less than 7 years there is no obligation on the Council to obtain best consideration.

7.2.2 Under the Local Government Act 1972: General Disposal Consent 2003 the Council may dispose of land for less than best consideration where the Council considers the disposal will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area. The undervalue may not be for more than £2,000,000. It is likely that where a property is leased to the VCS for more than 7 years that this Consent will apply. The position will be assessed on a case by case basis as necessary.

7.2.3 To provide a financial benefit is likely to constitute a subsidy under the Subsidy Control Act 2022. However, individual transactions are likely to be below the minimal financial assistance threshold and therefore exempt. The position will be assessed on a case by case basis.

7.3 Equalities and Diversity

7.3.1 A key aim of this policy is to bring more transparency, fairness and equity to our leasing of VCS properties and therefore overall, the policy will have a positive impact on equalities for the sector as a whole. For individual beneficiaries of VCS groups, initial screening does not indicate any negative implications on protected characteristics. Impact screening template is attached at Appendix 3. Further collaboration with VCS tenants through the implementation of the policy will provide the opportunity to gain a more detailed picture of the residents and communities using each VCS property. We will seek to include EDI reporting and targets in policy implementation where appropriate, with the ambition of enhancing the diversity of residents that can access community spaces.

7.4 Sustainability (including climate change, health, crime and disorder)

7.4.1 There are no negative environmental implications arising from this policy. There are wider statutory changes (i.e., increased in EPC thresholds) that occur from time to time and the approach in changes to the repairing obligations held by the Council creates an opportunity for the Council to undertake improvement works to increase energy

efficiency within its premises in a proactive manner working with the VCS occupiers. Further, proposals are being developed to invest in energy efficiency measures within VCS premises as part of the Council's Carbon Management Plan.

- 7.4.2 In addition, we will explore including objectives within the Service Level Agreements with VCS tenants that support our Climate objectives. These may include prioritising and enabling active travel, such as providing bike storage or changing facilities, or supporting users to reduce their waste and energy consumption.

7.5 Council Infrastructure

- 7.5.1 There is no immediate impact on the Council's infrastructure as implementation will be supported by existing officers and temporary posts funded through the 2019 Community Asset Review budget. Long term, this improved management of approach should minimise case work and support timely and consistent management of the VCS estate. There does also have to be acknowledgement that in efficiency drives and use of assets we need ensure we achieve for our communities' access to good, fit for purpose facilities, that serve their outcomes. Property should be considered as an enabler for the wider community engagement approach the Council aspires to achieve.

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None