

Appendix 2: Policy Framework: VCS Leasing Policy

Introduction

Following a period of research, analysis and internal stakeholder engagement, the following framework and principles have been agreed as the starting point for a VCS Leasing Policy. The policy will provide a framework through which new leases will be granted, existing leases reviewed and rental levels determined when VCS organisations lease Council-owned premises. In addition, it will introduce a process through which Service Level Agreements (SLAs) between the Council and its tenants can be introduced and incorporated into VCS Leases; and whereby a standardised rent discount can be linked to the community tenant's delivery of agreed social value through use of the Council's buildings. Further details, processes and procedures will be developed in consultation following approval by Cabinet in October 2024.

1. Scope

- 1.1 This policy applies to all Council premises on the VCS Property List. See Appendix 1. This policy does not apply to premises occupied under a temporary or meanwhile use.
- 1.2 To be eligible for a VCS Lease and/or rent discount, organisations must satisfy all of the following conditions: 1) the organisation is appropriately constituted and incorporated e.g., a registered charity or CIC; 2) the organisation has an annual gross turnover of less than £1M; 3) the building is on the VCS Property List.

2. Key principles:

- 2.1 The Council will continue to maintain a portfolio of properties available to VCS organisations for the purpose of investing in the resilience of the VCS and the delivery of activities and services that benefit local communities and residents.
- 2.2 The utilisation of VCS premises should be **maximised for use by the community** by the VCS tenant, providing accessible and affordable space to meet local needs and reflecting the diverse character and nature of neighbourhoods.
- 2.3 The maximisation of VCS premises for local benefit extends to **encouraging the shared use of premises by other VCS organisations** and policies will be designed to support co-location, sharing and the hiring of spaces to VCS community groups beyond the primary tenant.
- 2.4 VCS premises should be leased on **fair, transparent and equal terms**. Rent discounts will be set at 80% discount from the commercial rental value of the property.
- 2.5 The award of rent discounts will be dependant on the VCS tenant entering into a service level agreement which sets out how the tenant will deliver agreed levels of social value. Delivery against the service agreement will be monitored and the aware of the rent discount reviewed periodically.
- 2.6 The council continues to seek best consideration and value and will take into consideration the potential cost to the council taxpayer through rental income foregone.
- 2.7 The implementation of this Policy and the management of the VCS portfolio will align with management of other Council assets and with other Council policies.

3. Key features: VCS Lease

- 3.1 **Term:** The standard term of a VCS lease will be 5 years to give occupiers sufficient security to plan services, building management and organisational development. The Council will also aim to allow sufficient time before lease expiry to discuss lease renewal. Where there is opportunity for organisations to secure significant external funding from external organisations, a lease of more than 5 years may be granted where it is a requirement of the funding. Such cases will be assessed individually on their merits.

- 3.2 **Landlord and Tenant Act 1954:** All leases will be excluded from the security of tenure provisions.
- 3.3 **Landlord's right to break:** The Council will have the right to terminate the lease upon giving 3 months' notice, although in the case of reason (b) the Council will inform at the earliest reasonable time and update the tenant as to any likely change in circumstances such that the Tenant has time to make suitable alternative arrangements with or without the Council.
- 3.4 **Tenant's right to break:** The Tenant will have the right to terminate the lease upon giving 3 months' notice.
- 3.5 **Permitted Use:** Generally, the Tenant will be permitted to use the premises for community use only.
- 3.6 **Rent:** The rent recorded in the lease will be the Open Market Rent and any rent discount will be recorded in a side letter and directly linked to the Tenant's performance in satisfying the terms of the SLA. Where an adjustment is applied in the calculation of the the Open Market Rent to take into account any restriction in the lease relating to the permitted use of the property and the commercial rental value is reduced, the property will not qualify for an 80% discount. The approach adopted to the application of the discount will be further described in the full policy and brought to Cabinet for approval. Annual Rent is increased at a rate of 3% per annum and rebased when the lease expires every 5 years or at such time the lease is terminated prematurely.
- 3.7 **Facilities maintenance:** A facilities management offer will be developed following engagement with the sector. The standard offer is likely to be limited to Health and Safety Compliance Testing, covering mandatory compliance requirement for fire, water, electrical, gas and asbestos. The Council will provide testing services to ensure the building is compliant and being safely used, and recharge these to the tenant at-cost as a Service Rent. The cost will vary according to the premises and from year to year, with different types of testing required every one, two and five years.
- 3.8 **Repairing liabilities:** The tenant will be responsible for the repair of the exterior and interior of the building. In the case of multi-let buildings the Council will maintain the structure and common areas and will recover the cost via a service charge.
- 3.9 **Insurance:** The Council will insure the building and recover the cost from the Tenant.
- 3.10 **Subletting and assignments:** The Tenant is not permitted to assign or sub-let the space with other organisations, except in exceptional cases where it can be demonstrated additional social value can be delivered to the residents of Waltham Forest having regard to the requirements of the Tenant's SLA. The Tenant is encouraged to hire out the space to other organisations for short term hire either on a regular basis or for events.
4. **Key features: Application and Award for VCS rent discount**
- 4.1 **The award process** will be triggered by a new letting, lease renewal, rent review, policy update or application from an existing VCS tenant. The VCS tenant will be notified and full details of the policy, process, criteria and support available will be shared well in advance. VCS Organisations will be eligible to apply for a rent discount at any time, subject to agreeing a SLA and demonstrating the ability to meet the performance targets.
- 4.2 **Awarding criteria** will be set to align with local needs and Council priorities and business needs. These will be developed in consultation with the wider VCS sector and residents.
- 4.3 Community tenants will be invited to **complete a self-assessment** to evaluate how they use or propose to use the property to satisfy the awarding criteria. They will be provided with support to complete their self-assessment from a Council officer from their sponsoring

service, such as Communities and Participation, or an external facilitator that the Council will provide.

- 4.4 The sponsoring service or external facilitator will **provide a recommendation** to an awarding panel of senior officers, who will decide whether the application meets the award criteria.
- 4.5 **If the criteria are met**, a rent discount will be granted at a standard rate. The Council and VCS organisation will use the self-assessment to articulate and agree the SLA which will document the terms of the agreement, the performance thresholds and the evaluation criteria applied at periodic evaluation.
- 4.6 **If the criteria are not met**; in the case of an existing VCS tenant, the Council and VCS tenant will use the self-assessment to establish a development plan to achieve the targets; and the rent discount will be granted for the period of the development plan subject to conditions. If sufficient progress against the development plan cannot be demonstrated, the rent concession will be removed and if necessary, the occupation of the public estate will be reviewed.
- 4.7 **SLAs will be appended to the lease agreement** and rent discount will be granted subject to meeting the objectives set out in the SLA. The process for the monitoring and evaluation of SLAs will be developed in due course subject to consultation.

Next steps

Following approval of these principles and features, a period of consultation will be held with the VCS sector and tenants for the remainder of 2023. In the new year, the policy and mechanisms for its implementation will be developed with an initial tranche of community tenants.